

February 12, 2019

Testimony on SB 211

Chair Hass, Vice-Chair Bentz, members of the Committee,

My name is Daniel Hauser, tax policy analyst for the Oregon Center for Public Policy, and I respectfully submit this testimony on Senate Bill 211.

Pass-through business owners should not pay a lower tax rate on their profits than their employees pay on their wages. This fundamental tenet of equity is why the reduced tax rate for pass-through business owners should be eliminated from Oregon law. This committee should amend SB 211 so that, rather than scaling them back, the reduced rates are struck from statute.

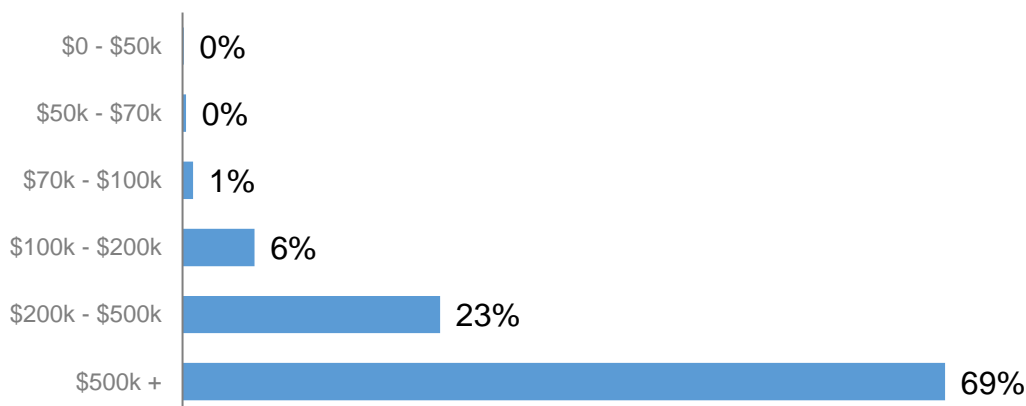
Currently, taxpayers reporting an annual pass-through business profit of more than \$5 million can see their tax cut reach over \$70,000. Under SB 211 these high-income taxpayers would still receive the tax break, though the effective cap would come down to around \$9,000. While this would be an improvement, we would still be putting millions of dollars that could be invested in our schools or other important services to instead subsidize many of the richest 5 percent of Oregonians.

As can be seen in the chart below, nearly seven in 10 dollars from this tax break flow to folks making over half-a-million dollars in a single year; less than one in 10 dollars of the benefits flow to Oregonians making under \$200,000.

Scaling back this subsidy, as SB 211 does, is a move in the right direction, but it would be more equitable to eliminate it entirely. Please amend SB 211 to end this regressive, inequitable, and poorly targeted tax break.

Rich Oregonians get bulk of pass-through income tax break

Share of revenue impact by income group from the reduced tax rate for pass-through business income



Totals do not add up to 100% because of rounding.

Source: OCPP analysis of preliminary Oregon Legislative Revenue Office data on the 2017 tax year.

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