



PRESS RELEASE

OREGON HOUSE DEMOCRATS

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House Votes to Rein in Runaway “Pass-Through” Tax Break

HB 2060 will ensure that the small business incentive is actually going to small businesses

After a lengthy debate, the Oregon House of Representatives voted to rein in the “pass-through” tax break that was originally meant to help boost small business job growth but is instead being claimed primarily by wealthy individuals, like lawyers and doctors.

After it became clear that the “pass-through” tax break would explode into the hundreds of millions of dollars, largely to the wealthy, legislators began looking at ways to reform the policy and save taxpayer dollars. [House Bill 2060](#) puts in place new safeguards to ensure that the incentive is going to its intended purpose: Helping traded sector businesses that face stiff competition from out of state.

Background: In the whirlwind 2013 special session, legislators passed a tax break on “pass-through” income that was billed as a way to help small businesses create jobs. Owners of certain kinds of businesses can choose to receive this incentive, but there were no sideboards in place to make sure the tax break is achieving its purpose.

Under HB 2060, the pass-through tax break will be targeted to support businesses in the following sectors: agriculture, mining, manufacturing, wholesale trade, transportation and warehousing, information, and accommodation & food services. It will require businesses taking the tax break to employ at least 10 employees—encouraging job creation.

“The projections are that this tax break could end up costing \$300 million soon—much more later—if left unchecked,” says **Rep. Phil Barnhart (D-Eugene)**, chair of the House Revenue Committee. “We know from the research that much of this incentive is not going to the kinds of small businesses we intended to help. We should make smart, sensible reforms to this policy now, before it spirals out of control.”

Research by the nonpartisan Legislative Revenue Office revealed that the tax break is going almost entirely to the very rich:

- 72% of the money from the tax break is going to individuals who make more than \$500,000 a year
- 94% of the benefit is going to individuals who make more than \$200,000 per year
- Much of the benefit is going to industry sectors that include doctors, lawyers, and hedge fund managers

This special tax break is expected to cost the state \$239 million in this biennium, with no assurances that even a single job will be created. By narrowing the incentive to targeted industries and businesses that are producing jobs, HB 2060 will cut this expenditure by \$196 million.

“Oregonians expect efficiency and prudence in how we spend taxpayer dollars through the budgeting process,” says **Rep. Rob Nosse (D-Portland)**. “They deserve the same level of efficiency in how we spend taxpayer dollars through tax breaks. HB 2060 will rein in this tax break and focus it on where it needs to go.”

HB 2060 passed 31-28 and now will be considered in the Senate.

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