SB 758 STAFF MEASURE SUMMARY

Senate Committee On Workforce

Action Date:	03/07/19
Action:	Do pass and refer to Finance and Revenue by prior reference.
Vote:	5-0-0-0
Yeas:	5 - Golden, Hansell, Knopp, Monnes Anderson, Taylor
Fiscal:	Has minimal fiscal impact
Revenue:	Revenue impact issued
Prepared By:	Ellen Osoinach, LPRO Analyst
Meeting Dates:	2/26, 3/7

WHAT THE MEASURE DOES:

Increases the Oregon Earned Income Tax Credit (EITC) 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:

- 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 758 extends the sunset until January 1, 2026. Senate Bill 758 also increases the credit from eight percent to twelve except for taxpayers with a dependent under the age of three, whose credit is increased from eleven to fifteen percent.

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.