Taking action for basic human needs.

HSCO Tax & Revenue Principles and Goals for 2013 Session

Entering the 2013 Legislative session, the State of Oregon again faces the serious challenge of adequately funding its critical services. The Governor's budget, while nominally balanced, relies on certain revenues that are uncertain, including savings from PERS reform, health care savings, federal revenues and reductions in corrections expenditures.

It is encouraging that in his State of the State address on 14 January, the Governor told the Legislature that he was prepared to work with them to undertake a "serious review of Oregon' tax expenditures." And indeed, there does seem to be an increased awareness of the significance of such expenditures and the fact that they should be subjected to the same scrutiny as are direct budget expenditures.

Accordingly, HSCO will continue to urge the Governor and Legislators to recognize and take action to mitigate the current and projected future impact of all tax expenditures (not just tax credits) on Oregon's budget and its ability to provide its citizens with adequate services. In addition, HSCO's advocacy will continue to be guided by the following principles and goals.

Principles: HSCO supports a tax structure for Oregon that is fair, adequate, stable and transparent (FAST) as described below:

- *Fair:* Contribution of taxes is distributed equitably between individuals and businesses, and between those with lower and higher incomes, with tax rates based on ability to pay.
- *Adequate:* Total tax and other revenues are sufficient to finance the services necessary for the health, education, safety and wellbeing of Oregonians.
- *Stable:* Total tax and other revenues are less volatile than the State economy so that services can be maintained through short-term economic fluctuations such as recessions. Stability can be achieved through a combination of adequate budget reserve funds and a mix of taxes that respond differently to economic changes.
- *Transparent:* the public is fully and promptly informed about both direct program expenditures and indirect tax expenditures. Information should include purpose, amount, expected beneficiaries, fiscal and revenue impact, etc.

Legislative/Advocacy Goals for the 2013 Legislative Session

1. In determining how to balance the budget for 2013-15 period and beyond, the governor and legislature should explicitly consider reductions to tax expenditures as well as direct program expenditures, i.e., they should be considered in conjunction with each other and prioritized giving due weight to principles outlined above.
2. Support legislation to sunset not only Oregon income tax credits, but all income and property tax breaks including deductions, subtractions, exclusions and credits.
3. Support legislation to consider eliminating, reducing, capping or means testing any tax break that unfairly or disproportionately benefit upper-income taxpayers, based on the above principles.
4. Support legislation or administrative action that would clarify whether reducing or eliminating a tax break qualifies as a "revenue raising" measure requiring a supermajority vote.
5. Make considering new tax breaks and renewing those subject to sunset more transparent and accountable:
    a. Include distributional analyses to show which income and societal groups would benefit from the expenditure.
    b. Include explicit and measurable goals, and methodology for analysis.
    c. Require data on tax breaks to be posted to the state's transparency website, including the names of individuals or businesses who receive them, the amounts received, what public benefit was expected, and what was finally realized.
    d. Amend economic development incentives to include claw backs or "taxpayer money back guarantees", so that if recipients fail to deliver on promised benefits they must repay any tax benefits received.
    e. Require analyses of benefits published in the *Tax Expenditure Report* to be performed by entities independent of administering departments and recipients.
6. Support tax expenditures that increase tax fairness such as the Oregon Earned Income Tax Credit.
7. Support revenue raising measures that are consistent with HSCO's adopted FAST principles and State Legislative goals for the tax system as set forth in ORS 316.003.