



TESTIMONY ON HB 4010 BEFORE THE HOUSE REVENUE COMMITTEE

February 6, 2020

Chair Nathanson and Members of the Committee:

Oregon Business & Industry (OBI) is the largest statewide business organization representing approximately 1,600 businesses that employ nearly 300,000 Oregonians. Our members cover virtually every industry in Oregon, and more than 80 percent of them are small businesses with fewer than 100 employees.

OBI is submitting this testimony in opposition to HB 4010, which disconnects Oregon from the tax-related provisions of the federal opportunity zone program. The opportunity zone program was established in the 2017 Tax Reform and Jobs Cuts Act as a means of encouraging investment in low-income communities. The law allowed the Governor to designate qualified locations – subject to certain criteria – in Oregon for eligibility for these types of investments. The Governor designated 86 such zones in Oregon.

Opportunity zone projects are funded through qualified opportunity funds. An individual with capital gains from another investment can defer the taxes on those gains if they reinvest the gains in a qualified opportunity fund. Because these gains are excluded from federal taxable income in the year they are deferred, and because Oregon is connected to federal taxable income for purposes of state taxes, an individual would also be able to defer Oregon state taxes on these gains.

By disconnecting Oregon from the state tax benefits of investing in opportunity funds, HB 4010 will discourage Oregonians from investing in opportunity zones in Oregon and may reduce the funds available for opportunity zone projects or prevent some projects from moving forward at all in our state. The legislation may actually encourage Oregon investors to invest in opportunity zones in other states. If there is no state tax benefit to investing in a qualified opportunity fund that invests in Oregon opportunity zones, Oregon investors will turn to other criteria and the potential merits of projects in other states when making investment decisions.

In addition to disconnecting Oregon from the state tax benefits of investing in opportunity funds, HB 4010 also requires the Legislative Revenue Officer to study the effectiveness of the federal opportunity zone program and the value of reconnecting to the program. Because Oregon is already connected to the program, this would appear to be putting the cart before the horse. It would be more appropriate to require the Legislative Revenue Officer to study the advantages and disadvantages of remaining connected to the program before deciding whether to disconnect from the program. Instead, this legislation disconnects from the program and then requires a study to see if that was the right decision.

For these reasons OBI is opposed to HB 4010, and we urge the committee not to move forward with the legislation. Thank you for your consideration.

Sincerely,

Mike Stober
Director of Tax and Fiscal Policy
Oregon Business & Industry