

February 19, 2021

The Honorable Kate Brown  
Governor  
The Honorable Peter Courtney  
President, Oregon State Senate  
The Honorable Tina Kotek  
Speaker, Oregon House of Representatives  
Oregon State Capitol  
900 Court Street NE  
Salem, OR 97301

Dear Governor Brown, President Courtney, and Speaker Kotek:

I have been contacted by a number of my constituents who are confused and angry that their Economic Impact Payments (EIPs) – which Congress intended to be tax free – will be indirectly taxed by the state. Given that the number of confused and angry Oregonians will only grow as more work through their 2020 tax returns, it is essential that you ensure that EIPs do not increase the tax liability of Oregon's working families.

As you know, Oregonians will be harmed when they file their tax returns because the state indirectly taxes EIPs. The Oregon Department of Revenue announced that they are not directly taxing EIPs, but the direct result of the current state statute will increase the amount of income Oregonians pay taxes on at the state level.

Data from the Oregon Legislative Revenue Office shows that the CARES Act payments from last March will result in roughly 870,000 Oregonians seeing an increase in their Oregon tax liability to the tune of more than \$100 million. This does not even account for the most recent round of EIPs.

**This indirect tax will disproportionately impact individuals earning between \$20,000 and \$70,000 and families earning between \$50,000 and \$100,000 annually.** It is unconscionable to ask those working families who have struggled the most during this crisis to bear the weight of the state's budget shortfall. These Oregonians should not have their EIPs diluted.

I understand that the state is projecting a \$1.6 billion budget gap for the 2021-2023 budget as a result of COVID-19 response and wildfire recovery spending. However, Congress is currently working on another comprehensive COVID-19 relief bill, and I expect this bill to be passed and signed into law next month. Funding allocated directly to state governments in this bill should more than cover the state's projected shortfall, alleviating this burden.

Specifically, of the \$350 billion fund available in the package for state, local, tribal, and territorial governments, Oregon's share is expected to be approximately \$4.1 billion, including more than \$2.6 billion given directly to the state. Eligible uses include replacing lost, decreased,

or delayed revenue. These current projections should be more than enough to fill the current budget gap and ensure our state is prepared for the months ahead.

In addition, President Biden recently responded to my and others' calls and issued a memo increasing the federal share for Federal Emergency Management Agency (FEMA) cost-share assistance from 75 percent to 100 percent for all COVID response activities. Oregon's Office of Emergency Management (OEM) estimates this relief will deliver the state more than \$50 million in funding. Furthermore, OEM expects more projects to come through their office for reimbursement, especially from schools and other entities that were previously ineligible, as more specific guidance comes out. This will allow for even greater cost-share support.

Lastly, I did not support taxing the 2008 stimulus payments. Taxing these EIPs the same way is an even worse idea that grossly misses the scope of the financial pain Oregonians are dealing with and the depth of this economic crisis compared to that of the 2008 financial crisis. This burden must be alleviated, and I strongly urge you and your colleagues within the Oregon State Legislature to revisit this in order to make appropriate adjustments to ensure working class Oregonians are not impacted.

Thank you for considering this relief as a top priority for the next legislative session.

Sincerely,



Peter A. DeFazio  
Member of Congress