



HB 2019 The Joint Committee on Student Success Moves Forward!

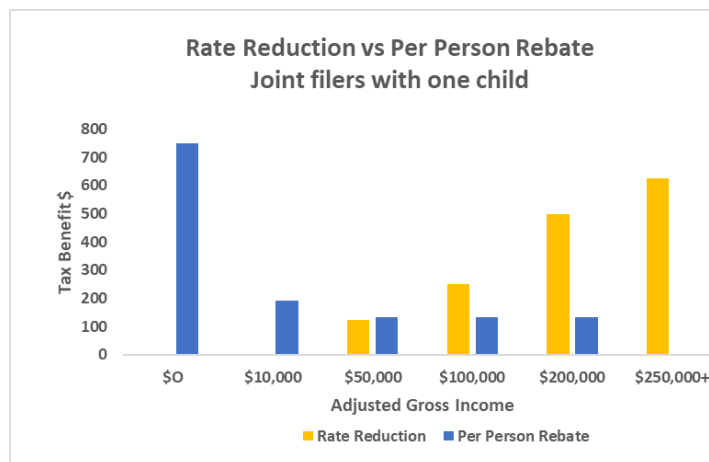
Testimony for Student Success – Jody Wisner – 4.11.2019

After a long and thoughtful process, the Joint Committee on Student Success has proposed a range of expenditures and a funding source for those critical needs. Tax Fairness Oregon commends your solid work in studying and defining the educational issues and recognizing the need for a new funding source. We support your decision to seek additional revenue from the business sector, since Oregon falls near the bottom of virtually every study that looks at the percentage of state and local revenue received from business.

We are pleased to see the emphasis on both early childhood and K-12 education. Extra focus on diversity and the increased amounts for high poverty populations are deeply progressive steps. They will combine powerfully with the \$1 billion per year in increased revenue for educational services for birth through 12th grade.

We do have concerns with one issue. We believe the tax rate cuts for personal income tax payers provides benefits where least needed. If instead you make Oregon's current personal exemption credit refundable and increase its amount, would better provide benefits where most needed. While it would not be available for the top 6% of families, it would benefit almost 4 million Oregonians, many more than the rate reduction. With help from the Legislative Revenue Office, the benefit amount can be shaped to match your target.

This graph compares the benefits of the two ideas for a couple with one child. The refundable personal exemption plan at \$250 is in blue and the tax rate cuts for personal income tax payers with .25% reductions on the bottom three brackets in gold.



As you can see, the impact per family is very different with the two plans. The rate reduction is largest for those with greater incomes, while increasing and making the personal exemption credit refundable has the greatest impact for those with taxable income of less than \$10,000.

The top 6% of taxpayers, those with incomes of \$100,000 single/\$200,000 joint, will continue to be ineligible, while those with severe disabilities or disabled children will continue to receive a double exemption credit. By providing the biggest benefits to seniors living on Social Security, to the working poor, and to larger families, this change would benefit those for whom the impact of any price increases will be most significant.

Further, because the refundable credit is available to those who do not currently file or don't get the full benefit of our non-refundable credit, we know this alternate plan covers many more Oregonians, roughly 3.7 million. We sincerely hope you will explore this and other ideas for how to best protect Oregonians from any price increases.

Currently the Personal Exemption Credit is:

- \$206 per dependent (in 2019) and indexed for inflation
- Doubled for severely disabled and doubled for a filer with a handicapped child and income below an AGI of \$100,000 for all filers (essentially a child with an IEP at school)
- Not available for filers with income above \$100,000 for singles or joint filing separately and \$200,000 for joint filers, head of household or surviving spouse.

We believe the suggested changes to the personal exemption credit will cost roughly the same amount as the proposed rate cut, as the size of the credit can be adjusted to meet your goals. We've used \$250, but LRO will need to help refine that number.

If you increase the personal exemption amount and make it refundable, it will bring financial help to more people who need help - low income seniors, young families and the working poor. Because social security is not taxed in Oregon, seniors living only on social security get nothing from a tax rate cut, nor would they from an EITC increase, but they would be amongst those with the largest benefit from a refundable credit. Likewise many very low income Oregonians and EITC recipients would receive little or nothing from a rate cut, while they would be amongst the most benefitted by a per person rebate.

Decreasing our personal income tax rates will be regressive. The personal exemption credit plan outlined here provides half its benefit to those who get nothing from a tax rate reduction.

We read the bills and follow the money