KATE BROWN
Governor

November 15, 2017

The Honorable Ron Wyden
United States Senate
Washington, D.C. 20510

The Honorable Jeff Merkley
United States Senate
Washington, D.C. 20510

The Honorable Earl Blumenauer
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Suzanne Bonamici
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Peter Defazio
U.S House of Representatives
Washington, D.C. 20515

The Honorable Kurt Schrader
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Greg Walden
U.S. House of Representatives
Washington, D.C. 20515

Dear Oregon Congressional Delegation:

I am writing regarding the tax plans currently before each chamber. I am gravely concerned that political hastiness is being prized over a deliberative and collaborative process, and that many of the provisions of the current tax plans are harmful to Oregonians. An update of the federal tax code has long been a priority for many in Congress. But given the impact it will have on our nation's economy, our deficit, and on taxpayers' pocketbooks in the long run, this debate demands proper diligence.

From the information and analysis that is available, it is clear that Oregon stands to directly be negatively impacted if Congress approves these tax plans. Any tax reform plan should instead be creating opportunities for working Oregonians, and not just for the wealthy and well-connected. It is imperative to me as Governor of our state that I point out the areas in the plans that are potentially harmful to Oregon and conflict with the values of Oregonians.

- **Makes the System More Regressive –** While Oregon's tax system has its share of flaws and eccentricities, it is widely regarded as one of the least regressive state systems in the country. Oregonians are rightly concerned about income inequality yet the House GOP plan doles out nearly half of the tax benefits for Americans would go to the richest one percent.[1] The Senate GOP plan doles out half of the tax benefits to the richest five percent.[2]

[1] https://itep.org/housetaxplan/
[2] https://itep.org/senatetaxplan/

- **Increases Taxes on Many** – Both House and Senate GOP plans have touted benefits to the middle class. However, under closer analysis, a significant portion of the middle class would pay more in taxes and many would see next to no benefit while the ultra-wealthy and corporations see huge breaks. As proposed in the House plan, 45 percent of the American middle class would pay more in taxes by 2026 than under the current system.[3] Another independent review shows that 21 percent of all Oregonians will see a tax hike by 2026 – to the tune of over $1,700 when averaged out (see chart at bottom).[4] Similarly, the Senate plan would make roughly one-third of the American middle class pay more in taxes by 2026.[5]

- **Eliminates the State and Local Tax (SALT) Deduction**– Since the inception of the federal income tax form in 1913, Congress has allowed individuals to deduct their state and local taxes – avoiding double taxation. The current Senate proposal does away with this exemption completely, and the House keeps the deduction for only up to $10,000 in property taxes. Both plans would disproportionately harm Oregonians. Oregon has the 9th highest average SALT deduction.[6] Subjecting taxpayers to a new double taxation scheme will add needless pressure on state and local tax systems to the detriment of essential public services, including schools, police, and those for the neediest in our communities.

- **Causes Millions of Americans to Lose Health Coverage** – The Senate GOP now appears committed to helping to pay for its tax cuts by repealing the individual mandate portion of the Affordable Care Act (ACA) individual mandate. This repeal has been extensively studied by analysts like the nonpartisan Congressional Budget Office (CBO) who predict that 13 million Americans will lose coverage and that premiums on the individual market will rise another 10 percent.[7] The Oregon Health Authority predicts that keeping the popular parts of the ACA like preexisting conditions and essential health benefits while repealing the mandate would create uncertainty possibly leading insurers to decline to participate in all corners of Oregon, disproportionately affecting rural Oregon.[8]

- **Exacerbates Oregon's Affordable Housing Crunch** – Oregon, like many states, is experiencing a housing crisis in both rural and urban communities. Removing all Private Activity Bonds (PABs) as the House GOP plan does would effectively ends two critical programs Oregonians rely on to address our housing crisis. Multi-family housing bonds are responsible for nearly 50 percent of affordable rental housing in Oregon annually. And single family housing bonds provided essential, affordable mortgage support to 647 first-time home buying working families in 2017.

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[3] https://www.nytimes.com/2017/11/06/business/republican-plan-would-raise-taxes-on-millions.html
[4] https://itep.org/housetaxplanor/
[5] https://www.nytimes.com/2017/11/10/us/politics/senate-tax-bill.html
[6] http://news.americansagainstdoubletaxation.org/resources/gfoa-the-impact-of-eliminating-the-state-and-local-tax-deduction-2015-data/
[7] https://www.cbo.gov/publication/53310
[8] http://www.95percentoregon.com/uploads/9/9/2/6/99265876/ahca-report.pdf

- **Harms Veterans and their Housing Benefits –** Access to affordable housing is a critical issue for veterans. The House GOP plan would eliminate the Qualified Veteran Mortgage Bonds (QVMB) as part of a larger termination of PABs. According to the Oregon Department of Veteran Affairs, the Oregon Veterans Home Loan Program has successfully provided over 335,000 low-interest loans to our returning veterans and their families since 1945. This tax bill eliminates a well-earned benefit of service, increasing the cost of home ownership for Oregon veterans and severely restricting the ability to provide other essential veteran services supported by the program's capacity.

- **Hurts Teachers and Classrooms –** Not every child is able to come to school with adequate school supplies he or she needs to optimize learning potential. Many teachers selflessly step into this gap and spend money out of their own pockets to provide materials for all of the children in their classrooms. The House GOP plan would eliminate this worthy deduction while retaining other work-related deductions for other workers. I recognize that eliminating deductions is one of the goals to streamline the nation's tax system, but eliminating this one only harms school children and penalizes American teachers' ability to help their students learn.

- **Punishes Oregonians with High Medical Bills –** As drafted, the House GOP plan will eliminate the medical expense interest deduction, which in turn would drastically affect middle class individuals with extraordinary medical expenses (expenses exceeding 10 percent of income). An analysis of the 2015 tax returns by the AARP shows that nearly nine million Americans with major chronic illnesses, like diabetes and Alzheimer's, would be affected.[9] I strongly believe that Americans should not have to go into financial jeopardy as a result of a major health event. This deduction removal would lead many middle class Americans back down that path.

- **Stunts Renewable Energy and Zero Emission Vehicle Adoption –** I am committed to an Oregon that leads in economic competitiveness for green jobs and environmental stewardship. That is why I recently signed two executive orders to promote energy efficiency and zero emission vehicle deployment. The GOP House plan, however, wrongly ends the $7,500 federal credit for electric vehicle purchases and increases taxes on renewable power sources like wind, solar, biomass, geothermal, and hydropower. All the while, billions of dollars in subsidies for oil and gas operations have been left largely untouched. If we are to compete in a global economy that is moving toward cleaner technologies, we must continue our federal commitment to put financial resources into these industries.

- **Favors Off-Shore Investors –** While Oregon cracks down on companies that shelter income in tax haven countries, the cut in the corporate tax rate in both tax plans would represent a windfall for foreign investors. The nonpartisan Tax Policy Center estimated that lowering the top corporate income tax rate from 35 to 20 percent would result in 35 percent of the $2 trillion tax loss would accrue to foreign investors, who further can largely avoid paying US taxes on their gains.[10]

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[9] http://blog.aarp.org/2017/11/06/to-a-closer-look-at-the-medical-expense-deduction/,
[10] http://www.taxpolicycenter.org/taxvox/foreign-investors-win-big-tax-free

- **Explodes the Federal Deficit, Slashing Core Programs –** Finally, the overall tax reform effort is set to add $1.5 trillion to the deficit. Congressional rules could automatically trigger cuts across major federal programs such as Medicare, Social Services Block Grant, student loans, national forest funding, wildlife and fish restoration, and the crime victims fund. The nonpartisan CBO just announced that this would mean a $25 billion cut to Medicare and $111 billion in other cuts across the board.[11]

In closing, I do not support provisions in this tax proposal that would explode the federal deficit at the expense of working people's pocketbooks and programs for the poor, or that harms federal services that are critical for our nation’s health and wellbeing. I know your job is difficult and that this opportunity does not come along often. To that end, I urge thoughtful and careful deliberation about the priorities and benefits of tax reform. Additionally, without meaningful changes, I cannot support either H.R. 1 or the Senate GOP plan and urge you to vote against them.

Sincerely,

Governor Kate Brown

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[11] https://www.cbo.gov/publication/53319