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Senate Finance and Revenue 76th Session
DATE: 03-23-2011 PAGES: 1
SUBMITTED BY: Jonathan Williams

AMERICAN LEGISLATIVE EXCHANGE COUNCIL

WRITTEN TESTIMONY OF
MR. JONATHAN WILLIAMS
TAX AND FISCAL POLICY TASK FORCE DIRECTOR
AMERICAN LEGISLATIVE EXCHANGE COUNCIL
SENATE FINANCE AND REVENUE COMMITTEE
MARCH 23, 2011

Madam Chair and Members of the Committee,

By way of background, I serve as Director of the Tax and Fiscal Policy Task Force for the American Legislative Exchange Council (ALEC). As you may know, ALEC is the nation's largest, nonpartisan, individual membership organization of state legislators. As Task Force Director, I work with our members to develop policy to bring fundamental, pro-growth, and pro-taxpayer reforms to state tax systems.

Thank you for the opportunity to provide my comments on the capital gains tax in Oregon. ALEC's Tax and Fiscal Policy Task Force has endorsed the idea of repealing state capital gains taxes. We believe that eliminating capital gains taxes would significantly enhance Oregon's economic competitiveness. ALEC's annual publication, *Rich States, Poor States: The ALEC-Laffer State Economic Competitiveness Index* outlines the need to enhance Oregon's business climate. The publication currently ranks Oregon's economic outlook a disappointing 41 out of the 50 states.

Rich States, Poor States outlines the inverse relationship between state taxes and state economic performance. Furthermore, we believe capital gains taxes are especially detrimental to capital investment and economic growth. Excessive capital gains taxes have devastated industries such as banking, housing, and real estate. The result has been reduced employment opportunities for all Americans - particularly the poor.

Static revenue scoring is an inaccurate method of determining the true budgetary impact of capital gains tax relief. By overestimating the total amount of projected revenue loss, static scoring unfairly distorts the impact on the state's finances. Based on historical case studies in the states and at the federal level, many economists strongly believe that the increased economic activity created by lower capital gains taxes generates enough tax revenue to pay for at least a portion of the estimated static revenue loss.

Today, Oregon has a tremendous opportunity to become more competitive for new investments and jobs. Eliminating Oregon's capital gains tax, which is one of the most burdensome in America, would create much needed economic development by giving the state the ability to compete with Washington and Nevada – states that avoid taxing capital gains.

Once again, thank you for the opportunity to testify and share ALEC's thoughts on this important pro-growth tax reform legislation.

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