



HOUSE OF REPRESENTATIVES
Testimony in Support of HB 2839

February 11, 2021

Chair Nathanson, Vice Chair Reschke, and members of the committee,

For the record, my name is Khanh Pham, and I am the Representative for House District 46. I am honored to testify today as the Chief Sponsor for House Bill 2839, a bill to disconnect Oregon from Federal CARES Act tax breaks.

My HD-46 predecessor former Representative Alissa Keny Guyer brought up disconnecting from the CARES Act tax breaks for consideration for the last few special sessions, but it was not moved to the Floor for a vote. Now that we are in the long session, I hope that we can move this bill forward before Oregon experiences a critical drop in revenues as a result of these tax breaks.

As we have discussed before, Oregon's revenue system is a way for us to choose our way as state, to choose what we want to encourage or discourage, and what our priorities are as a state. However, right now, whenever Congress creates new tax breaks for the rich and corporations, Oregon often copies the same wasteful subsidies. This is because Oregon automatically connects to federal tax law. These tax breaks for the rich and corporations drain resources from Oregon schools and essential services. The only way to stop these new tax breaks is for the Oregon legislature to vote to "disconnect" from them.

We could better spend our revenue to help more people not just recover, but thrive in a new economy that is more just and equitable.

HB 2839 would disconnect Oregon from some of the worst-designed provisions of the federal CARES Act. Oregon has a choice to stop the state from duplicating these 3 costly tax breaks; business loss limitation, net operating loss expansion, and business interest deductions. Together these three tax breaks will pull more than \$110 million combined out of our current (\$83.9m) and next budget (\$32.6m).

The most egregious of these policies repeals the limit on how much certain pass-through businesses can offset business losses against non-business income, such as salary or investment income. This particular provision only benefits a tiny sliver of Oregon tax payers, the vast majority of whom make more than **\$1 million** per year. These millionaires will collect nine out of every 10 dollars of the tax break. Too much of the CARES Act will go to businesses who are doing just fine or even better under COVID conditions. Even with this proposed bill fix, these millionaires will still receive these benefits on their *federal* taxes.

Disconnecting can result in greater investment in our local COVID response and recovery, in housing, education, and mental health, wildfire recovery, and long-standing needs to address racial inequalities in our communities.

The Oregon legislature never vetted these tax breaks that mainly benefit the well off, but now we have that opportunity today. I urge this committee to consider the merits of HB 2839 and support Oregon disconnecting from these portions of the CARES Act. Thank you!