Senate Committee on Housing

March 2, 2021

Testimony in Opposition to SB 330

Chair Jama, Vice-Chair Linthicum, and Members of the Committee,

My name is Daniel Hauser (he/him), Policy Analyst with the Oregon Center for Public Policy, and I respectfully submit this testimony in opposition to SB 330 on behalf of the Center. The Oregon Center for Public Policy is a think tank dedicated to improving the economic outcomes for all Oregonians, particularly low-income families and Oregonians of color, through research and analysis.

While the state should encourage landlords to forgive rent arrears, it should also assist landlords who have sustained rental units while the eviction moratorium is in place. Senate Bill 330 is not the right approach to this challenge and threatens future harm to all Oregonians. We oppose Senate Bill 330 for the following reasons.

1. SB 330 fails to help the landlords and tenants in greatest need and instead subsidizes large corporate landlords

If you want to help landlords who are struggling to stay up on mortgage payments and other debts, this policy will take too long to help. A policy to support landlords in need of cash today should ensure that support is immediate, not spread out over the next five to ten years (the tax credit is 20 percent per year over five years, but each year the credit can be carried forward for five more years).

A landlord that loses money in a tax year, cannot use this tax credit that year. Therefore, landlords who are losing money today would receive no cash flow support from this, unless they sold the credit through some convoluted process, and would only benefit at some later point when they are again profitable.

Many rental units in Oregon are owned by large Wall Street investment funds that can access immense sums of cash to finance and support these investments. Oregon should not use our precious resources to give tax credits to these large, profitable, investors.

2. SB 330 is a blank check that could cost Oregonians dearly

We do not know how much revenue Oregon would lose to this tax credit. Estimates of the total debt arrears, which represent a high-end estimate of the cost, are measured in the hundreds of millions of dollars. Moving this legislation forward without any cap or restriction on the cost could cripple Oregon's ability to invest in much-needed programs over the next five years.

The tax credit, moreover, could shift costs that might otherwise be borne by the federal government onto the state. Landlords could choose to claim this state tax credit instead of taking advantage of federal rent assistance opportunities. This scenario would leave the state funding these costs instead of Congress and eat up scarce state resources the state might otherwise use to support child care, health care, and other essential services.

3. SB 330 is a complex, risky tax credit program

There are significant administrative and compliance costs associated with creating this new tax credit. How will the Department of Revenue know that a landlord didn't access a federal rent assistance program, local housing assistance programs, or the state's Landlord Compensation Fund before claiming the tax credit for the same debt arrears? The department will need new data-sharing agreements, additional auditors, and more to even give this new credit a veneer of credibility and fiscal stewardship.

Administrative complexity is one of the reasons for the debacle that was the Business Energy Tax Credit (BETC) program, a transferable tax credit whose costs grew out of control and spurred fraudulent activity.

4. Oregon already has in place a program to help landlords

Oregon already has a targeted program to pay down rent arrears in Oregon, the Landlord Compensation Fund. An expansion of this program would allow the legislature to provide additional help to small, struggling landlords and ensure tenants' rental debts are wiped clean. This approach would keep costs under control, so that it is balanced with the state's other priorities.

The Oregon Center for Public Policy urges you to oppose SB 330.