



**Two of the bills before you today reduce the capital gains tax, a change being tied to successful repeal of the kicker.**

SB 883	Cuts capital gains tax rates by half, for both personal and corporate taxpayers. All unearned income gets lower tax rate than work, generally 4.5 to 4.95% rather than 9%.	\$422 m <sup>1</sup>
SB 625	Phases in reduction of capital gains tax for beginning at 9% in 2012, 7% in 2013, 5% in 2014 and 3% in 2015 and beyond. Similar reductions over time for corporate taxpayers.	If immediately fully effective \$565 m

Why would the citizens consider ending the kicker in order to build our rainy day savings, but at the same time give a tax break of \$422 to \$565 million to those who have significant capital gains income? It is clear that this will appeal to the six in one thousand most advantaged Oregonians who will reap three fourths of this tax break. It's hard to imagine the public finding this a fair trade, and voting "yes."

The facts, over the ten years 2000-2009:

- Capital gains revenue has averaged \$844 million a biennium.
- Kicked and retained kickers have averaged \$266 million a biennium.
- Only 8.9% of those kickers relates to capital gain income. That's but \$24 million a biennium. And only half of that would be retained for a rainy day.
- You're "taking" no more than \$12 million of "their" kicker, and giving them in return \$422-\$565 million in return?
- The capital gains bills before you would reduce the amount of General Fund revenue available by 35 to 47 times more than this \$12 million of capital gains captured for rainy day savings.<sup>2</sup>
- It just doesn't make sense to take any part of everyone's kicker --- at \$266 million and in return give away \$422 or more in a snazzy new tax break to so few folks.
- 75% of the tax break would go to a little over 8000 of Oregon's 1,800,000 taxpayers—those who have AGI of over \$500,000.

<sup>1</sup> These numbers are an average of actual capital gains tax received from personal income tax payers over the ten years 2000-2009, a period of time where receipts swung from \$819 million to \$198 million. We don't have corporate capital gains tax information available but were told it isn't much money. Personal kickers have averaged \$266 million/biennium.

<sup>2</sup> Over the years 2000-2009, capital gains revenue has averaged \$844/biennium and has been 8.91% of personal income tax revenue. The average of kicker and suspended personal kickers was \$266m/biennium. Thus the portion of the kicker that is capital gains averaged but \$24m/biennium.

If one does the same calculation with a 20 year look-back, the capital gains have averaged \$654m/biennium, and the kickers have averaged \$228m. The capital gains portion drops to 8.02% or \$18m/biennium.

Here's what is really, really crazy about the idea of giving these huge capital gains tax breaks in exchange for kicker reform.....capital gains has been only 8.9% of all PIT over the last 10 years, when personal kickers which have averaged \$266 million. 8.9% of \$266 million = \$24 million. With a 20 year look back the capital gains portion of kickers is but \$18 million a biennium.

The only Senate bills this legislature should be considering are SB 336 (HB2412, which would reduce to top capital gains tax break to 9%, at a cost of about \$75 million a biennium, which is still 3 times more loss than what we're gaining.

Or Tobias Read's other bill, HB 3420 which gives a small capital gains tax break in the future if the seed capital investment one makes now actually succeeds and makes money.