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Update from the Capitol: Time for Tax Reform

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OREGON STATE REPRESENTATIVE
NEWS FROM **Pam Marsh**

Dear Friends and Neighbors:

Late breaking news: Today, House Speaker Tina Kotek announced a bold proposal for long term investment in Oregon's education system.

The plan, called the **Education Investment Initiative**, would raise \$2 billion per biennium, with 75% of revenues dedicated to education, from early childhood through college. The initiative would be funded via a new Commercial Activities Tax (CAT) imposed on sales and services above \$5 million.

This could be a game changer for Oregon's students and families, potentially allowing us to add weeks to the school year, reduce class sizes, and invest in initiatives such as high quality preschools, that change lives.

This morning's announcement is the most recent step in revenue discussions that began in earnest this week, with formation of a Committee on Tax Reform made up of members of the Revenue Committees from both House and Senate. Our assignment is to begin to examine in detail a proposal to develop a broad based gross receipts tax that could replace the corporate income tax, creating a revenue stream that reflects contemporary business practices.

Current conditions

The corporate income or excise tax, which provides 5-6% of the state's general fund, is paid by those businesses that are classified as C Corporations. But over the past 15

years, Oregon has seen a decline in C Corporations from 35,500 in 1990 to just under 30,000 today.

This shift reflects a nationwide trend and is accompanied by a corresponding increase in other business types, including sole proprietorships, partnerships and other types of corporations that file under the personal income tax code. Unfortunately, we have eroded both the personal and corporate income taxes with loopholes and credits that diminish income and encourage entities to play accounting games with their bottom lines.

As a result, over time, corporate income tax has declined as a share of the income tax from about 18% in the mid-70s to about 6% today.

Looking forward

The challenge, then, is to replace this failing taxing mechanism with a new system that will provide us with a stream of revenue that will be equitable, stable, predictable and adequate.

Measure 97, soundly defeated in November's election, proposed a gross receipts tax to be paid by specific high revenue C Corporations. The measure was criticized for imposing a high tax rate on a limited number of businesses. But it makes sense to consider a revised version of the gross receipts tax that takes those criticisms to heart.

Under the proposed plan, a very small tax on gross receipts from sales and services could be imposed on all businesses with sales over a minimum threshold. With broad participation, the rate imposed could be very low – well under 1% -- and still generate significant tax revenue.

In the days to come we'll be discussing details of the proposed tax structure, including questions around equity between different kinds of businesses, and – the big question – the rate itself.

We'll also analyze the possible effect of such a tax on consumers by modeling various tax rates to assess impact. Any significant impacts could be minimized in various ways, including via an increase in the earned income tax credit or reductions in the lowest personal income tax bracket.

Clearly, revenue is just one piece of the budget quandary. This conversation will be married with discussion about cost cutting measures that are being evaluated on a parallel track. Since the preponderance of state government spending has to do with personnel costs, any nearly any discussion around cost cutting inevitably involves compensation, benefits and retirement issues.

The very good news here is that we have a path forward. If we can muster the needed political will we can build a budget with long term revenues that will allow us to invest in

the services and institutions that Oregonians want and need.

We can support our schools and build a strong equitable economy that will create a brighter future for everyone.

The next few weeks are critical. Please stay in touch as the debate continues.

All my best,

Pam



There was great energy at the Peoples Climate Movement this past Saturday in Medford.

Bills to follow

Senate Bill 3 - Suction Dredge Mining Ban

This bill creates permanent restrictions on suction dredge mining -- a form of recreational gold mining that shreds riverbeds and degrades and even destroys fish habitats. Our dear friend Senator Alan Bates fought passionately on this issue and my colleagues and I aim to pass this important piece of environmental protection in his honor.

SB 3 passed the Senate with a bipartisan vote of 21 to 9. We held a public hearing on the bill in the House Energy and Environment Committee this week.

House Bill 3391 - Reproductive Health Equity Act

The Reproductive Health Equity Act ensures that Oregonians, regardless of income, citizenship status, gender identity or type of insurance, have access to the full range of preventive reproductive health services, including family planning, abortion, and postpartum care.

HB 3391 passed out of the health care committee in April and is currently in Ways and Means.

House Bill 3241 - Residential PACE

PACE (Property Assessed Clean Energy) is a model financing mechanism that enables low-cost, long-term funding for energy efficiency, renewable energy, and water efficiency projects. PACE financing can be repaid as an assessment on the property's regular tax bill, an approach that has been used by municipalities for decades to finance public benefit projects such as sidewalks and sewers. In 2009 and 2014, the Oregon Legislature passed laws authorizing local governments to establish commercial PACE programs. Oregon's current PACE programs are limited to commercial, industrial, and multifamily residential properties.

HB 3241 will expand our current PACE program to residential properties by enabling local governments to establish a program for single-family dwellings of one to four units. We have also expanded projects to include seismic rehabilitation projects, as well as energy storage and smart electric vehicle charging stations. Project costs may not exceed 20% of the real market value of the property and it expands consumer protection standards to protect property owners and the lenders from possible abuses. This bill is currently in the House Rules committee for some last minute adjustments before we move it to the floor.

PACE programs are a great economic development tool that creates local jobs in our communities while at the same time protecting our environment by encouraging renewable energy, energy efficiency, and water efficiency projects. I'm excited to be working on this legislation and look forward to continue moving this through the legislative process.

House Bill 2813 - Internet Privacy

HB 2813 will prohibit broadband internet providers from using or selling a customer's personal information without explicit customer approval. The bill was quickly drafted after President Trump's administration reversed policies initiated during the Obama administration that would have protected user privacy. HB 2813 is pending in the House Rules Committee.

House Bill 2008 - Manufactured Housing

HB 2008 makes several adjustments to the section of Oregon's Landlord and Tenant law that addresses manufactured housing.

First, it provides for a modest increase to the payments tenants currently receive from a park owner when a park closes. These amounts have not been increased since they were put in place 10 years ago. These payments will be updated annually for inflation. Moving a mobile home can cost thousands of dollars, so payments help cover some of the associated costs.

Second, the bill requires park owners to notify the state when they sell or transfer ownership of the park and to provide the name of the new owner and the sale price. This will help ensure that the state's records are up-to-date so they can contact the park's management if needed.

Finally, the bill makes a small change to the laws governing co-op-owned parks to allow these parks to better take advantage of federal Rural Development program funds.

House Bill 2008 passed out of the House 54-6 and now heads to the Senate.

HB 3116 B - Farm Direct Eggs

If you have ever purchased eggs at a farmers market or directly from a farm, you have probably been delighted to open a box of eggs that are various sizes and colors.

However, the Department of Justice recently advised the Department of Agriculture that current statutes require that farm-direct eggs to be graded, essentially sorted in like sizes and weights.

Farmers who are selling a modest quantity of eggs and wrangling a variety of chickens with various egg laying capabilities, sorting by consistent size is difficult or even possible. Standardization is not what consumers are looking for in a farm direct sale and has nothing to do with the safety of consuming eggs.

HB 3116 clarifies that farm-direct eggs may be sold marked ungraded. It passed the House on a unanimous vote and is awaiting a vote in the Senate.

Other Updates

The Trump Administration is taking a swing at the Antiquities Act that may include a review of the recently expanded Cascade Siskiyou National Monument. [Read some coverage of the issue here.](#)

I wrote an op-ed that was published in the Mail Tribune this past weekend. I also delivered the message as a speech on the House Floor to my colleagues. As we approach these difficult discussions around budget and revenue, we must remember

that we are guardians of the public trust and come together to build the best future for Oregon. [Read the op-ed online here.](#)

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