



# Comparison of Earned Income Tax Credits

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House Committee on Revenue | 6/3/2019 | LRO

# Overview

- ▶ Qualifying for EITC
- ▶ Federal EITC
- ▶ Oregon EITC
- ▶ California EITC
- ▶ Comparison of Distribution

# Qualifying for EITC

Tax filer must fulfill following requirements

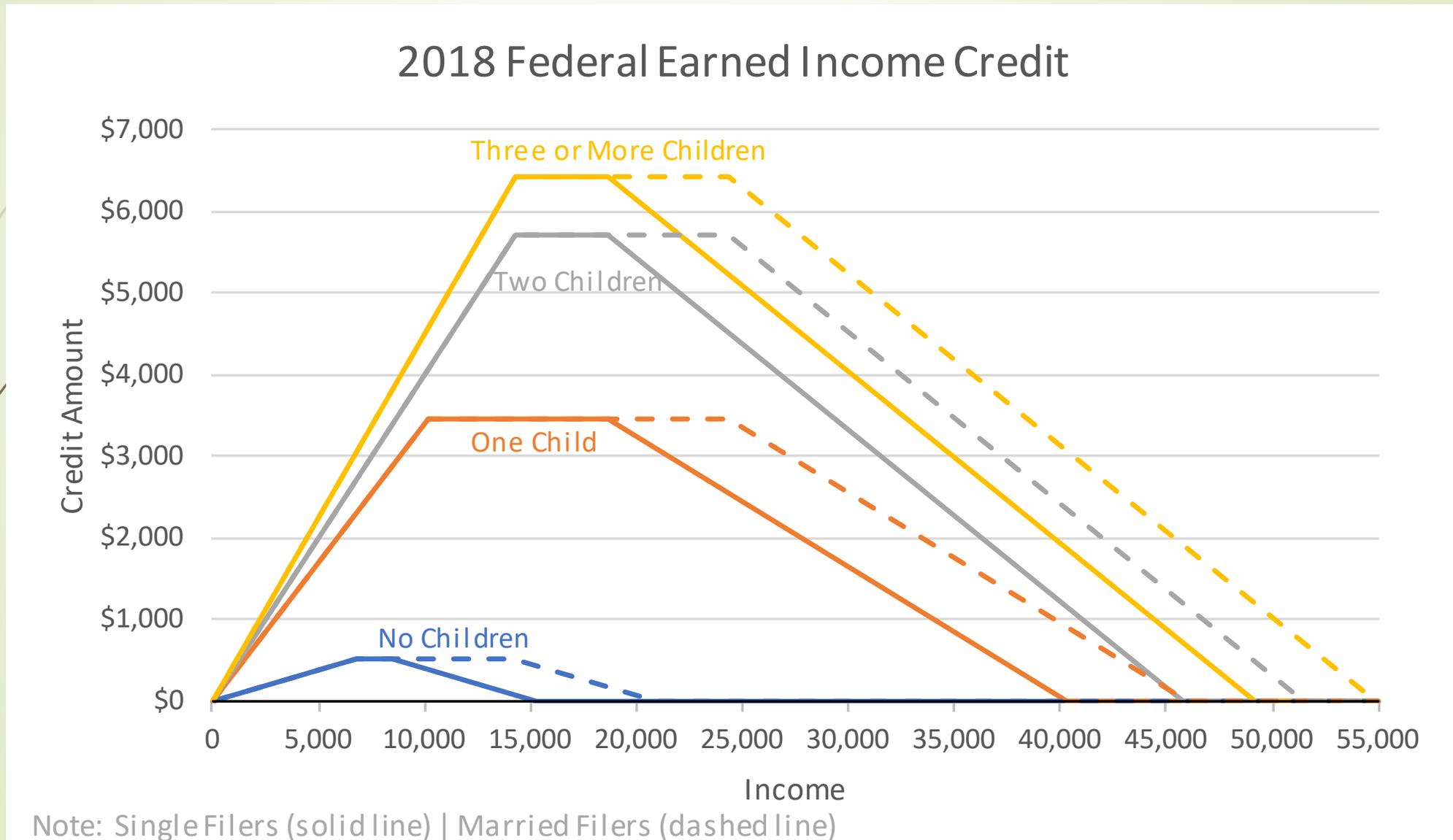
- ▶ File a federal income tax return
- ▶ Have earned income
- ▶ Meet certain residency requirements
- ▶ Tax filer's children must meet relationship, residency and age requirements (to be considered qualifying children for the credit)
- ▶ Childless workers claiming credit must be aged 25-64
- ▶ Investment income must be below specified amount (indexed to inflation, \$3,500 in 2018)
- ▶ Filer not disallowed from credit due to prior fraud or reckless disregard of EITC rules in previous year EITC claims
- ▶ Must provide Social Security numbers.

# EITC: Qualifying Child

To be considered a qualifying child, the child of the EITC recipient must meet the following three requirements:

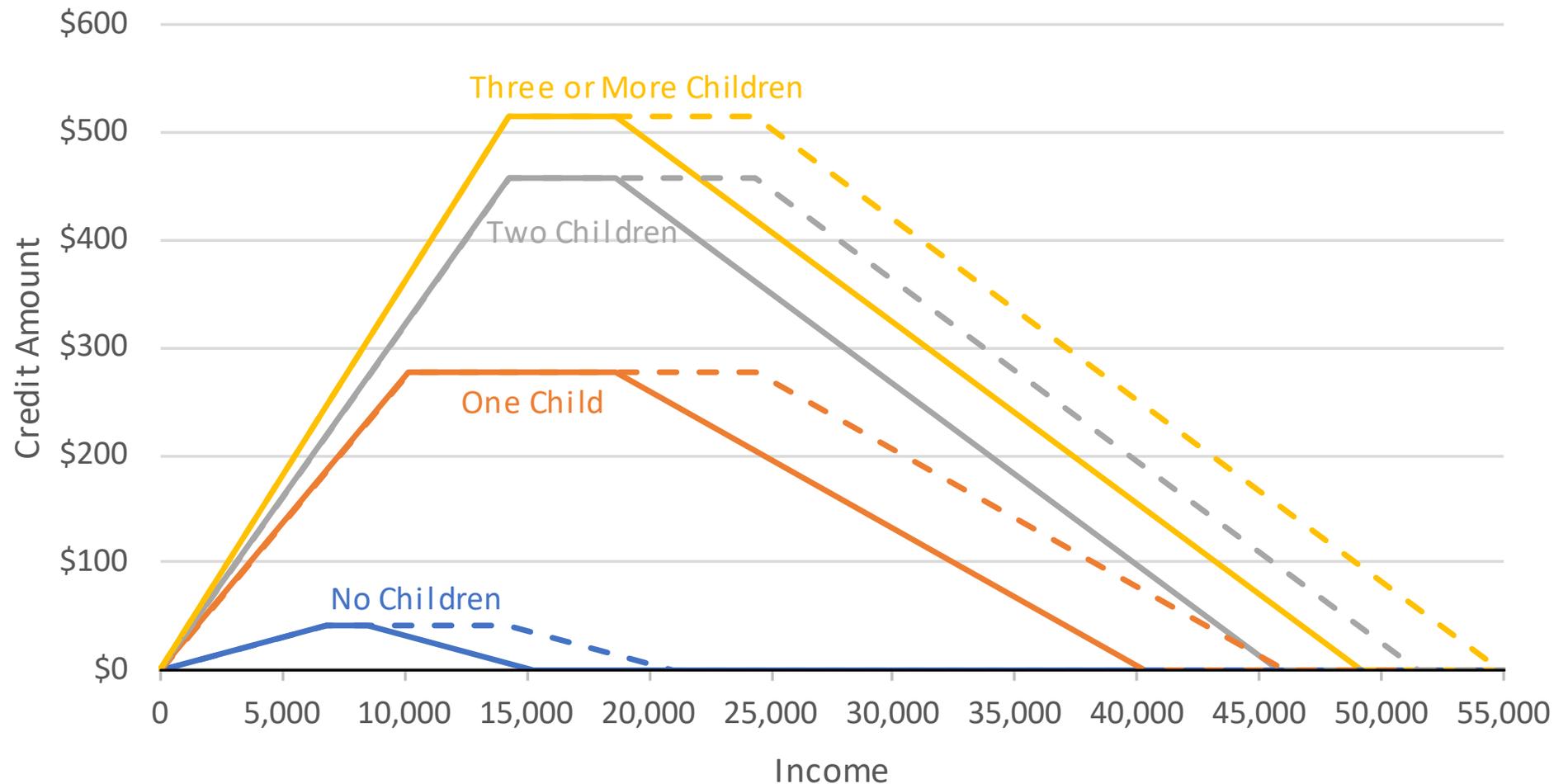
- ▶ Child must have a specific relationship to the tax filer (including: son, daughter, step child or foster child, brother, sister, or descendent of such a relative)
- ▶ Child must share a residence with the taxpayer for more than half the year in the U.S.
- ▶ Child must be under the age of 19 (24 if a full-time student) or be permanently and totally disabled.

# Federal EITC



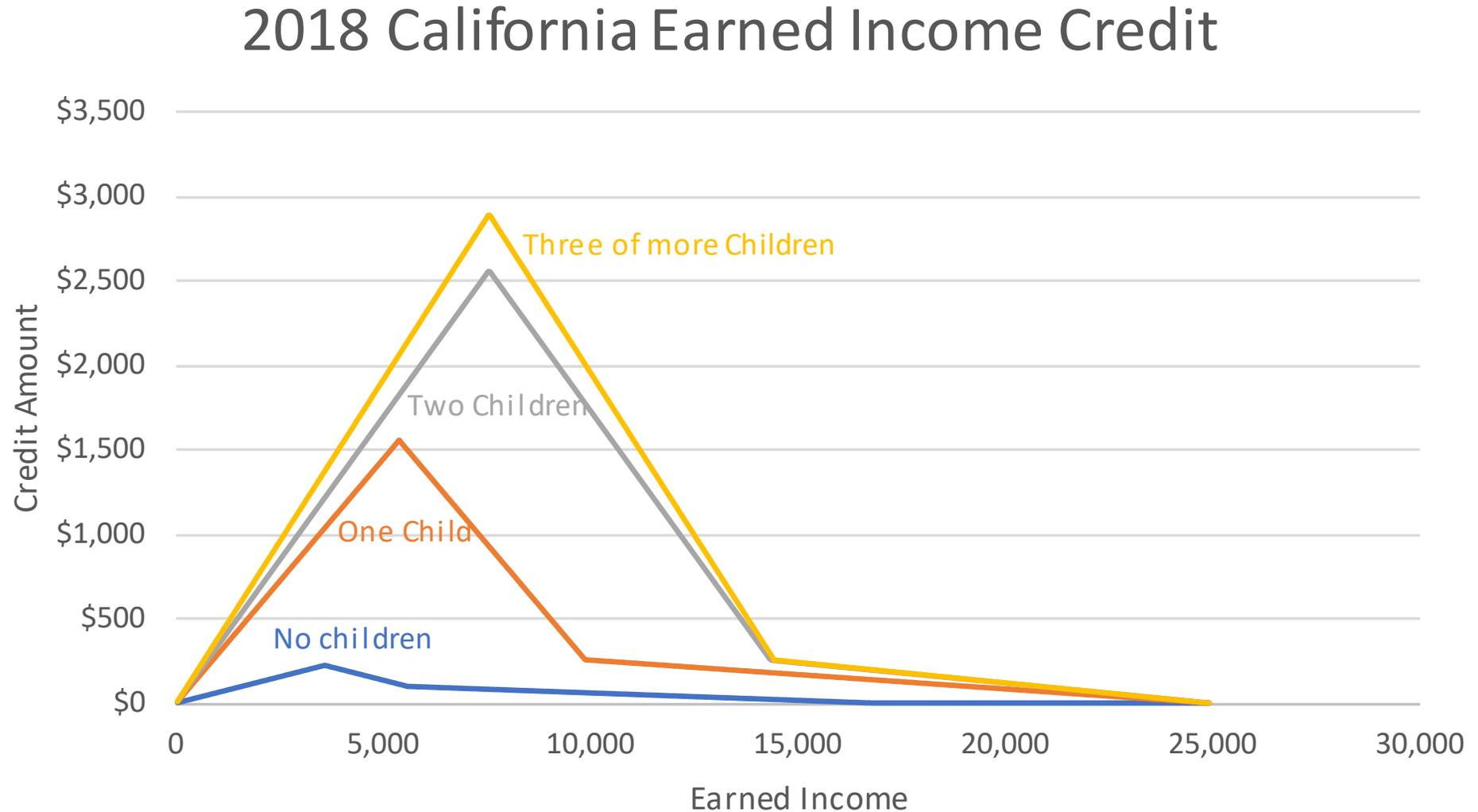
# Oregon EITC

## 2018 Oregon 8% Earned Income Credit

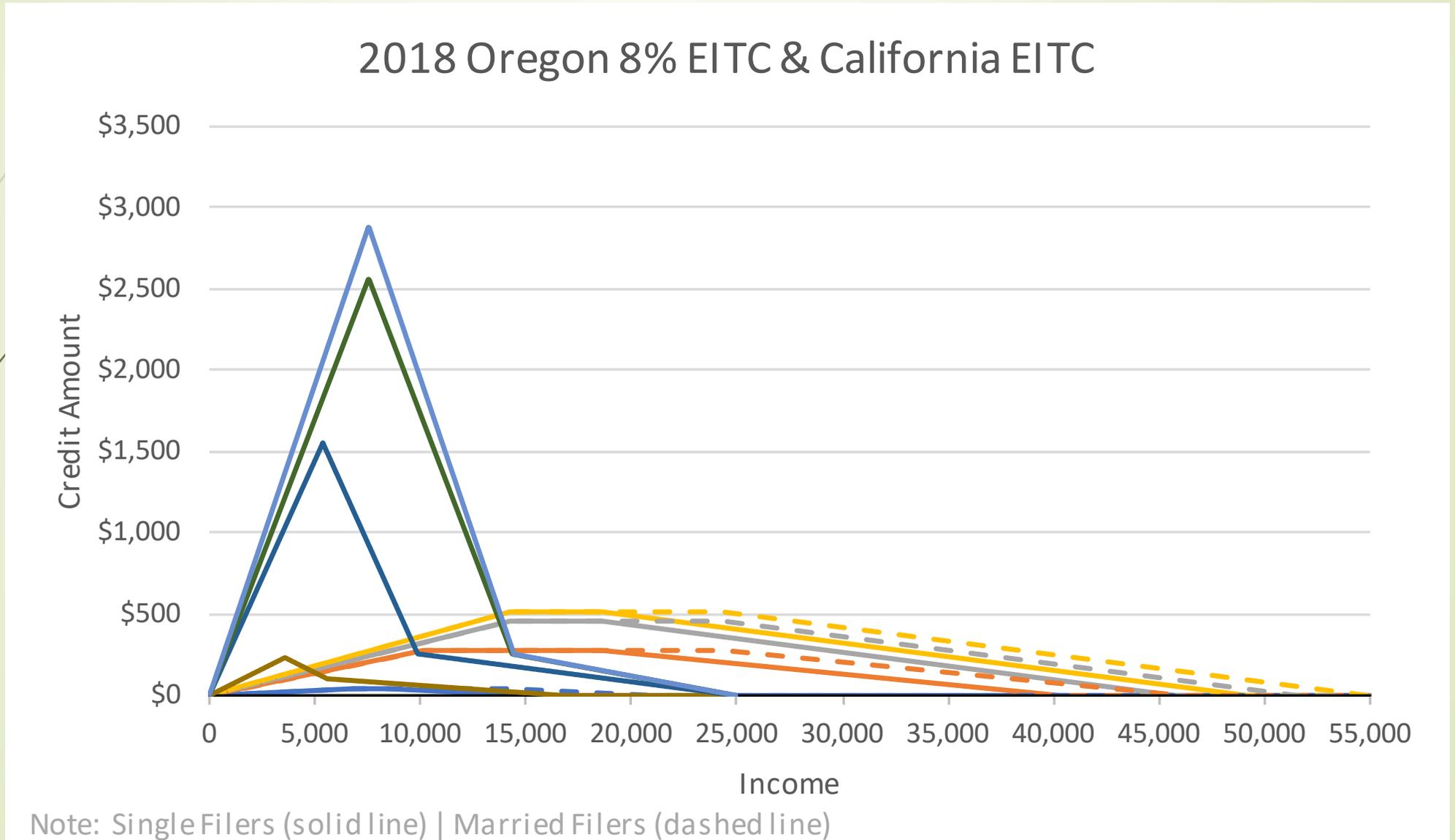


Note: Single Filers (solid line) | Married Filers (dashed line)

# California EITC

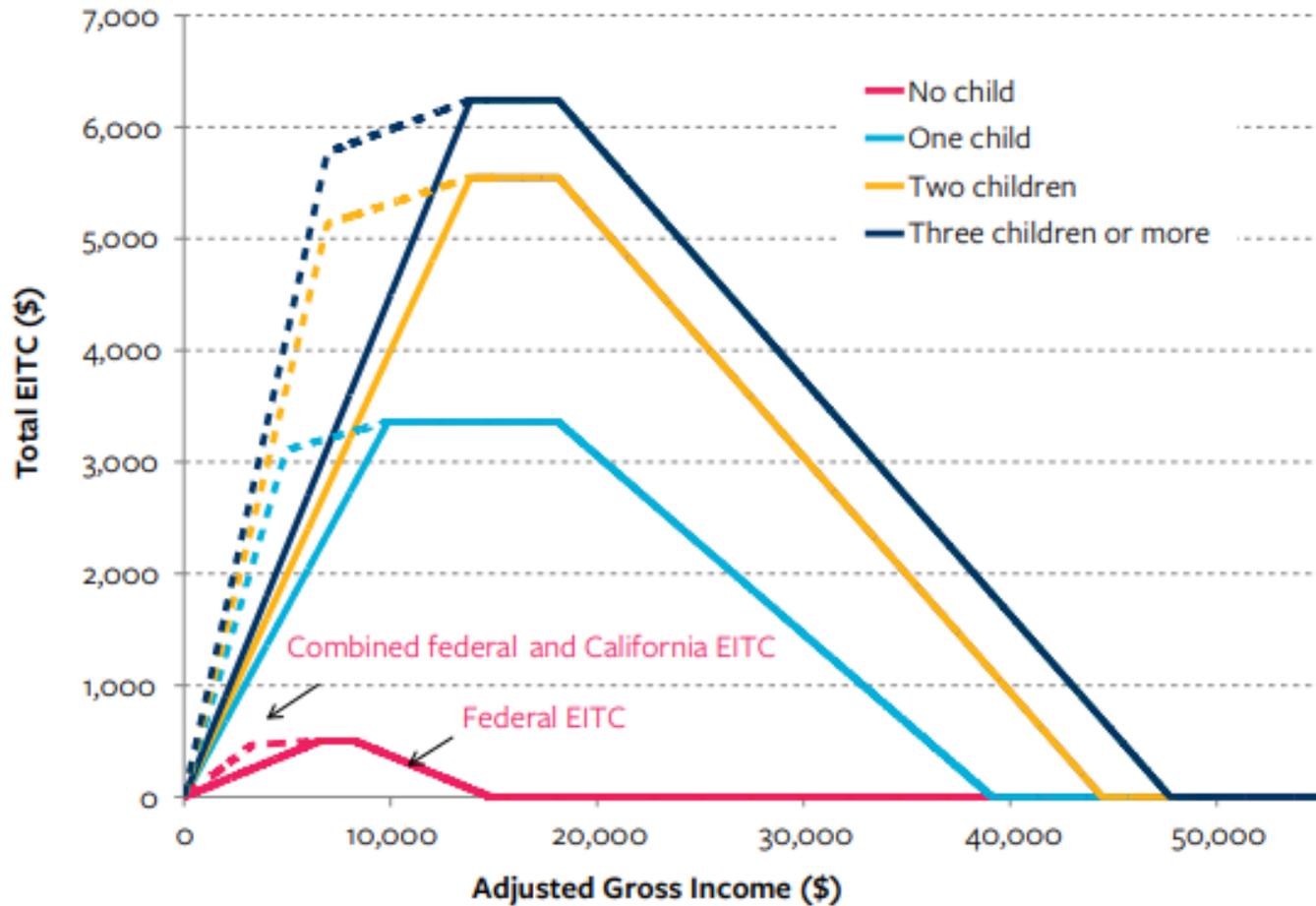


# Oregon EITC & California EITC



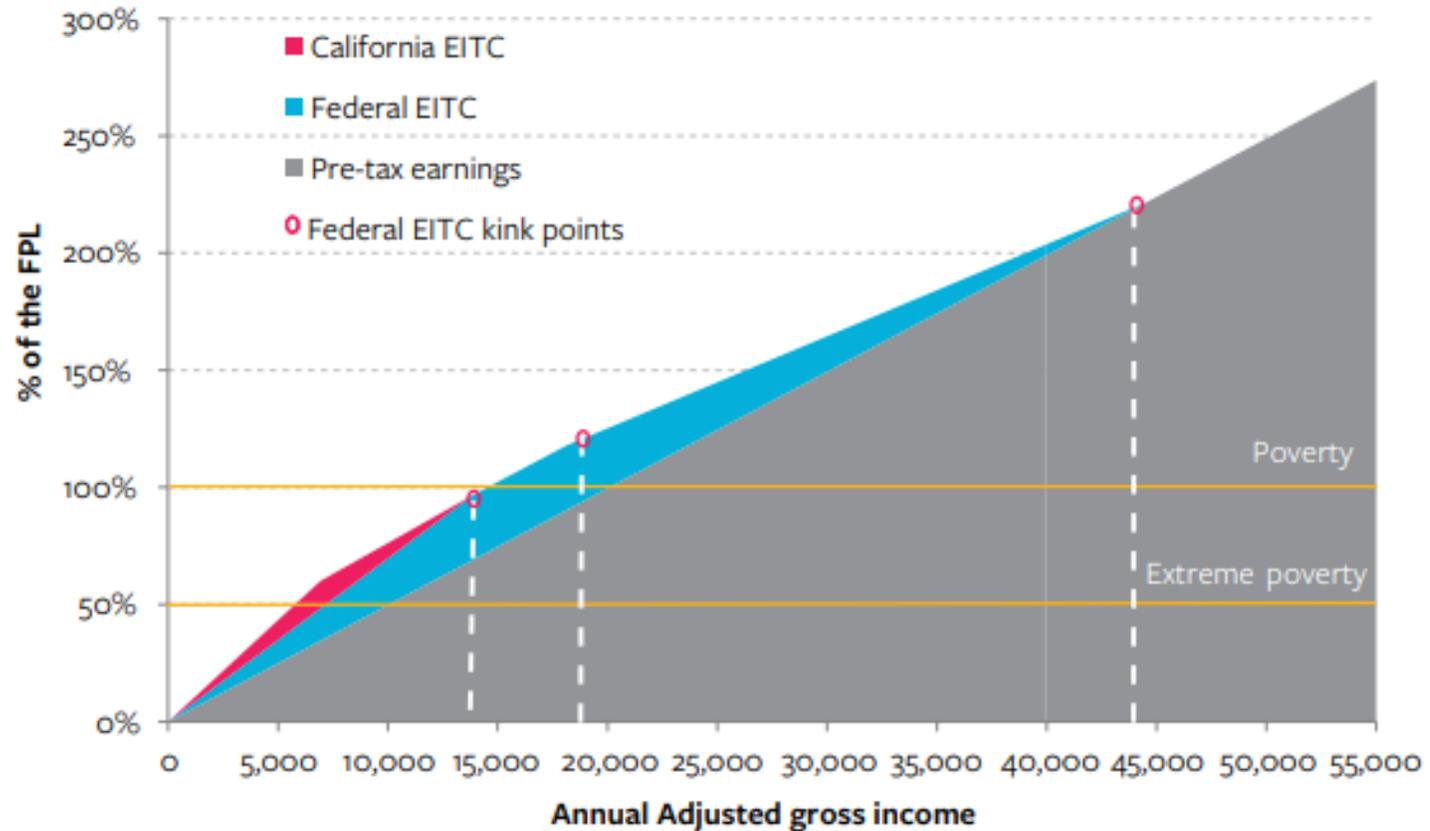
# California's Original EITC, 2015

**FIGURE 3** Value of the combined California and federal EITC for single filers, 2015



# California's Original EITC, 2015

**FIGURE 4** Pre-tax earnings and the combined federal and California credits as a percentage of the federal poverty line (FPL), single filer with two children, 2015



# Focus of California's EITC

## Oregon EITC Distribution

### Credit Amt. Claimed by AGI Category TY 2016 | Full Year Filers

California Credit Peak

AGI (000's)	Claimed	Pct. of Total
<0	152,500	0%
0-5	939,500	2%
5-10	4,042,300	9%
10-15	7,253,000	17%
15-20	8,614,800	20%
20-25	8,061,200	19%
25-30	6,147,400	14%
30-35	4,203,900	10%
35-40	2,344,600	5%
40-45	1,108,500	3%
45-50	381,700	1%
50-60	44,500	0%
60-70	0	0%
70-80	0	0%
80-90	0	0%
90-100	0	0%
100-250	0	0%
250-500	0	0%
500+	0	0%
<b>Total</b>	<b>43,293,900</b>	<b>100%</b>

### Use Comparison

#### California

- TY 2018: 1,400,000 returns, total \$346 million
- Avg. \$250

#### Oregon (Full Year Filers)

- TY 2017: 247,000, total \$46 million
- Avg. \$186

# The Upshot

- ▶ California EITC much higher percentage
- ▶ CA EITC peaks early in income distribution, no plateau, initial steep phase-out, then moderate phase-out
- ▶ CA EITC most focused on extreme poverty
- ▶ CA EITC works with federal EITC, but not necessarily an extension of federal EITC
- ▶ CA EITC works within CA's budget process.