KHANH PHAM
STATE REPRESENTATIVE
DISTRICT 46

HOUSE OF REPRESENTATIVES

Testimony in Support for HB 3039-2

May 23, 2023

Co-Chairs Nathanson and Meek, Vice Chairs Boquist, Walters and Reschke, and members of the committee,

My name is Khanh Pham, State Representative for HD 46, representing outer Southeast Portland. I'm testifying in support of HB 3039 with the -2 amendment to take action and "disconnect" Oregon from the federal Opportunity Zone tax break starting in the 2024 tax year.

Congress passed the Opportunity Zones provision in 2017. The purported intent of the tax breaks was to spur investment in underinvested, economically distressed communities - but that has not been the case. Oregon has 86 Zones among the 8,764 throughout the country. Most investments have not gone to in-need communities but into high-return real estate projects in prime areas. While the tax breaks themselves are complicated, determining who directly benefits is relatively simple: the richest Oregon households with capital gains to reinvest in related funds. Even if we take action to disconnect, the beneficiaries of the tax break would continue receiving the *federal* tax breaks, including those on capital gains.

Opportunity Zones tax breaks also subsidize gentrification. Many low-income Oregonians struggle to remain in their neighborhoods, and a tax break designed to subsidize private speculation and inflate property values in lower income areas adds fuel to the fire of gentrification.

The immediate cost of this tax break is in the **tens of millions of dollars** each budget period to our state's General Fund. There are many better ways Oregon can spend those resources to support economic development, such as small business loans, technical assistance to support local businesses, purchasing land for affordable housing and commercial development.

Passing HB 3039 would reduce the tax breaks that the state is sending to wealthy investors out of our general fund resources. Please pass HB 3039 with the -2 amendments.