

SB 758 STAFF MEASURE SUMMARY

Senate Committee On Workforce

Prepared By: Ellen Osoinach, LPRO Analyst

Sub-Referral To: Senate Committee On Finance and Revenue

Meeting Dates: 2/26, 3/7

WHAT THE MEASURE DOES:

Increases the Oregon Earned Income Tax Credit from eight percent of the federal credit to twelve percent. For taxpayers with a dependent under the age of three, increases the credit from eleven percent to fifteen percent. Applies to tax years 2020 through 2026. Extends sunset of tax credit to 2026. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The federal earned income tax credit was enacted in 1975 as a temporary refundable credit “to offset the effects of the Social Security tax and rising food and energy costs on lower income workers and to provide a work incentive for parents with little or no earned income.” The Oregon earned income tax credit was created in 1997 at a rate of five percent of the federal credit. It was initially nonrefundable, but in 2006 it became refundable. The percentage was increased to six percent in 2008 and to eight percent in 2013. In 2016, the percentage was increased to eleven percent for taxpayers with a dependent under the age of three. The credit is scheduled to sunset on January 1, 2020. Senate Bill 758 increases the Oregon credit from eight percent of the federal credit to twelve percent; and for taxpayers with a dependent under the age of three, increases the credit from eleven percent to fifteen percent.

According to the State of Oregon Tax Expenditure Report: 2019-21 Biennium, the earned income tax credit for tax years 2017-2019 had a revenue impact of 103, 600, 000.