



May 31, 2023

## Testimony on Kicker Reform

Chair Meek, Vice-Chair Boquist, and Members of the Committee,

My name is Daniel Hauser (he/him), Deputy Director for the Oregon Center for Public Policy and I respectfully submit this testimony on Oregon's kicker policy.

The Oregon Center for Public Policy is a nonpartisan think tank dedicated to improving the economic outcomes for all Oregonians, particularly low-income families and Oregonians of color, through research and analysis.

Oregon's "kicker" is a deeply flawed policy that asks the impossible of state economists. When it kicks, it worsens income inequality and racial inequities and undermines Oregon's ability to invest in our communities and our future. The two resolutions and one bill before you today all lead us in the right direction – reforming Oregon's kicker to either end its harmful impact on our economy and communities or at least mitigate them.

The state economist's office is faced with an impossible task: they must guess what the global economy, the national economy, and Oregon's own sliver of it, will do in two years. Then, they need to translate that into precise estimates of how much wages Oregonians will earn, how much profits businesses will claim, how many people will sell their homes, stocks, or other assets, how many rich people will die, and more. Of course, they'll also need to be able to predict the exact timing on the next global pandemic, too. If, after all of that, they miss by just 2 percent, the entire amount above the predicted level of revenue is sent to taxpayers, not just the amount over the 2 percent threshold.

Unsurprisingly, state economists have not been able to do the impossible since the 2011-2013 biennium, and they've missed most of the time since 1980. And to be clear, they do better than I or almost anyone could. The kicker is just a completely broken



policy. Since they last got it right, Oregon has kicked out nearly \$10 billion if you include the kicker forecasted to arrive next year.

The kicker worsens Oregon's already record-breaking income inequality. The top 1 percent of Oregonians, about 19,000 filers, collectively earned about \$5 billion more than the bottom 50 percent of Oregonians, nearly a million filers, in 2020. The top 1 percent is expected to receive an additional roughly \$53,000 kicker rebate on average next tax year. And this isn't the worst of it – we estimate the richest 100 filers could see kickers topping \$800,000. That's enough for a luxury house in Portland.

On the other side of this equation, we have Oregonians barely holding on and receiving little or no kicker. Oregonians in the bottom 20 percent of income are expected to average a \$70 kicker. An Oregonian whose only income is from Social Security would not receive any kicker at all. Nothing.

The kicker also worsens racial inequality in our state. Due to decades of discriminatory policies, Oregonians of color tend to earn lower wages. This leaves Oregonians of color with lower incomes and relatively lower kicker payments on average.

Finally, the kicker also undermines the potential for investment in services that can directly help low-income Oregonians, Oregonians living in rural communities, and Oregonians of color. Just imagine what we could do for water infrastructure, wildfire preparedness, childcare, housing, and on and on with the current \$5.5 billion kicker. And that's just one kicker.

Any of the policies under consideration today would be a step in the right direction and deserve support. However, I'll offer one additional alternative. We've been advocating for a Working Families Kicker – an equal kicker for every filer in the state. This would increase the kicker for the overwhelming majority of Oregonians, and more than double the kicker for the typical – median – Oregonian. Roughly speaking, the median Oregonian would go from a kicker of around \$1,000 to around \$2,500 under this concept. The families struggling most with rising costs and economic insecurity would see the biggest boost in their kicker, while the families sitting on piles of wealth and multiple homes would still get a kicker, just a smaller one.

Whatever path you take to fix the kicker – please act quickly.

