

**REVENUE IMPACT OF
PROPOSED LEGISLATION
82nd Oregon Legislative Assembly
2023 Regular Session
Legislative Revenue Office**

**Bill Number: HB 3235 - A12
Revenue Area: Personal Income Tax
Economist: Kyle Easton
Date: 6/8/2023**

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Creates refundable personal income tax credit equal to \$1,000 per qualifying child dependent under the age of six at the close of the tax year. Phases out tax credit for all filer types with qualifying income between \$25,000 to \$30,000. Indexes to inflation, credit amount and phase out thresholds. Applies to tax years beginning on or after January 1, 2023, and before January 1, 2029.

If federal waiver is received or certain other specified conditions are met, requires Department of Revenue to establish by rule, program for making quarterly payments of tax credit to taxpayers.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2023-24	2024-25	2023-25	2025-27	2027-29
General Fund	-\$35.2	-\$36.3	-\$71.5	-\$74.1	-\$77.5

Impact Explanation:

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. Measure creates a refundable Oregon child tax credit equal to \$1,000 per qualifying child dependent and available to taxpayers with qualifying income below \$30,000. For taxpayers with qualifying income between \$25,000 to \$30,000 the credit amount is phased out proportionately. For example, the credit amount for a taxpayer with one qualifying child and income of \$27,500 would equal \$500 as credit has been partially phased out reflective of taxpayer's income being at the midpoint of the phase out range. Beginning in 2024, the phase out thresholds and the value of the credit will be subject to potential inflation adjustment. Absent inflation adjustment, on average, fewer taxpayers would be expected to qualify for the credit each year reflective of generally increasing incomes. About 40,000 dependent children are expected to qualify for the credit each year. Revenue impact estimate was made through an analysis of historic tax returns, and income and demographic projections.

If quarterly payments of tax credit become operable, timing of revenue impact could change due to the timing in which quarterly payments begin.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is to decrease childhood poverty in Oregon, understanding that early childhood investments can be particularly effective in increasing the lifetime well-being of an individual.