Multnomah County Democratic Central Committee
Resolution: 2018 - 6 Supports the Expanded Pass-Through Tax Break with $250,000 cap.

Whereas Governor Kate Brown has called a special session for May 21st to expand Oregon's pass-through tax breaks that currently apply to S-Corps, LLCs and partnerships [“Current Pass-Through Tax Break”] to extend to sole proprietorships as well [“Expanded Pass-Through Tax Break”];

Whereas once we cut taxes, the resulting situation effectively becomes a permanent revenue reduction in Oregon, with a simple majority needed to lower taxes yet a 3/5 majority to raise taxes; and

Whereas the Expanded Pass-Through Tax Break will deprive Oregon of an estimated $11-13 million in revenue annually needed for funding schools, affordable housing, and other services necessary to the well-being of the people of Oregon; and

Whereas Oregon's Current Pass-Through Tax Break results in two-thirds of the tax breaks benefiting those that earn $500,000 per year, that is, business owners who stand among Oregon's richest 1 percent; and

Whereas the Expanded Pass-Through Tax Break would overwhelmingly benefit the most wealthy “small” businesses.

Whereas the Expanded Pass-Through Tax Break treats workers as second-class citizens, resulting in them paying higher tax rates simply because they are employees, rather than business owners.

Whereas rejecting the Expanded Pass-Through Tax Break will keep $11-13 million in the general fund that is so desperately needed in this era of austerity.

Whereas elimination of the Current Pass-Through Tax Break would increase revenue by $200 million into our general fund. Instead of extending the Current Pass-Through Tax Break to sole proprietors as the Expanded Pass-Through Tax Break to make it “fair”, we must eliminate the Current Pass-Through Tax Break so that Oregon is not in another funding crisis.

Whereas if the Current Pass-Through Tax Break continues, a cap for this break is placed on the first $250,000 on ALL business types so that it benefits business that are struggling the most.

Therefore be it resolved that the Multnomah County Democratic Party supports the Expanded Pass-Through Tax Break if a cap is placed on ALL pass-through businesses: S-Corp, LLC, partnerships at $250,000, meaning that businesses will only benefit from the pass-through tax break up to $250,000. Therefore those who are the truly small businesses will benefit the most.

Therefore be it resolved that the Multnomah County Democratic Party supports a sunset clause after two years for a reassessment to see if the fiscal impact is truly beneficial to small businesses.

ADOPTED by the Multnomah County Democratic Party on 10th day of May, 2018.

Resolution submitted by PCPs Ami Fox, Pablo Martos, Sam Kahl, Mitch Rofsky, John Bethencourt

Send to the Oregon Governor and State Legislators

References:
Daniel Hauser: Oregon Center for public policy:
Oregon has a reduced tax rate for pass through businesses don't apply to sole proprietors, for all the sole proprietors won't get third tax break. LLC, S-corp, and partnerships all receive state and federal tax break and still creates inequality because sole proprietors only receive new federal one. Sole proprietorships moved their status to s-corp, LLC and partnership to just take advantage of this tax break. Employees don't get to take this at all, special session is an opportunity to eliminate this reduced tax rate for all businesses (sole proprietors, LLCs and partnerships). Oregon reduced tax breaks all the way up to 5 million dollars. Suggestions to make it more equitable and not so top heavy: only first $250,000 in pass through income, and would have included it to sole proprietors. This would have dual benefit

of this is that improving fairness of policy and making it revenue neutral or even increase revenue. And this piece was removed from SB 1528.
Who is benefiting and by how much with current pass through income tax: Revenue office estimates: 69% of benefits goes to taxpayers over $500,000 a year, shockingly inequitable. 1% goes to businesses earning 100,000 a year or less. Highest income earners reap the greatest reward.

Sole Proprietor a total of 2,000 in Oregon last year, reported negligible income.

Plan A: eliminate this tax break: Costing $200,000,000 out of our general fund. To provide this tax break to our wealthy business owners.

Plan B: Make sure that they pay for this policy, $30,000,000 enough to hire 160 teachers over budget period.

Planks supported:

Article III. Economy
We support progressive taxation and we oppose any taxation scheme or proposal that shifts taxation burdens toward the poor and/or middle classes.

We support increasing the State corporate minimum tax for companies with gross sales more than $25 million annually. Companies that benefit from doing business in Oregon should contribute their fair share to support this great place to live, work, play, study, and do business.