

Submitter:	Dawn Smits
On Behalf Of:	
Committee:	Joint Interim Committee On Transportation Funding
Measure, Appointment or Topic:	LC 2

To the Honorable Members of the Legislature,

I respectfully submit this testimony in opposition to the proposed tax increase intended to fund the Oregon Department of Transportation (ODOT). While I acknowledge that infrastructure is critical, this proposal threatens to exacerbate the already untenable financial pressures facing households and businesses across Oregon.

1. Escalating Cost of Living in Oregon and the Portland Metro Area

Oregon's cost of living substantially exceeds the national average—approximately 12–13 points higher according to MERIC (ORE index: 112.7 vs. national average 100) ?, and about 12 points as per World Population Review (Oregon: 112.0) ?. Within the Portland metro area, affordability remains a major concern. A recent Redfin report indicates that households now require an annual income of roughly \$152,000 just to afford a typical home—nearly three times the requirement of a decade ago ?.

Additionally, residents continue to express deep dissatisfaction with affordability, with nearly 70 % citing cost-of-living as their top concern ?.

2. Oregon's Standing Among States in Taxation

Overall Tax Competitiveness: Oregon ranks only 30th in the nation in the Tax Foundation's 2025 State Tax Competitiveness Index—reflecting a relatively unattractive tax climate ?.

High Tax Burden on Residents: A study found Oregonians pay approximately 23.37 % of their income in total state and local taxes, the second highest in the nation behind Massachusetts ?.

Income Tax Rates: Oregon levies a state income tax ranging from 4.75 % to 9.9 %, with a top marginal rate among the highest nationwide ? ?.

Absence of Sales Tax Does Not Offset: While Oregon has no sales tax, residents still face considerable tax pressure through income, property, and other excise taxes—including a low-threshold estate tax on estates over \$1 million ? ?.

3. Call for a Formal and Independent Audit of ODOT's Finances

Before considering any additional taxes, it is imperative that the Legislature mandate an independent audit of ODOT's current revenue streams, expenditure allocations, and capital project efficiency. Taxpayers deserve transparency and confirmation that existing funds have been deployed responsibly and effectively.

4. Executive Leadership and Public Accountability

It is troubling that, despite the gravity of this proposed tax hike, Governor Tina Kotek did not attend the associated public hearing. In moments of fiscal scrutiny, principled presence and responsiveness from leadership are essential to preserving public trust.

5. Risk of Population Exodus and Economic Drag

Oregon already faces a troubling trend of out-migration, driven in part by its high cost of living and tax burden. Additional tax hikes will likely accelerate this exodus, weakening our tax base and undermining economic resilience. A diminished population also threatens our long-term competitiveness, reducing investment, innovation, and vitality across the state.

6. Broader Negative Impacts of the Proposed Tax Hike

- Strain on Working Families: Reduced disposable income for households already grappling with unaffordable housing and everyday essentials.
- Pressure on Small Businesses: Higher operational costs, which may lead to layoffs, relocations, or closures.
- Increased Inequality: A progressive income tax may still disproportionately affect middle- and lower-income earners relative to higher earners.
- Deterrent to Growth: Potential businesses and skilled workers may bypass Oregon in favor of more economically hospitable states, especially when economic conditions elsewhere are comparatively favorable.

Conclusion

Oregonians deserve safe roads and modern infrastructure—but not at the expense of fiscal mismanagement or undue hardship. I urge this body to reject the proposed tax hike, demand an independent audit of ODOT, and consider policies that promote efficiency, accountability, and economic sustainability.

Thank you,

Dawn Smits
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