

February 25, 2021

Testimony on HB 2604

Chair Nathanson, Vice-Chair Reschke, Vice-Chair Pham, and Members of the Committee,

My name is Daniel Hauser, tax policy analyst for the Oregon Center for Public Policy, and I respectfully submit this testimony regarding HB 2604.

Pass-through business owners should not pay a lower tax rate on their profits than their employees pay on their wages. This fundamental tenet of equity is why the reduced tax rate for pass-through business owners should be eliminated from Oregon law. This committee should amend HB 2604 so that, rather than scaling these reduced tax rates back and expanding them to more business owners, they are struck from statute.

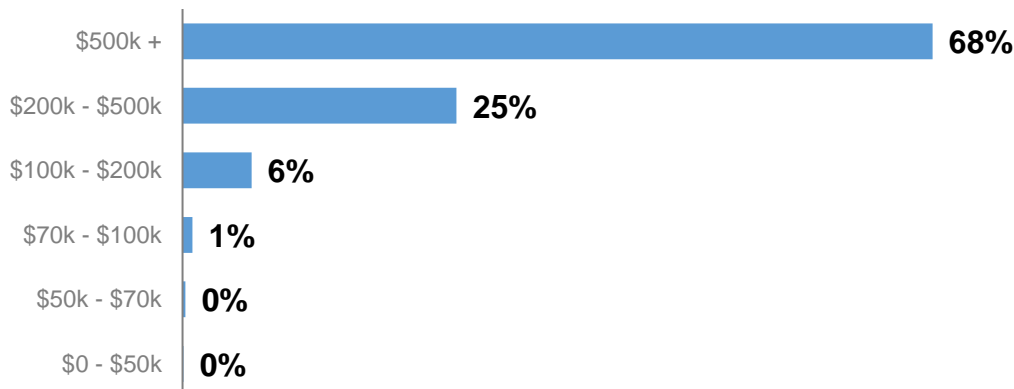
Currently, taxpayers reporting an annual pass-through business profit of more than \$5 million can see their tax cut reach over \$70,000. Under HB 2604, these high-income taxpayers would still receive the tax break on their first \$500,000 in income. While this would be an improvement, we would still be putting millions of dollars that could be invested in our schools or other important services to instead subsidize many of the richest 5 percent of Oregonians.

As can be seen in the chart below, nearly seven in 10 dollars from this tax break flow to folks making over half-a-million dollars in a single year; less than one in 10 dollars of the benefits flow to Oregonians making under \$200,000.

This tax policy should be eliminated. However, scaling back this subsidy, as HB 2604 does, is a move in the right direction. Please amend HB 2604 to end this regressive, inequitable, and poorly targeted tax break.

Rich Oregonians get bulk of pass-through income tax break

Share of revenue impact by income group from the reduced tax rate for pass-through business income



Source: OCCPP analysis of preliminary Oregon Legislative Revenue Office data on the 2018 tax year.

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