Chair Hass and members of the Senate Committee On Finance and Revenue,

If there is one thing Americans learned in 2016, it's that our economy is rigged. One of the ways the wealthiest individuals and businesses do this is through the tax code at federal, state and local levels. At the root of this is money in politics and a great ROI for the wealthy beneficiaries. America's complicated, unfair tax code is "lawful;" and it's high time to level the playing field.

That's why **the Grand Bargain Small Business pass-through tax break of 2013, which reduced tax rates on specific businesses**[1] **should be repealed,** not tweaked, as Section 10 of SB 1527 purports to do. Doing so, we'd **have $100 Million more per year in general fund coffers** to spend on essential services.

First, this can be repealed with a simple majority vote. [2] A tax expenditure generally is not a bill that actually levies a tax, but rather one that *regulates how a tax is applied or credited*. Therefore repealing this tax break would not make it a "bill for raising revenue." The Supreme Court ruling in *City of Seattle Department of Revenue*[3] clarified this.

Secondly, the vast majority of businesses benefiting from this tax break are not "small" businesses. Sole proprietors don't benefit from this tax break. Indeed, less than 8% of the benefits go to tax filers earning <$200,000. Nationally, pass-throughs make up more than 95 percent of business tax filings,[4] and more than 70 percent of small-business employers have adjusted gross incomes below $200,000. Thus the proposed change to this law will continue to flow primarily to the wealthiest small business owners, who can pay CPAs to calculate whether the base or opt-in approach yields a better tax advantage.[5]

Will this tax break drain the general fund even more with the GOP pass-through tax break? The toxic alchemy of these two tax breaks will both widen income and wealth inequality in Oregon *and* drain the general fund.

The Grand Bargain tax break is no bargain for the average Oregonian. Oregon needs the $200 million to pay for schools, expanded Medicaid, clean energy, affordable housing and a host of other public services vital to Oregon. **Repeal Oregon's not-so-small business pass-through tax break.**

SB 1527 should be further amended to remove Section 11. This Section would eliminate the "throwback rule," and create "nowhere income."[6]

A master of "nowhere income" is Nike. Nike earned infamy in the Paradise Papers, using a tax vehicle called the C.V. or, *commanditaire vennootschap,* which is essentially a Dutch version of a partnership.[7] Nike Innovate CV is not based in Bermuda. It is not actually based anywhere—nowhere money. Apple, Uber, Google and Facebook, companies with so much of their value in their intellectual property, also game the global economy with the CV. It's called

the Double Irish.[8]

Rather behaving as a good corporate citizen, Nike uses its global stature to assert sovereignty, demanding and receiving corporate welfare through special tax breaks. In demonstrating these bad behaviors, other interstate businesses surely expect nowhere income.

Oregon needs to stop rewarding Nike for their financial innovations. Remove Section 11 from this bill to keep the throwback rule in place.

Respectfully,
Kris Alman

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[1] In a special session October 2013, the legislature passed this bill with PERS reforms that the Supreme Court ruled unconstitutional. https://olis.leg.state.or.us/liz/2013S1/Downloads/MeasureDocument/HB3601; http://projects.registerguard.com/rg/news/local/33039068-75/oregon-supreme-court-overturns-pers-reforms.html.csp

[2] https://www.ocpp.org/2017/03/02/fs20170302-bill-raise-revenue-tax-expenditure/

[3] http://caselaw.findlaw.com/or-supreme-court/1713132.html

[4] https://www.nytimes.com/interactive/2017/12/20/us/politics/small-business-tax-cut-pass-throughs.html

[5] https://olis.leg.state.or.us/liz/2017I1/Downloads/CommitteeMeetingDocument/139577

[6] https://itep.org/wp-content/uploads/pb39throw.pdf

[7] http://fortune.com/2015/10/22/uber-tax-shell/

[8] http://www.newser.com/story/251192/paradise-papers-spill-nike-apples-tax-secrets.html