



## Don't Worsen Oregon's Economic Challenges: Preserve Connection to Federal Tax Law

Since 2019, the state tax burden borne by individuals and businesses has grown tremendously. Individuals in Portland are paying a 13.9% marginal tax rate on incomes over \$125,000, which is the highest rate imposed on that income threshold in the entire country. Meanwhile, state business taxes have increased 77% to \$3.4 billion. As a result, Oregon's economic outlook is in freefall. According to the Tax Foundation, the state has slid to 35<sup>th</sup> in general tax competitiveness and 49<sup>th</sup> in corporate tax competitiveness. Oregon ranks 47<sup>th</sup> as a place to move due in large part to the state's high costs and anemic economy.

### Economic Investment in Oregon is Lagging

Several indicators depict a gloomy economy throughout Oregon. Recent reports released by the Office of Economic Analysis show private sector employment has decreased, especially manufacturing jobs where the state is experiencing a pronounced recession. The same reports confirm Oregon's population growth has stagnated since the pandemic. Given those factors, it is unsurprising that consumer confidence is lower in Portland than any other major metro region according to national surveys and the state is shedding jobs at a rate not seen since the Great Recession.<sup>1</sup>

### Disconnecting from Federal Tax Law Would Undermine Opportunities to Recover and Further Increase Oregon's High Tax Burden

Oregon's current connection to federal tax law is the silver lining to the state's aggressive and high tax posture. Not only does maintaining Oregon's close connection to federal tax law bolster the state's competitiveness by keeping it easy for Oregonians to pay their state taxes, but it also would preserve several provisions meant to spur economic investment in the state. With a positive Ending Fund Balance projected after the most recent Economic and Revenue Forecast, Oregon must maintain this connection to federal tax law to keep the state from falling further behind.

The policies currently under consideration:

- **Bonus Depreciation/Full Expensing:** Restores and makes permanent full expensing for purchases that encourage businesses to invest in Oregon. For example, businesses can bolster their workforce by purchasing new machinery and equipment.
- **Qualified Small Business Stocks.** This longstanding provision of the federal tax code encourages long-term investment in growing Oregon businesses, including the purchase of equipment and hiring of new employees.
- **Auto Loan Interest.** Changes to federal law allow taxpayers to deduct auto loan interest, which would help working Oregonians weather the state's affordability crisis. Oregon is a high-cost, high-tax state.
- **New Tax Credits Don't Move the Needle.** Proposed new and expanded credits, including a jobs tax credit, have not been evaluated to determine their effectiveness. The job tax credit also would create a complex process to obtain a minimally useful incentive.

### Oppose SB 1507A to Support Prosperity in Oregon

From the Desk of Representative Lucetta Elmer

<sup>1</sup> [Oregon mass layoffs approach Great Recession levels - oregonlive.com](https://www.oregonlive.com/story/news/politics/economy/2023/07/11/oregon-mass-layoffs-approach-great-recession-levels-oregonlive-com/)