

**Joint Testimony on SB1521 for the February 8, 2016 Hearing of the
Oregon Legislature's Senate Committee on Business & Transportation**

Dear Chair Beyer and Members of the Senate Committee on Business & Transportation,

We commend you heartily for your interest in raising badly needed revenue for public transit in Oregon. We are thrilled that innovative funding concepts are being proposed to fund this essential component of our transportation system. However, we ask for an amendment to address the regressive components of the employee payroll tax proposed in SB1521.

Transit is critical to Oregon's economic competitiveness. Businesses are locating where they can attract talent – and these places are increasingly places with quality transit service. In addition, transit is key to improving access to jobs for all, especially low-income workers for whom car ownership is not possible or a crushing financial burden.

Transit is a key strategy for metropolitan areas to meet state-mandated greenhouse gas targets, and for rural residents who might be otherwise isolated and unable to reach medical care and other services.

Oregon contributes proportionately much less funding to transit than most other states. In the years for which analysis was most recently completed (2010-2012), Oregon contributed less than half of what states contributed to transit nationally. Transit *operations* funding, which must be stable and reliable if agencies are to have certainty that service they introduce can be sustained, is the type of funding transit agencies say they need the most. In Oregon, the state contributes only 3 percent of operations funding, compared with state contribution of over 24 percent nationally.

While stable transit funding is badly needed, we cannot support SB1521 in its current form. SB1521 proposes a payroll tax on employees, which is regressive, disproportionately impacting low-income families. The income of poor and working class households comes almost exclusively from wages, while a larger share of income comes from non-wage sources in more affluent households. In effect, a wage tax places a tax burden on nearly the entire household income of poor and working class families, while only placing a tax burden on a portion of the income of wealthier residents. This, combined with the fact that the proposed tax is flat, makes it regressive. This proposed tax would also come on top of several other recently passed local regressive taxes that burden low-income families and hinder pathways out of poverty.

The two largest transit agencies in Oregon – TriMet and Lane Transit District (LTD) – already have the statutory authority to implement a residential “net income tax” to fund transit in their service area, ORS 267.370. This authority allows transit agencies to collect taxes on all forms of taxable income – such as interest, dividends, rental payments, capital gains, and other forms of income that are not derived from wages paid by an employer. This existing tax authority also has the additional benefit of being easily implemented and administered, as it may be collected as surtax on state income taxes.

If an amendment is not possible in the 2016 short session we propose using SB1521 as a helpful starting point to explore a variety of options for the 2017 session, such as adoption of a net

income tax for transit that mirrors Oregon's state income tax system – which includes an exemption for households making below a certain income threshold, and a graduated tax structure based on income brackets as opposed to the flat-tax structure. This would ensure that higher income households are paying a slightly larger and more just amount of the tax relative to lower income households, and could easily be implemented as a simple surtax on state income taxes. We would strongly back such a proposal to get badly needed transit service on the street to improve everyday transit access to jobs, schools and other needs and to increase our communities' economic competitiveness.

Leading up to the 2017 legislative session, we look forward to being part of a robust discussion of Oregon's multiple transportation needs and priorities, and how to practically and equitably fund them. The "Oregon way" is to fairly distribute benefits and costs; we believe that work this session and last is laying the groundwork for reaching broad agreement on a range of transportation issues.

Sincerely,

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Better Eugene-Springfield Transit

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