

SB 203 STAFF MEASURE SUMMARY

Senate Committee On Workforce

Action Date: 03/07/19

Action: Do pass and refer to Tax Expenditures by prior reference.

Vote: 5-0-0-0

Yeas: 5 - Golden, Hansell, Knopp, Monnes Anderson, Taylor

Fiscal: No fiscal impact

Revenue: Revenue impact issued

Prepared By: Ellen Osoinach, LPRO Analyst

Meeting Dates: 2/26, 3/7

WHAT THE MEASURE DOES:

Extends sunset of Oregon earned income tax credit (EITC) from January 1, 2020, to January 1, 2026.

ISSUES DISCUSSED:

- How Oregon credit compares to other states
- EITC as an economic multiplier
- Related measures

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 203 extends the sunset until January 1, 2026.

According to the State of Oregon Tax Expenditure Report: 2019-21 Biennium, the earned income tax credit will have a revenue impact of \$103,600,000 for the 2017-2019 biennium. Of the approximately \$46.2 million claimed in 2016, \$26.6 million was used to reduce tax liability, while the remaining \$19.6 million exceeded tax liability and was refunded directly to taxpayers.