LEAGUE OF WOMEN VOTERS® OF OREGON

The League of Women Voters of Oregon is a 100-year-old 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

August 6, 2020

To: House Revenue Committee
Rep. Nancy Nathanson, Chair

Email: lro.exhibits@oregonlegislature.gov

Re: Budget Rebalance and CARES Act Tax Provisions – **Action Needed in the 2nd Special Session**

The League of Women Voters of Oregon prioritized several issues for the 2020 session. In light of the huge revenue shortfall that Oregon is now facing and in the coming biennia due to the coronavirus emergency, the key issue now has to be "to generate adequate revenue for essential services while promoting equity and **progressivity in tax policy." The League 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. Some of the tax measures in the CARES Act are at odds with both goals, and with Oregon Revised Statute 316.003: "The goals of the Legislative Assembly are to achieve for the people of this state a tax system that recognizes fairness and equity as its basic values."

What we realize from the Black Lives Matter movement is that Oregon and other states have failed to live up to their social, legal and economic equity principles when applied to communities of color. Our tax code will be in violation of these principles if the Legislature does not decouple from certain CARES Act provisions that only the wealthiest (and usually predominantly white business owners) can take advantage of and which will result in inadequate revenue for the General Fund.

The Legislative Revenue Office (LRO) reports that the CARES Act "contains provisions that will affect Oregon's General Fund revenue through changes to personal and corporate income tax laws. Due to Oregon's "rolling reconnect" to federal tax law, many of these provisions automatically affect Oregon revenue streams."

The 2020 CARES Act made changes to the federal income tax code that reduces taxes for wealthy individuals and businesses. The first four tax changes outlined in the LRO report adds up to $250.6 M in tax breaks that Oregon stands to lose in 2019-21 alone. These tax changes are two Net Operating Loss (NOL) changes, business interest deductions, and reduced charitable giving limitations. Virtually all of these provisions will go to the wealthy. According to Congressional the Joint Committee on Taxation analysis, 89% of these CARES Act tax changes at the federal level will go to taxpayers with incomes greater than $500,000 and 95 percent of the benefit will go to taxpayers with incomes greater than $200,000. This is neither progressive nor equitable. Therefore, LWVOR recommends decoupling (disconnecting) from these four tax provisions. In addition, LWVOR notes that most of the wealthy beneficiaries of these tax breaks are white. Because by law Oregon must balance its budget, this means that the Department of Revenue will need to refund to these taxpayers (for past years' losses) from our extremely shrunken budget, causing Oregon to have far less for services Oregonians need. Retaining these four CARES Act tax breaks would only exacerbate both economic inequality and the white vs. Black wealth divide.

Due to our current revenue shortfall, the Legislative Tri-Chairs have outlined huge budget cuts for the very agencies that serve our most vulnerable populations who are most hurting from COVID-19, and, as the news has pointed out, people and businesses of color, whose health, incomes and housing needs are disproportionately affected. This issue is a social justice issue that the disconnect can help fix.

Instead of making drastic agency cuts and not filling some very vital positions in our social services and other agencies, we urge you to **disconnect from these CARES Act tax** changes, as New York state, Colorado, and Georgia have done, and other states are considering doing.

But we must act now, in the second 2020 special session, before taxes are filed. We urge you to see this through a social justice and equity lens and disconnect from the CARES Act right away, so these cuts don't happen.

We appreciate the opportunity to submit our comments and hope they will be helpful as you grapple with Oregon's severe revenue shortfall.

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