HB 2721 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 5/3

WHAT THE MEASURE DOES:
Modifies and expands provisions of working family household and dependent care expenses income tax credit. Requires a nonmarried taxpayer to attend school as an enrolled degree seeking student in order to claim credit. For purposes of determining employment-related expenses, limits expenses to the least of: combination of earned income taxable by Oregon and reportable on the taxpayer's return and imputed income, lesser amount attributable to either spouse of the combination of the spouse's imputed income and the spouse's earned income subject to taxation by Oregon. For purposes of calculating credit percentage, provides imputed income for a student claiming the credit. For students with adjusted gross income as a percentage of federal poverty level less than 110 percent, provides highest possible credit percentage multiplied by applicable school ratio. Specifies school ratio equal to 100 percent for a month when a student is a full-time student or 70 percent when student is a part-time student. Modifications to credit effective for tax years beginning on or after January 1, 2020 and before January 1, 2022.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:
No amendment.

BACKGROUND:
The Working Family Household and Dependent Care (WFHDC) credit is a refundable personal income tax credit available to low and middle income households with employment related dependent care expenses. The credit helps low- to moderate-income families pay for the care of their qualifying dependents while they are working, looking for work, or attending school. Credit amount is determined by applying a credit percentage multiplied by the amount of qualified employment related expenses. The credit percentage is based on a taxpayer's adjusted gross income (AGI) as a percentage of federal poverty level (FPL) and the age of the youngest qualifying dependent individual. Once a taxpayer's AGI as a percentage of FPL equals more than 300%, the taxpayer no longer qualifies for the credit.

For taxpayers filing jointly, if either taxpayer is enrolled as a full-time student, then an income amount is imputed for the student equal to $250 per month or $500 per month (if two of more qualifying individuals are cared for). As qualified expenses are limited to the lesser of either spouse's earned income, the imputed income allows taxpayers to receive credit benefit in instances where a spouse is a full-time student with little to no earned income (the imputed income is treated as an earned income floor for credit calculation purposes). Non-married taxpayers who attend school full- or part-time may qualify for the credit, but no imputed income is included as earned income. Measure provides imputed income equal to $1,000 or $2,000 per qualified month for both married and non-married students. Measure's changes are applicable to tax years 2020 and 2021.