

HB 2120 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 2/18

WHAT THE MEASURE DOES:

Applicable to tax years beginning on or after January 1, 2020, requires Oregon personal income tax itemized deductions to not exceed 95 percent of the amount allowed on the taxpayer's federal income tax return. Increases Oregon earned income tax credit to 16 percent of the federal earned income tax credit allowable to the individual for the same tax year. Specifies that modifications to Oregon earned income tax credit are applicable to tax years beginning on or after January 1, 2020 and before January 1, 2026.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Through Oregon's connection to the federal definition of taxable income, Oregon allows itemized deductions as calculated under federal internal revenue code provisions. In determining allowable Oregon itemized deductions, Oregon taxpayers are required to not include their federally allowed deduction for Oregon income tax. For tax years 2020 and later, measure limits Oregon itemized deductions to not exceed 95 percent of amount allowed on taxpayer's federal income tax return.

Under current law, Oregon provides an earned income tax credit equal to eight percent of allowable federal earned income tax credit. For taxpayers with a dependent under the age of three at close of the tax year, Oregon's earned income tax credit is equal to 11 percent of federal credit. Oregon's earned income tax credit is scheduled to sunset January 1, 2020. Measure expands Oregon earned income tax credit to 16 percent of federal, removes dependent under three distinction and extends sunset to January 1, 2026.