



**HOUSE OF REPRESENTATIVES**

**Testimony in Support for HB 3039**

March 21, 2023

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

My name is Khanh Pham, State Representative for HD 46, representing outer Southeast Portland. Today I'm very happy to be back before the House Revenue Committee and I'm testifying in support of HB 3039.

By halting a portion of the benefit flowing to wealthy investors, HB 3039 prevents further erosion of Oregon's general fund by the Opportunity Zones capital gains tax breaks.

The Opportunity Zones capital gains tax breaks are a set of three capital gains tax breaks created by the federal tax package passed in 2017. While the tax breaks themselves are complicated, determining who directly benefits is relatively simple, the richest households with capital gains to reinvest in related funds. It is actually a requirement to use these tax breaks - someone has to have profit from the sale of an asset - otherwise known as capital gains.

Research from the Oregon Center for Public Policy makes it clear who receives Oregon's capital gains income. In 2020, nearly 60% of Oregon's capital gains income [went to the richest 5%](#) of Oregonians. The lowest-earning half of Oregonians shared less than 2% of all capital gains income. The OZ provision gives a special tax break to already very wealthy investors that isn't available to those who aren't already wealthy.

And these tax breaks for the rich come with a real cost to the state general fund. Although the long-term cost to the state is hard to pin down, because of the complexity of this set of tax breaks, the immediate cost is in the **tens of millions of dollars** [each budget period](#). There are many better ways Oregon can spend those resources, such as small business loans, technical assistance to support local businesses, purchasing land for affordable housing and commercial development and investing in safe routes to school.

[Research shows](#) that Opportunity Zones tax breaks often accelerate and subsidize gentrification in communities. Many low-income Oregonians are already struggling to remain in their neighborhoods - and a tax break designed to subsidize investment in certain areas could well be fuel to the fire of gentrification.

Passing HB 3039 would reduce the tax breaks we're sending to wealthy investors out of our general fund resources and reduce the potential to subsidize gentrification in our communities. Please join me in supporting HB 3039.