



SB 1531: Makes corrections to and updates tax statutes

Testimony for the Senate Committee on Finance and Revenue – John Calhoun – 2.6.2020

Tax Fairness Oregon is neutral on SB 1531 as we understand it, because the changes are not expected to have a revenue impact on the operating fund. However, this bill raises an issue the legislature should consider before the 2021 session. Auctioning of tax credits to provide subsidies for the benefit of the Oregon Film and Video Office, College Opportunity Grants, publicly owned short line railroads, and other groups can no longer be justified.

Before the 2017 federal tax law, the ability to sell these tax credits provided a certain benefit to the state. The tax credits were sometimes even sold at a premium to the face value, meaning the recipient was willing to pay more than it cost the state. They would do that because of the impact on their federal as well as state returns.

After 2017, this is no longer the case. The College Opportunity Grant tax credit auction sold credits in 2019 at a discount and received only 91% of the face value. That means that Oregon taxpayers and the College Opportunity fund are losing 9%, or \$1.2 million on \$14 million of authorized tax credits. What made sense pre-2018 no longer makes sense. The landscape has changed and the legislature needs to respond. To be good fiduciaries, this committee needs to stop this practice and require any desired subsidies be converted to grants from the general fund. Since this requires significant planning and discussion, we don't think it could be done this session. However, we urge you to take it as a goal to fix it in the 2021 session.

We also want to point out that tax credit sales are one more benefit given the very wealthy. Only 177 individuals purchased the College Opportunity Fund tax credits last year, including a single purchase of more than \$1.6 million of tax credits. Furthermore, SB 1531 will now allow a wealthy individual to purchase a tax credit at an auction the DOR might run as close as a day before their final tax payment is due. However, these great deals now offered by the state of Oregon in \$500 lots are not realistically available to an average taxpayer. The median purchase of College Opportunity Fund tax credits was \$30,000. This is one more reason not to continue the practice of selling tax credits and to begin now to discuss how to replace it with a more responsible grant program next year.