



The League of Women Voters of Oregon, established in 1920, is a grassroots nonpartisan political organization that encourages informed and active participation in government. We envision informed Oregonians participating in a fully accessible, responsive, and transparent government to achieve the common good. LWVOR Legislative Action is based on advocacy positions formed through studies and member consensus. The League never supports or opposes any candidate or political party.

March. 21, 2023

To: Representative Nancy Nathanson, Chair, [House Committee on Revenue](#)

Re: [HB 3039](#) – Oregon Opportunity Zone Tax Bill, Disconnect – **Support**

The League of Women Voters of Oregon (LWVOR) supports a tax system that is based on the *ability to pay, but that applies a benefits-received principle wherever reasonable and that recognizes the role of social expediency*. The Opportunity Zone capital gains tax break for investments does not meet these criteria.

Oregon LWV supports the HB 3039 because it will prevent a potentially large loss of Oregon state revenue due to the state's present default connection to the federal Opportunity Zone capital gains tax break.

The Problem with the Opportunity Zone Program:

The purported intent of the Opportunity Zone program is to spur private capital investment into underinvested, economically distressed communities. In practice, however, the projects underway or planned under this program are often high-return investments located in prime real estate areas, such as in downtown Portland and Salem. Unfortunately, the federal program has very broad parameters defining low-income areas based on large census tract data that are easy to exploit to investor advantage. Oregon has 86 designated opportunity zones that were determined in early 2018 over a period of several months by Business Oregon and approved by the Governor.

One of the objections to this program is that the program was designed by wealthy investors to reduce and/or avoid capital gains tax on stock or real estate that investors would otherwise be required to pay, so long as they invest within 6 months of the sale of their assets in a Qualified Opportunity Fund to be used for investment. Only people with a large amount of disposable income or assets to invest, with significant capital gains liability can afford to make use of this tax break. Local residents and small businesses will be displaced as a result of these expensive real estate investment projects. Clearly Opportunity Zone tax breaks benefit the wealthy at the expense of the very people the incentive was supposed to benefit.

The [Business Oregon](#) website says: "If the value of the original investment of capital gains appreciates after having been held for at least 10 years in the Qualified Opportunity Fund (QOF), then those new capital gains earned in the zone are themselves completely tax free."

These are not investors who will be funding affordable housing or rural manufacturing projects that could lift up the local communities where they are located. This tax benefit is for profitable projects with a healthy return on investment, some of which were already planned or would have happened without this tax "incentive."

Since Oregon's tax code is connected to the federal tax code, unless we change the Opportunity Zone tax provisions for Oregon taxes, Oregon will not collect on a considerable amount of revenue from these wealthy investors. HB 3039 would require investors to pay Oregon income tax on their pre-Opportunity Zone profits from other investments and capital gains taxes on profits otherwise deferred until 2026. This tax reform is needed to prevent a potentially significant loss of revenue by the end of the decade.

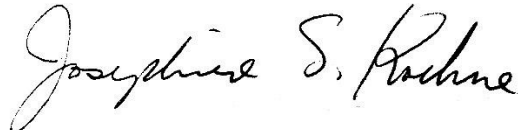
With fast-growing economic inequality, an increase in homelessness and lack of affordable housing in Oregon and elsewhere, why would Oregon choose to forego Oregon revenue for yet another tax break for the wealthy who are most able to pay on their profits? We need tax policies that actually reduce inequality, not exacerbate the problem.

Although Oregon can do nothing about the federal Opportunity Zone tax break, Oregon can take the steps that this bill offers to protect Oregon Revenue by disconnecting Oregon taxes from this federal tax break. We hope you will pass HB 3039.

Thank you for the opportunity to discuss this legislation.



Rebecca Gladstone
LWVOR President



Josie Koehne
LWVOR Representative on the Opportunity
Zone Coalition

Cc: [Senator Dembrow](#), [Representative Marsh](#), [Senator Golden](#), [Representative Neron](#),
[Senator Frederick](#), [Patterson](#), [Representative Gamba](#),
[Representative Gomberg](#), [Representative Helm](#), [Representative Hudson](#),
[Representative Pham K](#)