Taking action for basic human needs.

Human Services Coalition of Oregon

Tax Credit Sunset Recommendations

Testimony, Joint Tax Credit Committee

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Background

HSCO is a statewide advocacy organization, made up of 80+ agency and individual members. HSCO has worked on tax expenditure issues of decades. In addition, our longstanding tax principles of **F**airness, **A**dequacy, **S**tability, and **T**ransparency, HSCO adopted the following policy statement in March 2010:

The general policy for HSCO is to examine the effect of tax expenditures based on our tax principles and our mission. Tax expenditures that benefit low income and vulnerable Oregonians will be considered for support. HSCO supports transparency and accountability of all tax expenditures. Tax expenditures should be considered in relationship to the budget, in that every dollar committed to a tax expenditure is a dollar that is not available for the budget.

To further refine our position for the 2015 session, the following was adopted:

1. HSCO continues to support curtailing and minimizing the effects of inefficient tax expenditures;
2. It is important to note that HSCO does support tax expenditures that are effectively targeted toward assisting low income and vulnerable communities (e.g. the Earned Income Tax Credit);
3. HSCO supports sunsets for all tax expenditures that are not constitutional or federally mandated.

For tax credits up for sunset review in 2015, HSCO has identified three that should be extended:

- The Individual Development Account tax credits – we are also supportive of the changes proposed in eligibility and usage, but we are neutral on expanding beyond the current revenue ceiling for the program;
- The Child and Dependent tax credit;
- The Working Family Child Care tax credit.

Moreover, prior to session, we talked about our potential interest in combining a number of tax credits where appropriate, limiting and targeting them to support low and moderate income Oregonians. However, we believe it is often more effective to fund priorities through the budget, rather than through the tax code. The biennial scrutiny that budgets receive is more comprehensive than a six year sunset cycle.

For the tax credits on the agenda today, the HSCO positions are as follows:

- HB 2110 and SB 53 – offset of insurer assessment – *Allow to sunset*;
- HB 2569 and SB 44 – tax credit for university venture development – *Neutral*;
- HB 2108 and SB 54– medical care tax credit for Oregon Veterans' Home providers – *See below*
- HB 2125 and SB 54 – rural medical tax credit – *See below:*

HSCO, while supportive of network adequacy for health care, especially for low income and vulnerable Oregonians, has concerns about the value and efficiency of the multiple federal and state tax incentives and subsidies available for providers. HSCO supports the July 1, 2014 report to the Oregon Health Policy Board (*Financial Incentive Programs in Oregon*.)

The report enumerates eleven state and federal incentives. In section V of the report, the following key points are stated:

- *Financial incentive programs are not currently designed to complement one another*
- *There is a lack of systematized data collection to measure programs' effectiveness*
- *Differing definitions of "need" may make it hard to compare the benefits of programs*
- *There is no overarching review or governance of the array of provider financial incentive programs*
- *Oregon's range of provider financial incentive programs is more diverse than in many other states*
- *It is important to keep in mind the total number of providers who benefit from financial incentive programs, not just the number of programs or the total investment made.*

HSCO believes more data is necessary as we attempt to address access issues and the reality that 95% of Oregonians now have health insurance. These are complicated issues, and require additional review of workforce and network adequacy if we are to be successful.

Additional Considerations:

HSCO is a member of the Revenue Coalition, and we worked on, and fully support, the recently released paper on Due Diligence for JTAX members.

Finally, it is just worth noting that the Ways and Means Co-Chairs have allocated $14 million for $64 million in tax credits up for sunset review. In addition, there are numerous bills under consideration that would add new tax credits or expand existing ones. Paying for existing tax credits worthy of extension will present a significant challenge this session, let alone paying for new or expanded proposals.

Thank you for the opportunity to testify, and thank you for your consideration.