



HB3427 -1: The Joint Committee on Student Success Moves Forward with Funding!

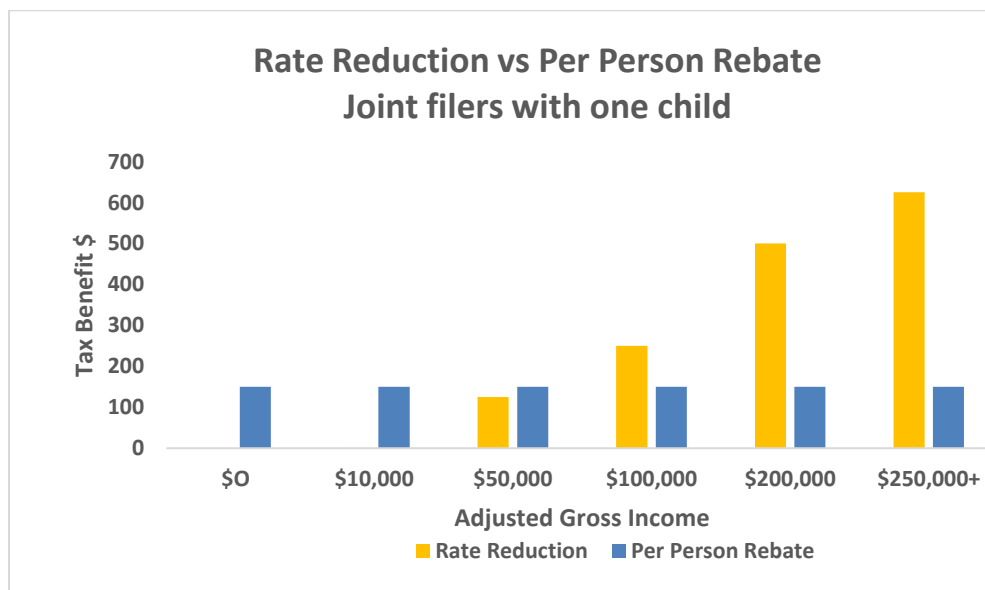
Testimony for Student Success – Jody Wiser – 4.18.2019

After a long and thoughtful process, the Joint Committee on Student Success has proposed a range of expenditures and a funding source for those critical needs. Tax Fairness Oregon commends your solid work in studying and defining the educational issues and recognizing the need for a new funding source. We support your decision to seek additional revenue from the business sector, since Oregon falls near the bottom of virtually every study that looks at the percentage of state and local revenue received from business.

We are pleased to see the emphasis on both early childhood and K-12 education. Extra focus on diversity and the increased amounts for high poverty populations are deeply progressive steps. They will combine powerfully with the \$1 billion per year in increased revenue for educational services for birth through 12th grade.

We do have concerns with one issue: we believe the tax rate cuts for personal income tax payers provides benefits where least needed. Couples in the top 5% of income will get \$625 while approximately 900,000 adults who pay no income taxes will get no benefit, zero.

Instead we think you should consider a \$50 per person refundable tax credit, equally available for all 4.2 million Oregonians, adults and children alike. For simplicity you might call it the “Per Person Rebate.” By providing benefits to the working poor, to larger families and to seniors living on Social Security, this change would benefit those for whom the impact of any price increases will be most significant.



This graph compares the benefits of the \$50 per person rebate with the 1/4% rate reduction – for couples with one child with for those with no taxable incomes to those with over \$250,000. The refundable per person tax rebate at \$50 is in blue and the 1/4% rate reduction in gold.

The tax rate deduction fails on both policy and political grounds. It does not provide cash to offset any costs that are passed on by businesses for the very people it is supposed to protect, some 900,000 adults who have taxable income of less than \$10,000, who get nothing with the tax rate reduction.

Because Social Security is not taxed in Oregon, seniors living on Social Security and little more get nothing from a tax rate cut, nor would they from an EITC increase, but they would be among those benefiting from the per person rebate. Likewise many other very low income Oregonians and EITC recipients would receive little or nothing from a rate cut, while they would be among those benefitted by a per person rebate.

We believe the suggested changes will cost at least \$57 million less in the next full biennium than the proposed rate cut. Of course the size of the credit can be adjusted to meet your goal. We've used \$50, but LRO can help you refine that number.

If you adopt a \$50 refundable per-person tax credit, it will bring financial help to more people who need help.

Decreasing our personal income tax rates will be regressive. The per person rebate outlined here provides equal benefit to every resident. That is sound public policy.

Note: We've spoken to some of you about making Oregon's current personal exemption credit refundable and increasing its amount as an idea that would better provide benefits where most needed. However, we've discovered there are a lot of non-filers, roughly 600,000, so that plan is too expensive to meet your financial cost target. Therefore, we've shifted to this idea of a per person rebate.

We read the bills and follow the money