

JULIE FAHEY
STATE REPRESENTATIVE
DISTRICT 14
WEST EUGENE & JUNCTION CITY



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HOUSE OF REPRESENTATIVES

TO: Tim Sekerak, Chief Clerk of the House
FR: Rep. Julie Fahey
DATE: May 22, 2018
RE: Vote Explanation for No Vote on HB 4301

Chief Clerk Sekerak,

During my time in the legislature I have consistently advocated for the reform of the pass-through tax break that was passed by the legislature in 2013. The debate around House Bill 2060 in 2017, which I voted for, pointed out many of the flaws in this tax policy. Because of the broad nature of the tax break, it is now primarily used by the wealthiest Oregonians in business sectors that include doctors, lawyers, and hedge fund managers. It is estimated that the cost of the program will soon balloon to over \$300 million in the coming years, with 72 percent of the benefit going to those making more than \$500,000 per year. In other words, the benefit of this program is going to the wealthiest Oregonians, and it is taking much-needed resources from critical programs in our state.

As someone who helped to start up a small business myself and has worked in the private sector for over 17 years, I sympathize with those small business owners who have been left out of the pass-through tax break. But, as Oregon struggles to adequately fund its public schools, health care and public safety, I could not support a proposal that was not at least revenue neutral.

In addition, the pass-through tax break has not been fully evaluated to assess whether it is meeting its goals and providing its intended benefits. Oregon has implemented a policy whereby most tax credits expire every six years, unless the legislature assesses the effectiveness of the tax credit, considers any potential changes, and then votes to renew it. In my opinion, these sunsets are a critical component of responsible governing. The pass-through tax break lacks such a sunset, which means that its effectiveness and economic impact has not and will not be systematically evaluated. As a strong proponent of evidence-based public policymaking, I believe that our tax policy decisions should be informed by data and that the pass-through tax break should be subjected to the same scrutiny as tax credits in this state.

Oregon desperately needs to reform our outdated and inadequate revenue system so that we can finally make the kind of investments that will move our state forward. I am in favor of a comprehensive strategy on growth, competitiveness, and workforce preparation. However, this bill is not that.

Sincerely,

Julie Fahey
State Representative, District 14

