
Testimony in Support of the - 3 Amendments to HB 4026 House Revenue Committee

Chairman Phil Barnhart
House Revenue Committee
900 Court Street, NE, H-279
Salem, OR 97301

Chair Barnhart and members of the committee:

I am Lane Shetterly, from Dallas, Oregon. I am a Board Member of The Oregon Community Foundation – the largest public charity in the State of Oregon and one of the largest Community Foundations in the United States. OCF’s mission is to improve lives for all Oregonians through the power of philanthropy. Last year, OCF made grants and awarded scholarships of more than \$112 million dollars to nonprofits and students in virtually every community in Oregon.

Those dollars were made possible through OCF’s generous donors, and it is because of our deep commitment to our donors and the power of philanthropy that we are here in support of the -3 amendments to HB 4016.

The -3 amendments will eliminate a substantial disincentive for out-of-state individuals to make charitable contributions or be involved in charitable activities in Oregon.

Currently, if a person moves to another state, they can be subjected to a review by the Department of Revenue (DOR) as to whether they are nevertheless subject to Oregon tax on account of still having an Oregon domicile. The DOR and the courts examine a number of different factors in determining whether the person is subject to Oregon tax. One of those factors is the person’s pattern of charitable giving and charitable activity. Charitable activity directed to Oregon is considered an indicator of Oregon domicile. As a result of this factor, potential donors who move out of state are being advised by their professional advisors not to make charitable gifts or engage in charitable activities in Oregon as it may make them more likely to be subject to tax.

The result? Donors with charitable intent toward Oregon nonprofits and communities stop their giving. In effect, Oregon’s current policy results in a double hit to the state. Not only does Oregon lose tax revenue when a resident moves out of state, which is regrettable, but because of the application of this factor, Oregon stands to lose charitable capital and charitable engagement as well. As a matter of sound policy, Oregon should not do anything to diminish a person’s desire to give to Oregon charities and nonprofits, regardless of their domicile.

This situation most often arises when those persons have lived or spent the bulk of their life or career supporting these Oregon-based nonprofit organizations. This will not impact every taxpayer who chooses to live in another state, but it *will* often affect those taxpayers who have substantial charitable capacity and have sought professional advice in their planning. In sum, it will often be a potentially large donor who will be dissuaded from giving, based on current policy.

The -3 amendments presented are simple. They prevent the DOR and the courts from using charitable giving or charitable activities as a factor in establishing domicile for tax purposes. This is not groundbreaking legislation. I understand that there are a number of other states that have adopted similar language designed to address this same issue.

As the state's largest philanthropy, OCF is passionate about charitable giving because of what it can accomplish. OCF uses significant grant making dollars to support rural children and children of color – those increasingly left behind in our state, as noted in OCF's recently released Tracking Oregon's Progress (TOP) Report. This report examines how communities, family circumstances and a child's educational experience can perpetuate a cycle of poverty. We provided a copy of the report to you at the beginning of the short session. OCF is working with partners across the state on strategies to close the opportunity gap.

To do this work OCF partners with individuals, businesses, community leaders and volunteers in all 36 Oregon Counties. Generous Oregonians have created more than 2,000 charitable funds at OCF – amounting to nearly \$2 billion in assets for the common good. Through coordinated investment, grant making and program funding, OCF helps strengthen our diverse communities, education, arts and culture and a healthy environment and economy. The literally thousands of other nonprofit organizations and partners in the philanthropic community who do this work are equally effected by Oregon's current policy.

It's imperative that we encourage and do what we can to sustain charitable giving and charitable activities in Oregon. OCF supports the -3 amendments to HB 4026 as a way to ensure that charitable dollars in Oregon continue to grow and will be available to Oregon nonprofits and families in the future.

OCF urges you to adopt the -3 amendments to HB 4026 and report it to the floor with a do pass recommendation.

Thank you for your consideration.