



Date: March 21, 2023

To: Chair and Members of House Revenue Committee

From: Scott Bruun, OBI

RE: Testimony in opposition to HB 3039 / Opportunity Zone Disconnect

Chair Nathanson and Members of the Committee:

I am Scott Bruun, director of tax, fiscal and manufacturing policy for Oregon Business & Industry. OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians.

We are opposed to HB 3039. We are opposed because we believe that the bill would disincentivize opportunity zone investments in Oregon, which in turn will narrow and limit the tools at our disposal toward economic revitalization and job creation in distressed areas.

Power of capital

The whole idea of an opportunity zone is to provide a tax incentive to unlock capital for the benefits of redeploying that capital toward the public benefits of new investments in distressed and low-income areas. Simply put, the program is designed to use the power of capital to create opportunities and to improve lives. It does this by allowing capital gain taxes to be deferred at the federal level as long as those gains are reinvested in designated opportunity zones.

Capital gain taxes are a choice

The key point to remember with all of this conversation is that a capital gain is not the same as income. There is no tax on a capital gain unless a taxpayer chooses to trigger the gain. Generally speaking, a taxpayer can sit on those gains as long as they want to.

Opportunity zones were passed because federal lawmakers understood this, they understood that not all capital is the same. Static capital gains, meaning the paper gains of capital assets seen over a long period of time may be wonderful for an investor's paper net worth, but those gains do little to spur new economic activity or growth. Said differently, that stock you may have bought 10 years ago and are still holding onto is not creating jobs.

Dynamic capital / public good

In contrast, capital gains actually taken then reinvested into opportunity zone qualified new projects and new ventures, are dynamic. It's a tool to address blight, and a tool for job creation. Encouraging investors to unlock static capital and reinvest that capital in troubled areas is the whole point of the opportunity zone program.

Bill will reduce incentives / reduce public benefits

But HB 3039 would reduce that incentive. For most Oregon investors, it would add an additional 9.9% marginal tax for opportunity zone investments. While this may not totally kill opportunity zone investments in Oregon, it will most certainly curtail them.

Opportunity zones were designed to help people and places. Curtailing incentives to do those things now, it seems to us, is a poor public policy choice. We respectfully encourage you to oppose HB 3039.

Thank you.

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