

## HB 3235 A -A8, -A10 STAFF MEASURE SUMMARY

### Joint Committee On Tax Expenditures

---

**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 5/30

---

#### WHAT THE MEASURE DOES:

Creates refundable personal income tax credit equal to \$1,200 per qualifying child dependent under the age of six at the close of the tax year. Limits number of qualifying dependents to no more than five dependents per taxpayer. Defines terms. Phases out tax credit for single filing taxpayers with qualifying income between \$20,000 to \$30,000, or between \$40,000 to \$50,000 for joint filers. Indexes to inflation, credit amount and phase out thresholds. Specifies that credit is not subject to garnishment. Applies to tax years beginning on or after January 1, 2024, and before January 1, 2030.

#### ISSUES DISCUSSED:

##### EFFECT OF AMENDMENT:

-A8 Specifies credit amount equal to \$1,000 per qualifying child dependent under the age of six. Phases out tax credit for all filer types with qualifying income between \$30,000 to \$35,000. Modifies determination of credit for part-year and nonresident taxpayers.

-A10 Specifies credit amount equal to \$1,000 per qualifying child dependent under the age of six. Phases out tax credit for all filer types with qualifying income between \$25,000 to \$30,000. Modifies determination of credit for part-year and nonresident taxpayers. Modifies indexing of tax credit thresholds. Applies to tax years beginning on or after January 1, 2023, and before January 1, 2029.

##### BACKGROUND:

A tax credit reduces a taxpayer's tax liability on a dollar-for-dollar basis. Refundable tax credits first reduce a taxpayer's tax liability, with remaining credit amount issued to the taxpayer as a tax refund. Refundable tax credits ensure that a taxpayer receives the full amount of the tax credit. To qualify for the proposed Oregon child tax credit, a dependent must be under the age of six at the close of the tax year, bear a relationship to the taxpayer (child, brother, sister, stepbrother, stepsister, or descendant of any such relative), and have the same principal place of abode as the taxpayer for more than one-half of the taxable year.

A federal child tax credit (CTC) is available to qualifying taxpayers. The federal CTC was initially enacted in 1997 and was originally a \$400 per child nonrefundable tax credit that generally provided tax relief to middle and upper-middle-income families. Since enactment, the credit has been modified numerous times, expanding its availability to more families and increasing in value. Under current law, the credit is partially refundable (credit amount initially phases in with income) and is equal to \$2,000 per child less than 17 years old with a phase out beginning at \$200,000 (single and head of household) and \$400,000 (married filing jointly). For 2021, the tax credit was temporarily increased to \$3,000 per qualifying child (\$3,600 for those under 6 years old) and made fully refundable with no income phase in.