The League of Women Voters of Oregon, established in 1920, is a grassroots nonpartisan political organization that encourages informed and active participation in government. We envision informed Oregonians participating in a fully accessible, responsive, and transparent government to achieve the common good. LWVOR Legislative Action is based on advocacy positions formed through studies and member consensus. The League never supports or opposes any candidate or political party.

July 13, 2026

To: TO: Governor Tina Kotek, Governor's Prosperity Council

Cc: Rep. Nancy Nathanson, Chair, House Committee On Revenue
Sen. Anthony Broadman, Chair, Senate Committee On Finance and Revenue
Rep. Daniel Nguyen, Chair, House Economic Development, Small Business, and Trade
Senator Kathleen Taylor, Chair, Senate Committee On Labor and Business

Re: Governor Kotek's Prosperity Council Recommendations - **Comments on Taxation Proposals**

The League of Women Voters of Oregon wishes to provide comments on the tax proposals in Governor Kotek's Prosperity Council's Recommendations. The LWVOR "*favors thoughtful economic development so long as it does not limit local tax district financing and takes into account the preferences of the local community.*" We also believe "*any tax proposals should be evaluated regarding their effects on the entire tax structure, and that a tax limitation is justified if it provides safeguards in the regulation of state and local services and economy. A limitation is not desirable if it prevents provision of services, disrupts government functioning, inhibits progress or results in loss of local control.*"

LWVOR applauds the Governor's Prosperity Council's purpose of improving Oregon's prosperity with the focus on *"policies that not only support economic growth but also ensure the benefits of that growth are broadly shared through rising wages and improved quality of life for Oregonians at all income levels."* The LWVOR agrees with the Council's vision that "*Oregon should create a stable, competitive, predictable tax system that funds important public services, attracts investments, retains talent, and supports business growth and the state's long-term prosperity."* However, we believe the Council's membership – representing private sector business with only two non-business members – has resulted in several recommendations that do not take in consideration how extending tax credits will reduce revenue and negatively affect the social and economic wellbeing of ordinary Oregonians.

Introduction

The LWVOR concurs that *"the most important step the Governor and Legislators can take to address Oregon's uneven tax structure is to support moving Oregon beyond its current "one-and-a-half-legged stool" model, which relies heavily on personal income tax and constrained property tax revenues."*

However, it is essential that any tax code reform will maintain a progressive tax structure with substantial "*investments in education, housing, healthcare, early childhood programs, and other essential services, they can support more equitable long-term outcomes for Oregonians.*"
Expanding the R&D tax credit. The League opposes the Council's recommendation to provide a **15% tax** credit for company-led research and development and a **20% credit** for projects conducted with Oregon universities. R&D operations are often small, providing limited employment opportunities, while the resulting innovation typically benefits larger corporations that are not domiciled in Oregon and don't pay Oregon taxes. The credit will not generate new revenue while undermining the funding of social programs.

Estate Tax: The LWVOR believes in "generating adequate revenue for essential services while promoting equity and progressivity in tax policy." The League has long supported a strong estate tax, which already has reductions for family farm, forest and fishery businesses. We believe the current law needs modifications. However, an extra tax benefit for those inheriting a family business and raising the exemption to $3-5 million would not help to level the income playing field but rather increase economic disparity.

Reform the Corporate Activity Tax. While we agree the Corporate Activity Tax (CAT) may require reform, we strongly advise that any changes should be revenue-neutral and maintain the designation of the CAT's proceeds for education spending exclusively.

Develop a Holistic Approach to Qualified Small Business Stock (QSBS). The LWVOR opposes the Council's recommendation to reconnect Oregon's tax code with the Federal QSBS exemption, after disconnecting from the tax in 2026. This change favors certain businesses but would exclude many of Oregon's core independent businesses. Investors in fast growing businesses, or startups, are typically wealthy individuals and private equity funds. The exemption will provide these investors, not Oregonians from all tax brackets, with a large capital tax break in the form of lower income tax rates. We cannot afford to lose this revenue at a time we are cutting funding for critical social services.

Tax Reform Working Group: We agree with the Council members that "*our existing tax structure, with its over-reliance on income taxes and limitations on property taxes, is a barrier to needed investments in the education, healthcare, infrastructure, and climate resilience programs that our communities deserve.*" We also support the broad mandate for the proposed tax reform group, including:

- *Enable local governments to increase funding stability with common sense property tax reforms*
- *Rebalance personal income tax structure to maintain progressivity and reduce effective rates for all income brackets.* However, the LWVOR believes that only the lower income brackets rates should be reduced, but that there needs to increased rates in the upper brackets with no upper limit cap in order to increase progressivity and not reduce total state revenue.
- *Support ongoing progressivity in the system through reforms that support low- and middle-income households."*

We believe that creating a non-partisan group would prove difficult, and participation by nonprofit nonpartisan advocacy groups is essential to ensure every Oregon taxpayer perspective is taken into consideration. Oregon's tax reforms will require a working group to overhaul our tax system, but the recommendations in this report for who would serve in a work group were almost exclusively business folks, and included those on the Prosperity Council continuing.

We feel that social service organizations and labor, and both pro-tax and anti-tax representatives must be included to create a more balanced tax workgroup. It should also include knowledgeable tax policy folks and accountants in consultation with the Department of Revenue to estimate revenue implications and expectations. We believe that the tax system should be viewed in its entirety, including all tax credits.

Conclusion
We agree with the two dissenting Council members who *"believe that the impacts of individual recommendations or their combined effects should be better understood before recommendations advance."* In addition to our specific objections, the Council's tax reform recommendations lack the reasoning and specificity needed to be actionable.

One cannot assume that helping a company's bottom line with tax breaks will increase employment and provide better wages. Many companies have invested in automation, and AI is expected to further reduce the workforce. We need to ensure that companies that receive tax subsidies do so with an official commitment to invest within the state and hire and expand their local workforce and pay fair wages.

For these reasons, LWVOR urges you to modify the Council's tax reform recommendations as you consider legislation in 2027. Oregon cannot afford to lose revenue in several cases by implementing regressive tax policies, especially at a time when revenue is falling, and federal support is reduced dramatically. Oregon dollars would be much better spent on reducing cuts to social services and education.

Thank you for the opportunity to provide comments on this report.

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