



PRESS RELEASE

OREGON HOUSE DEMOCRATS

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Oregon House Votes to Disconnect from Destructive Trump Tax Scheme

Bills protect funding for education and critical services

SALEM – Months after Republicans in Congress passed the sweeping Trump tax scheme that rewarded the wealthiest Americans and large corporations, the Oregon House of Representatives voted today to disconnect the state from portions of the plan that would disrupt funding for public schools, Medicaid recipients, and public safety.

[Senate Bill 1529](#) reforms an Oregon law that allows multinational corporations to claim double deductions on money and assets sheltered overseas, while [Senate Bill 1528](#) disconnects Oregon from a federal pass-through exemption for businesses.

“In my 18 years here, in a lot of ways, we are where we’ve always been,” said Rep. Phil Barnhart (D-Central Lane and Linn Counties). “We still have an inadequate tax system and our schools are still not adequately funded. This legislation in front us can ensure we don’t go backwards.”

Under the Trump tax scheme, multinational corporations will now have to pay federal taxes on offshore assets not previously taxed in the United States. Due to a technicality in current Oregon law, those multinationals would be able to couple a federal deduction on that income with a current state deduction. The result would be a decrease in state revenue, estimated at \$100 million.

Senate Bill 1529 rectifies that by ending the double deduction. This will result in a potential one-time infusion of cash to the state budget of \$140 million. The legislation would invest 18 percent of that money into the new PERS matching fund created by Senate Bill 1566. The remaining 82 percent of the money would be transferred to the newly created School District Unfunded Liability Fund to help pay for K-12 PERS costs in order to help stabilize our school funding in the long term.

“We will be able to take a step to pay down the state’s pension debt, which will help our state stabilize funding for our education, health care, and public safety needs,” Barnhart added.

Additionally, the Trump tax scheme instituted a federal pass-through for businesses operating as partnerships, limited liability companies (LLC), S corporations and sole proprietorships. This allows companies to pass their income to their owners who would pay taxes at their individual

federal tax rate. Connecting to this portion of the federal tax plan would cost the state \$182 million in tax year 2019, and \$258 million in this biennium. Next biennium it would cost the state \$404 million.

Senate Bill 1528 disconnects Oregon from the federal tax pass through exemption. Under current law, Oregon business owners would not see their taxes increase.

“[This legislation] does not take away a tax break for small business, and it does not institute a tax hike for any of those businesses,” said Rep. Pam Marsh (D-Ashland), who is also a small business owner. “To simply accept today what the federal government has handed to us, without considering the impact that an additional tax cut for business would have on the kids in Oregon’s schools or seniors who are counting on critical services, would be a huge mistake.”

Rep. Susan McLain (D-Forest Grove), a career educator, said the cuts that would have to be made if this pass through went through, the cuts would be unacceptable.

“If we had to cut that amount from the K-12 budget, the statewide impact would equal 1,400 teachers or 10 school days,” Rep. McLain said. “There is no better investment in Oregon than protecting our investment in our kids. They’re the future workforce we will hire, the future leaders, and the future business owners.”

In an article, the conservative-leaning Tax Foundation called the federal pass-through deduction “bad tax policy” and said of Senate Bill 1528, the “proposal to limit the special pass-through deduction in Oregon is the right choice, protecting the state’s budget, while advancing sound tax policy.”

In addition to disconnecting from the pass through, Senate Bill 1528 would also increase the Oregon Opportunity Grant Fund by \$14 million, allowing more low-income Oregonians to afford college.

“This is an opportunity to invest money to lift low-income students, first-generation students, and many students of color up and allow them to achieve their dreams,” Rep. Teresa Alonso Leon (D-Woodburn) said. “This is the right thing to do for the future of Oregon.”

Senate Bill 1529 passed 39 to 21, while Senate Bill 1528 passed 32 to 28. Both now go to Gov. Kate Brown.

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