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Chair Hass, Vice-Chair Boquist, and members of the Committee:

My name is John Calhoun and I am here today on behalf of the Oregon Center for Christian Voices (OCCV) to speak on SB 1527 and SB 1528.

OCCV was formed to advocate for public policies and laws in Oregon that we believe reflect God's desire for a government that promotes the well-being of all, and particularly the marginalized in our society.

Lower tax rates for business owners with pass-through income is fundamentally unfair and provides no benefit to the rest of society. In 2016 99% of the benefit of this tax break went to taxpayers with incomes greater than \$100,000 per year and 69% of the lost tax revenue went to taxpayers with incomes of more than \$500,000 per year. A full-time minimum wage earner in Portland will be paid at a rate of \$24,000 per year by July of this year. Oregon starts taxing at a rate of 9% of adjusted gross income at only \$16,901. However our current law taxes non-passive income up to \$250,000 at 7%. **So these business owners, almost all of them with incomes at least four times or more greater than a minimum wage worker, will pay at a lower rate than that worker.** The janitor in a law firm pays more than the partner of the firm. This cannot be justified on moral grounds.

It doesn't work as an economic tool either. Almost 90% of the beneficiaries get less than \$10,000. This is **not enough to hire one additional worker.** The defenders of this rate reduction claim it could buy a piece of equipment. The truth is that if the owner bought the equipment, today's tax rules will let the owner deduct the entire \$10,000 from her income. Others claim it provides lower cost working capital when banks charge small businesses a much higher rate than the big corporations pay. **So why does this entrepreneur with \$500,000 in annual income believe another \$10,000 is going to make the difference. It won't.** There is no business benefit for this break. All it does is give the owner more disposable income to spend on themselves.

Since it cannot be justified on basic equity, nor for the economic health of the state, we urge you to end this tax break totally. However, if you do not do that we will welcome any attempts to limit the benefits.

Both bills do try to limit the benefits of this tax break to only the first \$250,000 of non-passive income. However, they also impose a marriage penalty since there is not the normal distinction between joint filers and single filers. We had expected that this would be limited to \$125,000 for single filers. However, SB1528-3 also **adds a new class of potential recipients, sole proprietors, that will greatly increase the number of claimants even though it will be virtually impossible to distinguish business income and wage income for most sole**

proprietors. If this committee does not know how to accomplish that precisely it should not pass a law just asking for audit disputes. At this point I doubt you can properly estimate how much of the revenue savings from the cap on the eligibility for the tax break will really be saved if it is wide open for sole proprietors.

We also applaud the attempt to eliminate certain categories of businesses like law firms and medical partnerships from those who are eligible for this break. However, we feel that the category selection criteria is imprecise and should require more analysis.

SB1528-3 also **provides a methodology to solve the SALT provision** in the new federal law. While this approach does protect some citizens of the state from being taxed twice on the same income, **there is no reason that the state should pick up the cost of marketing the tax credit** to other tax payers. **If there is going to be a benefit to upper income tax payers, they should have to incur the cost of obtaining that benefit and not ask lower income tax payers to help pay for it.**

Giving tax breaks to those with higher income is not helping the marginalized, it is making the wealth and income gap larger. **The state needs these funds for schools, healthcare, and paying off our PERS debt as we look at a growing state budget deficit in future years.** I urge you to eliminate or reduce these tax benefits for higher income citizens of Oregon.