



ACTION OF THE WEEK

December 18, 2019

"Decouple from Federal Opportunity Tax Zones!"

Your Action of the Week is
"Decouple from Federal Opportunity Tax Zones!"

This message provided by [Onward Oregon](#)

THE PROBLEM: Trump's 2017 tax bill created Opportunity Zones (OZs) which give huge federal tax breaks to developers building developments in high profit areas like downtown Portland and Beaverton. Right now, a high-end [Ritz Carlton hotel under construction in downtown Portland](#) is eligible for huge tax breaks under this program, which is supposedly intended to stimulate investment in poor neighborhoods. We simply cannot afford to give Oregon's tax money to well-heeled developers and investors in areas where they are already planning on large profits. [Tell the governor and your legislators that Oregon state tax needs to 'decouple' from this section of federal tax code](#) to prevent investors from benefiting from these OZs while doing nothing to spur development where it is needed.

UNFINISHED BUSINESS: Decoupling from these OZ giveaways is unfinished business in the legislature. The leadership in the Oregon House will likely introduce a "decoupling" bill in February but it needs additional public support.

BACKGROUND: The 2017 Trump tax plan included special tax incentives for developers in "Opportunity Zones". This occurred just before the short 2018 Session. Oregon's tax program is coupled to the federal program. Our legislators should have "decoupled" in 2018 but did not. "Decoupling" was ALMOST accomplished then (HB 2144), but other priorities (Student Success, Paid Family Leave) and the Republican walkout) meant this "decoupling" was again bypassed.

THE PROVISIONS: Here are the OZ tax breaks (simplified):

1. Investors can move capital gains from existing investments into OZs and both defer and reduce capital gain taxes.
2. After the investment is held for 5 and 7 years, the "basis" is automatically increased by 10% and then another 15% which reduces the taxable gain.
3. If the investment is held for 10 years, investors pay NO capital gains on post acquisition gains.

Further, there is no requirement for and no way to track whether construction AND post construction employment adheres to Davis-Bacon "prevailing wage" requirements. WHY should developers pay LOWER or NO taxes on construction WE subsidize, when their employees are still taxed and not guaranteed living wage jobs.

Some tax breaks might be conscionable, if they applied only to areas really needing development, BUT as written (and as applied under Oregon Tax law), they also apply to places like downtown Portland, Beaverton, and Portland's near east side - already high profit development zones.

NO GIVEAWAYS: We simply should not give our tax money to well-heeled developers and investors in areas where they are already planning on large profits. The Federal tax break alone provides strong incentives.

We need to "decouple" this session.

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