SMART GROWTH COALITION

April 9, 2025

Chair Mark Meek
Vice Chair Mike McLane
Senate Finance & Revenue Committee
Oregon State Legislature
900 Court Street NE
Salem, OR 97301

Sent electronically

RE: Opposition to HB 2092-A (Static Conformity to Federal Tax Law)

Dear Chair Meek, Vice-Chair McLane, and Members of the Committee:

Thank you for the opportunity to submit these comments on behalf of the Smart Growth Coalition in opposition to HB 2092-A, which seeks to sever Oregon's longstanding connection to federal tax law. While the measure has been framed as a tool for legislative "certainty," the reality is that it would introduce significant risk, complexity, and cost for both taxpayers and the state. We urge this committee and the legislature to reject this proposal.

About the Smart Growth Coalition

The Smart Growth Coalition is a consortium of traded sector businesses with significant operations in Oregon. Our coalition was formed in 1999 to add technical expertise to state legislative proceedings regarding proposed reforms to state tax law affecting businesses who have made investments in jobs and capital projects in the state. Our members are unified in their commitment to sound tax policies that encourage investment in Oregon and provide technical simplicity and clarity to the state tax code.

Preserve Oregon's Rolling Connection to Federal Tax Law

While Oregon's business climate is often regarded as challenging, the state's rolling conformity to federal income tax law provides a consistent and familiar framework for filing, reporting, and complying with the state's income tax requirements. Taxpayers can reliably turn to their federal forms and worksheets to file their state income taxes. Static conformity turns this certainty upside down, requiring taxpayers to follow different sets of rules for state and federal taxes.

Since adopting the rolling conformity to federal tax law in 1997, Oregon has never fully disconnected from the federal tax code. During the 2003 session, amid the dot-com recession, the legislature *partially* paused the automatic adoption of federal tax law provisions. Specifically, the legislature maintained the state's rolling conformity to the federal depreciation schedule for business investments in capital assets. While those favoring "disconnect" today rely on the 2003 legislation to rationalize static conformity, the current proposal is all-encompassing and exhaustive, without considering the complications that static conformity creates for business certainty and state revenues.

If the legislature had adopted this static conformity proposal during the 2017 session, the long session preceding the Tax Cuts & Jobs Act, Oregon would have missed the revenues this legislation now seeks to protect. While the 2017 tax law is known for reducing federal tax rates, it also created new taxes on corporations and limited deductions to offset the costs of those outlays. Oregon automatically picked up those revenue raisers through the rolling connection. Despite that conformity representing an unprecedented state tax increase, we supported the connection because it sustained simple filing and administrative ease. Our position remains the same today. (*See* "Smart Growth Coalition: SB 1529-A is an appropriate response to the new federal tax law".)

In 2017, under this "freeze," the state would not have included the one-time repatriation tax in the tax base. Further, the starting point for conforming to other federal tax law provisions, such as the inclusion of global intangible low-taxed income of corporations or the numerous limits to itemized deductions, would have been fundamentally different. Under rolling conformity, the policy question for the legislature was *how* the state would include this income in the tax base. If the legislature then had adopted the same static conformity proposal under consideration now, the question would have been *whether* the state would include the income and then *how* — a much more exhaustive and fraught process.

Ultimately, this legislation represents a gamble over a scenario nobody envisions — the expiration of the Tax Cuts & Jobs Act. If you read the news, regardless of its political leaning, the consensus is that Congress *will* enact a tax law to avoid the provisions from expiring and millions of Americans experiencing a federal tax increase. It is also foreseeable Congress, like before, will pursue revenue offsets raising state revenues. Thus, this static conformity proposal only presents downsides for taxpayers and state revenues.

We urge the legislature to recognize the risks that static conformity poses and preserve Oregon's rolling connection to federal tax law. Please reject HB 2092-A.

Sincerely,

Jeff Newgard
Smart Growth Coalition