Date: March 11, 2019
To: House Revenue Committee, Chair Nathanson and Members
From: Laurie Wimmer, OEA Government Relations
RE: *HB 2144 [Disconnecting from federal Opportunity Zone tax break]*

On behalf of OEA's 45,000 members, it is my honor to submit testimony in support of HB 2144.

We have two reasons for recommending passage of this bill to disconnect from the federal "Opportunity Zone" tax break (IRS code section 1400Z). First, we strongly believe in Oregon's right and obligation to consider tax giveaways that impact services that Oregonians value and not simply defer to federal legislation via the rolling reconnect. Second, we believe that tax breaks involving capital gains income are primarily favorable tax treatments for the wealthy at the expense of everyone else. Not only are such preferential policies unfair because they go to the lucky few, but they are harmful because they impact the ability of the state to adequately deliver services to those same "unpreferred" taxpayers.

Cutting the taxes of investors is often framed as inducing investments -- in low-income communities, in this case. Its provisions, however, go too far and are not backed by evidence that community revitalization would occur. What investors are offered in this tax break are both gain deferral *and* gain exclusion in exchange for their investment. In no other provision of tax law may an investor "sell property for a gain, get to touch the cash for up to 180 days, and if the cash is reinvested within that time window, enjoy the following tax benefits:

- Deferral of the gain recognized on the original sale of up to 8 years,
- Exclusion of up to 15% of the original gain, and
- An exclusion of ALL of the gain eventually recognized upon the disposition of the qualified investment." [https://www.forbes.com/sites/anthonynitti/2018/10/30/tax-geek-tuesday-reaping-the-benefits-of-investing-in-an-opportunity-zone/#3a743348d623]

This explanation comes from none other than Forbes magazine in an article criticizing this overreach. In fact, in addition to its provisions, the author, contributor Tony Nitti, also criticizes the language of this provision of the Trump Tax Bill:

> "For starters, like the rest of the Act, Section 1400Z-2 was, by all appearances, drafted by a sleep-deprived eleven-year old. It causes confusion in the *first sentence.* It's riddled with cross-references to incorrect paragraphs and critical but poorly-defined terms of art that often differ from one another by *one word."* [IBID.]

In Oregon, we have already experienced investment in previously blighted areas of Portland that have resulted in displacement of low-income residents, huge rental increases that have rendered families homeless, and destruction of long-established communities. Beneficiaries have been upwardly mobile homebuyers who profit from frozen (low) property tax rates. This is not a lifeline for our poorest people, it is a windfall for investors and their usually more-affluent customers. Your YES vote to disconnect from this ill-advised federal provision will not stop the problem (investors will still get the federal benefit, after all), but at least it will not make it worse, nor will it deprive Oregon of the revenues lost that could be better spent to directly invest in our low-income communities.

Thank you for your consideration of our perspective.