SB 330: A tax solution for landlord payments presents tax questions
Testimony for Senate Housing and Development Committee – Bennett Minton – 5.5.2021

Mr. Chair and members of the committee:

My name is Bennett Minton, on behalf of Tax Fairness Oregon, a network of volunteers who advocate for a rational and equitable tax code.

Thank you for a second opportunity to note our opposition to the bill. Because we focus on the tax code, we don’t take positions on spending policies per se, in this case whether to make landlords whole from the COVID recession. For this purpose, the legislature in December created an instrument through HB 4401. Adding a second, through the tax code, is a bad idea.

Since the committee addressed this bill five weeks ago, the federal government has determined to pump more than $4 billion into Oregon. If the legislature chooses not to use some of that money by amending HB 4401, then we suggest it is not a priority.

I spoke to my first concern with this bill last month, so I won’t belabor that it would designate a second agency, the Department of Revenue, to supplement the work of the first, but in a way that’s insufficient. Recompense to landlords over five years or more, depending on their tax circumstances, doesn’t address their cash crunch now.

My second concern arises from the -3 amendment, incorporated into the -5 substitute. It would create a subtraction from federal income for the discharge of indebtedness income represented by rent forgiveness. I asked LRO about it last week: Would that provision create a federal tax liability for renters where the 4401 program does not? Would renters be liable over five years, or now? When and how would renters learn of it?

A third concern is the provision in the American Rescue Plan Act that withdraws federal funds from states that cut taxes, dollar for dollar. U.S. Treasury guidance is expected, but the message from Congress is clear: It doesn’t want states backfilling state tax cuts with federal money.

If you go forward with this proposal, its sponsors will issue press releases, the media will report on them, and Oregonians will assume you have solved the problem. But it’s an inadequate solution with uncertain tax consequences for your constituents. It’s my observation that many of them are already cynical about your ability to respond to their needs.

We urge you to leave the tax code out of the equation.