



HB 3551: The hearing record is wholly inadequate

Joint Committee on Transportation – Bennett Minton – 4/4/2023

Co-chair McLain, members of the committee:

Tax Fairness Oregon is a network of volunteers who advocate a rational and equitable tax code.

We are concerned about the ramifications of HB 3551. Without any documentation of the bill's effect on revenue and which taxpayers would bear the burden, we oppose the bill.

The absence of a sequential referral to the Revenue or Joint Tax Committee, and the cursory LPRO summary, leave us with questions. That the bill doesn't change the structure of the tax but only the threshold is hardly revealing of its potential effects.

We recognize that Oregon's size and dispersed population make airline connections a significant matter of commerce. But the hearing record tells us nothing of the revenue effect on the affected jurisdictions or the state.

Alaska Airlines' subsidiary, Horizon Air, submitted a document contending that because of its fleet upgrade, its property tax bill will increase \$900,000 per year. It urges the Legislature to "continue to support regional air service and investments in customer experience improvements"—including higher-revenue first-class. In other words: Please shift the taxes borne by our company and customers to taxpayers generally.

Horizon's president, in his testimony, noted the challenges facing the industry, including the loss of customers during Covid and the subsequent loss of pilots, partly because of the way the industry has managed itself. One might infer that the message is: We need more subsidies, or we won't serve the small cities that are our reason for being.

The threat may be real, but it's irrelevant to our main point. What would the bill cost, and which counties, in revenue foregone? Who pays for the subsidy? For example, in most cases, when jurisdictions implement property tax reductions authorized by the Legislature, the loss means cuts to public schools. In turn, the state backfills those cuts under the statewide funding formula. What is the effect on statewide school funding?

Government heavily subsidizes transportation systems through taxes or fees. Airlines and airports are subsidized in a variety of ways by federal, state and local governments. But of course the price is not paid by "government," it's paid by taxpayers. The Legislature, before passing this bill, should know its effects.

Without an examination of the effects, we are concerned about the rather casual approach here, in which an airline asks for tax relief and gets a hearing to present its case, and this committee breezes over the consequences.

Taxes have consequences. We'd like a hearing record that explores them, preferably in a tax committee, which is expert in tax. Until there is one, we oppose the bill.

We read the bills and follow the money