



## **SB 727A: Reject the SALT regime for pass-through taxpayers**

Testimony for House Committee on Revenue – Bennett Minton – 6.24.2020

Madam Chair and members of the committee:

I'm Bennett Minton, on behalf of Tax Fairness Oregon, a network of volunteers who advocate for a rational and equitable tax code.

If a friend asked me for a recent example of how the legislature transfers the taxes we all pay to the wealthy among us, I would cite this bill.

In 2017, Congress limited the itemized deduction for state and local taxes to \$10,000. The effect of the limitation, along with other changes, was to push most itemizers to the standard deduction.

A narrative about the 2017 act was that the Republican-controlled Congress had a political aim: harming taxpayers in blue states by limiting the SALT deduction. The intent was to pressure Democratic states to cut taxes and the services that fund them.

There is a counter-narrative: Eliminating deductions results in a more progressive tax code, because they are of greater benefit to taxpayers in higher brackets. Every deduction diminishes the progressivity of the system.

In any event, many states tried workarounds, but they didn't fly with the IRS. Finally the IRS signed off on a New Jersey regime, which is the basis of the bill. Put simply, it would allow certain pass-through entities to elect an alternate regime that enables their owners to claim an unlimited SALT deduction on their federal return. It is supposed to have no revenue effect on Oregon tax collections, according to LRO, but implementation would cost \$1.4 million. The pending budget reconciliation bill would allocate \$439,000 for this purpose.

[We testified in detail](#) on an earlier version of this bill in Senate Finance, and a serious flaw was resolved in the bill before you. But the fundamental outrage remains: it's a loophole for the rich. You would take \$1.4 million from all Oregonians for the benefit of a select group of business owners who have the money and sophistication to exploit a deduction not generally available.

Tax Fairness Oregon shies away from ascribing motives. We understand that Senate passage was part of a deal involving another bill benefitting the vast majority of pass-through owners but denying the preferential tax regime to a few dozen of the richest — a take-with-one-hand and give-with-the-other. But this is the House.

Your former colleague, Lynn Findley, a Senate Finance Republican, said on the floor last week that this bill was "the wrong approach" and that he was shocked to agree with Bernie Sanders. He did not elaborate. I would like to think it is because he doesn't like taking money out of his constituents' pockets and giving it to multi-millionaires.

***We read the bills and follow the money***