

HOUSE REPUBLICAN “OREGON STABILITY & INVESTMENT PLAN”

SUMMARY OUTLINE

NEED FOR ACTION

- House Republicans believe now is the time to take pre-emptive action against a future economic recession.
- We are heeding recent signs that our economy is slowing nationally and in Oregon.
 - U.S. job growth is weaker than expected.
 - New housing starts are down significantly and the manufacturing sector is softening.
 - Oregon’s unemployment rate remains higher than the national average.
 - Several prominent Oregon employers have recently announced job layoffs.
- This Session, House Republicans are focused on:
 - Creating a rainy day fund substantial enough to lessen the impact of a future recession; and
 - Stimulating job creation, investment, and business growth in Oregon.
- House Republicans have a plan, endorsed by all 29 members, to achieve both of these goals – the “Oregon Stability & Investment Plan.”

RAINY DAY FUND

- To promote financial stability during future recessions, we are proposing to create a rainy day fund.
- Oregon needs to adopt a “save first” mentality, rather than waiting until the end of the biennium to see if there is any money left to save.
- Therefore, we would deposit 1% of the estimated General Fund into the rainy day fund at the beginning of each biennium. This would equal \$126 million for the 2007-2009 biennium.
- Our goal is to have a reserve equal to 10% of the General Fund, including the Education Stability Fund.
- Under our Plan, Oregon’s reserve would reach \$817 million by the end of the 2007-2009 biennium.
- In order to withdraw funds, a two-thirds majority in both the House and Senate would be required.

CAPITAL GAINS AND ESTATE TAX REDUCTIONS

- To promote job creation and investment, we are proposing to reduce Oregon’s high capital gains tax rate and increase the estate tax exemption.
- Our plan will reduce the capital gains tax rate on individuals from 9% to 7% and will reduce the capital gains tax rate on corporations from 6.6% to 5%. These reductions will cost an estimated \$214 million during the 2007-2009 biennium.
- Lowering Oregon’s capital gains tax – one of the highest in the country – will encourage businesses to invest in new jobs, facilities and equipment in Oregon.
- It will also enable middle class families, seniors and small business owners to keep more of their savings.
- Additionally, we propose increasing the exemption for taxable estates from \$1 million to \$2 million. This change will cost \$42.7 million during the 2007-2009 biennium.

- This will protect many family-owned small businesses and farms from the devastating financial costs associated with the owner's death.
- This change will also bring Oregon in line with the federal exemption, making it less complicated for taxpayers to file their tax returns.

CORPORATE KICKER

- Unlike other rainy day fund and tax restructuring proposals, House Republicans are telling you exactly how we propose to pay for our Plan.
- To jumpstart our rainy day fund, we are proposing to suspend the 2007 Corporate Kicker for C-corporations with taxable income greater than \$500,000. This would yield \$239.9 million for our rainy day fund and would return \$35.1 million to corporate taxpayers.
- Out of the 11,861 C-corporations expecting a kicker credit in 2007, 10,972 (92.5%) would receive their entire credit.
- This proposal does not affect the Personal Kicker in any way. House Republicans will oppose any attempt to modify Oregon's Personal Kicker.
- Our Plan also suggests a referral to voters for 2008 approval of a permanent diversion of the Corporate Kicker into the rainy day fund.

MINIMUM CORPORATE TAX

- We are also proposing restructuring Oregon's "Minimum Corporate Tax," which has not changed since 1931. This will generate \$152.7 million during the 2007-2009 biennium.
- Our plan protects smaller corporations from disproportionate increases and does not affect S-corporations, LLCs and individual taxpayers.
- Our proposed increase for corporations with Oregon sales less than \$5 million is significantly less than the Governor's proposed increase (HB 2217).

SUMMARY

- House Republicans hope that this proposal will be a starting point for engaging the Governor and the Democratic leadership in productive discussions about establishing a rainy day fund, while taking positive steps to maximize Oregon's potential for job creation and business growth.