



House Committee on Revenue

March 21, 2023

Testimony in Support of HB 3039

Chair Nathanson, Vice-Chair Reschke, Vice-Chair Walters, and members of the committee,

My name is Daniel Hauser, Deputy Director for the Oregon Center for Public Policy, and I respectfully submit this testimony in support of House Bill 3039.

HB 3039 disconnects Oregon from the flawed Opportunity Zone tax breaks included in the federal tax package rushed through Congress at the end of 2017. These subsidies are designed to cut the taxes of wealthy investors — not help struggling communities. The research on tax breaks like these often finds public resources were wasted subsidizing investments that would happen anyway, while displacing existing residents.

There are three distinct capital gains tax breaks embedded in this federal policy. One reduces the capital gains on prior investments reinvested in an Opportunity Zone, another delays taxes on the remaining capital gains, and the final tax break is the exemption of capital gains on the actual Opportunity Fund investment if held for a certain time period.

Capital gains income largely flows to the richest Oregonians. In the most recent year we have data, the 2020 tax year, the richest one-tenth of 1 percent (richest 1 in 1,000) Oregonians collected more than twice as much capital gains income as the bottom 95 percent of Oregonians combined. Oregon should not be cutting the tax rate on capital gains income by connecting to the Opportunity Zone provisions at a time of record inequality.

These tax breaks for the rich have a short-term cost measured in the tens of millions per biennia, but could be much larger in the long-run. Much of the cost to the state from these capital gains tax breaks won't hit the budget for five, seven, or even 10 years after the Opportunity Fund investment.

Our mission is to achieve economic justice for all Oregonians through research, analysis, and advocacy.

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There is no requirement for investments in Opportunity Zones to consider the impact on the low-income residents of these communities. Surges in profit-seeking investment in established communities are likely to lead to expanded displacement of long-term residents and gentrification of the neighborhood.

HB 3039 wisely recognizes the dangers posed by Opportunity Zones. While we can't change the fact these Opportunity Zones exist and federal taxpayers will subsidize these investments for years to come, HB 3039 stops Oregon from doubling down on these tax subsidies moving forward.

Please support House Bill 3039.

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