Tax Credit Review: 2025 Oregon Legislative Session

REPORT #9-24

December 2024

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Introduction

This report on tax credits is required by ORS 315.051 and contains an analysis of four tax credits scheduled to sunset in the upcoming biennium. The table below displays the cost to extend the tax credits for the current and following two biennia. These estimates are for current law, meaning they only reflect the cost of extending the credit's sunset date. The cost to extend amount in 2025-27 is roughly half the cost in 2027-29 for the four credits reflective of the scheduled sunset occurring midway through the 2025-27 biennium.

Estimated Cost of Extending Tax Credits

$ Millions

Tax Expenditure Report (TER) Number and Credit Name	ORS	Sunset Date	--------Biennium-------- 2025-27	2027-29	2029-31
Scheduled for Review by the 2025 Legislature					
1.406 Earned Income	**315.266**	2026	$53.0	$106.8	$108.8
1.425 Manufactured Dwelling Park Closure	**316.090**	2026	< 50K	< 50K	< 50K
1.431 Crop Donations	**315.154-156 (318.031)**	2026	$0.2	$0.4	$0.6
1.445 Certain Retirement Income	**316.157-158**	2026	$0.4	$0.8	$0.7
SUBTOTAL			**$53.6**	**$108.0**	**$110.1**

Each credit review consists of subsections related to the credit's policy purpose, description, policy analysis, similar incentives available in Oregon, and discussion of related credits available in other states. The policy purpose of a credit is generally not stated in statute. The purposes identified in this report are based on documentation from implementing or modifying legislation and related committee discussions. The description provides detail on how the tax credit works under current law. The policy analysis describes academic research on relevant incentives if available, provides some discussion of the credit's history, and an analysis of available data. Often, the primary sources of data are credit certifications and tax returns. This review also includes a summary of similar incentives in Oregon (direct spending program information is generally provided by the Legislative Fiscal Office).

Statute requires this report to provide information on the public policy purpose or goal of each tax credit. The most basic of this information is simply the stated public policy purpose. Also required is information on the expected timeline for achieving that purpose, the best means of measuring its achievement, and whether or not the use of a tax credit is an effective and efficient way to achieve that goal. However, Oregon statute does not generally contain policy purposes or goals for tax credits. Consequently, statute does not generally identify timelines or metrics related to such goals. In the few cases where statute does provide a purpose or a goal, it is included in this report. The more common approach has been to rely on bill documentation and written testimony for the implementing legislation. This information is the basis for the purpose statements included in this report.

The information provided in this report is intended to support a more comprehensive analysis of each tax credit. To improve the effectiveness of this report, clarified policy objectives for each credit represents a critical step. The importance of a clear objective is that it provides direction for the framework of policy analysis. While many of Oregon's tax credits constitute an incentive to encourage a certain kind of behavior, many tax credits intend to alleviate or provide support for specified individuals. Of the four credits being reviewed in this report, one (crop donations) is designed to encourage a behavior whereas the other three reflect policies providing financial support for specified individuals. The analytical framework for non-incentive tax credits is fundamentally different from those credits that are incentives. Many tax credits have different characteristics that may lend themselves to more, or less, analytical review. This report endeavors to describe those frameworks in the discussions on policy purpose and analysis.

Earned Income

ORS 315.266	Year Enacted:	1997	Transferable:	No
	Length:	1-year	Means Tested:	Yes
	Refundable:	Yes	Carryforward:	No
TER 1.405	Kind of cap:	None	Inflation Adjusted:	Yes

Policy Purpose

Oregon's earned income tax credit was enacted in 1997 by SB 388 and was originally enacted as 5% of the federal earned income tax credit (EITC) and was not refundable nor could unused credit amounts be carried forward to succeeding tax years. In addition to the Oregon's EITC, SB 388 created Oregon's working family child care credit.[1] Policy purpose discussions that took place during the 1997 enactment of the two credits were often discussed as a combined policy proposal.

Discussions regarding the purpose of the Oregon EITC often focus on the purpose of the federal earned income tax credit.[2] By contrast, this report focuses on the policy purpose of the Oregon credit though a discussion of the parameters and administration of the federal credit is included due to such credit structures flowing through to Oregon's EITC. A review of the discussion and testimony during the enactment in 1997 of Oregon's EITC indicates that the ***policy purpose of the credit is to increase the spendable income of low-income working families by offsetting state income taxes on such households, thereby encouraging low-wage earners to enter the labor force or increase their labor force participation*** (Discussions of Senate and House Revenue Committees, 1997). Presentation by committee staff depicted the Oregon earned income tax credit's (OEITC) impact on low income households with children by providing examples of change in a household's spendable income under different Oregon EITC percentage scenarios.[3] The Committees also received testimony regarding the potential for low-income households without federal tax liability having Oregon tax liability and how Oregon's treatment of such households contrasted with other states. While higher OEITC percentages and refundability were considered in 1997 as policy options, potential impacts on General Fund revenues ultimately led to a non-refundable credit equal to 5% of the federal EITC.

Subsequent Legislatures expanded Oregon's EITC and made the credit refundable. Oregon's current EITC is 9% of the federal EITC and 12% for taxpayers with a dependent under the age of three at the close of the tax year. Expansions of the credit further grew spendable income for qualifying households through a combination of an increased reduction in tax liability or as a direct payment to households benefiting from the refundability of the credit.

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[1] HB 2171 (2015) combined Oregon's Working Family Child Care credit with Oregon's Child and Dependent Care credit. The combined credit is known as the Working Family Household and Dependent Care Credit.

[2] When enacted in the 1970's, two primary purposes existed for the federal EITC: 1) encourage nonworking poor with children to enter the workforce, and 2) help reduce the tax burdens of working poor families with children. In the 1990's the purpose of the federal credit expanded to include poverty reduction for working families with emphasis on encouraging unmarried mothers to work. (Crandall-Hollick & Hughes, 2018)

[3] "Spendable income" in this context refers to household income from employment and non-employment sources such as government assistance programs (e.g. federal EITC, food stamps etc.) with FICA taxes netted out.

Description

Taxpayers allowed to claim the federal EITC are allowed an Oregon EITC equal to either 9% or 12% of the federal credit amount allowed for the corresponding tax year. To claim the 12% credit, an Oregon taxpayer must have a dependent under the age of three at the close of the tax year. The Oregon EITC is a refundable credit, meaning the credit is first used to reduce a taxpayer's tax liability potentially to zero with any remaining credit amount being paid to the taxpayer in the form of a tax refund. As Oregon's credit is a percentage of the federal credit, Oregon's credit inherently reflects the design of the federal EITC as of a specific date. Generally, Oregon legislation is introduced each year to update Oregon's EITC connection date to the federal parameters of the credit. When federal EITC law changes, Oregon's update to federal law connection date effectively incorporates the federal law changes into Oregon's EITC.[4]

To claim the federal EITC, a taxpayer must include an SSN, and if applicable, the SSN of their spouse and qualifying children. In 2021, House Bill 2433 expanded Oregon's EITC beyond the scope of the federal credit by allowing taxpayers to claim an Oregon EITC using an Individual Taxpayer Identification Number (ITIN) in place of an SSN if the taxpayer otherwise qualifies for the federal credit but for the federal SSN requirement.

Federal Credit Description

The EITC is a refundable tax credit available to eligible individuals of comparatively low earnings. As the credit is refundable, the credit first reduces an individual's tax liability, potentially to zero. If additional credit amount is available after reducing tax liability to zero, the remaining credit amount is paid directly to the individual (or individuals in cases of joint tax return filers) as a tax refund.

The EITC amount is calculated on formulas that consider earned income, number of qualifying children, marital status and adjusted gross income (AGI). The EITC initially equals a fixed percentage (credit rate) of earned income until the credit reaches its maximum amount. The EITC then remains at its maximum amount (commonly referred to as the plateau) for a specified range of earned income. Following the plateau, the credit then decreases in value to zero at a fixed rate (phase-out rate) for each additional dollar of income above the phase-out threshold. The following chart visually provides the detailed components of the EITC formula and amount of the credit. "Earned income" includes income from wages, salaries, tips, other taxable employee pay, net self-employment earnings, and gross income received as a statutory employee.

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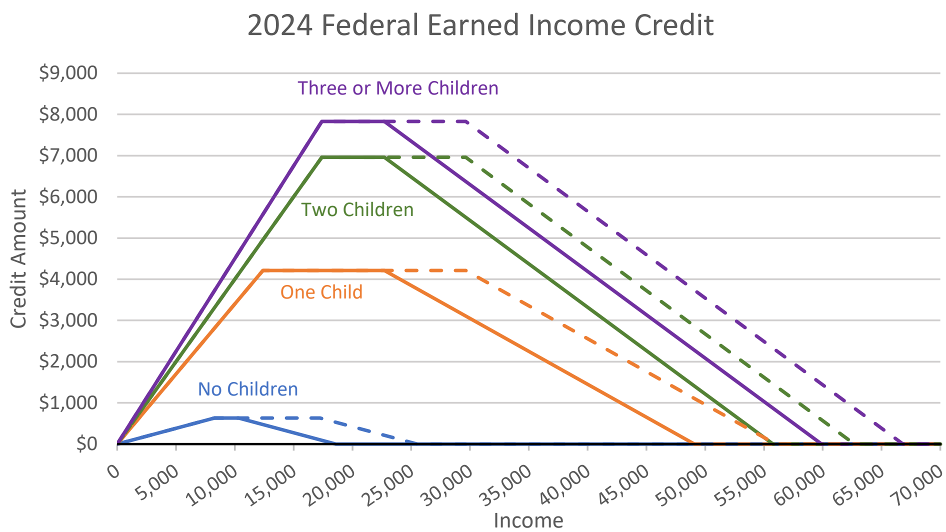
[4] For example, in 2021 HB 2457 updated Oregon's connection date to federal tax law from 12/31/2018 to 4/1/2021. This connection date change incorporated federal changes to the federal EITC into Oregon's EITC (see HB 2457 revenue impact statement for greater detail)



Note: Single Filers (solid line) | Married Filers (dashed line)

To qualify for the EITC a tax filer must fulfill the following requirements:

1) File a federal income tax return
2) Have earned income
3) Meet certain residency requirements (U.S. citizen or resident alien)
4) Tax filer's children must meet relationship, residency and age requirements (to be considered qualifying children for the credit)
5) Childless workers claiming credit must be aged 25-64
6) Investment income must be below specified amount (indexed to inflation, $11,600 in 2024)
7) Not been found to have committed prior fraud or reckless disregard of EITC rules in previous year EITC claims
8) Must provide Social Security numbers for themselves, spouse (if married), and any children for whom the credit is claimed.[5]

To be considered a qualifying child, the child of the EITC recipient must meet the following three requirements:

1) Child must have a specific relationship to the tax filer (including: son, daughter, step child or foster child, brother, sister, or descendent of such a relative)
2) Child must share a residence with the taxpayer for more than half the year in the U.S.
3) Child must be under the age of 19 (24 if a full-time student) or be permanently and totally disabled.

These requirements can result in a child being a qualifying child of more than one tax filer (e.g. multigenerational household consisting of parents and grandparents). Tie-breaking rules exist in instances where a child is a qualifying child for more than one tax filer.

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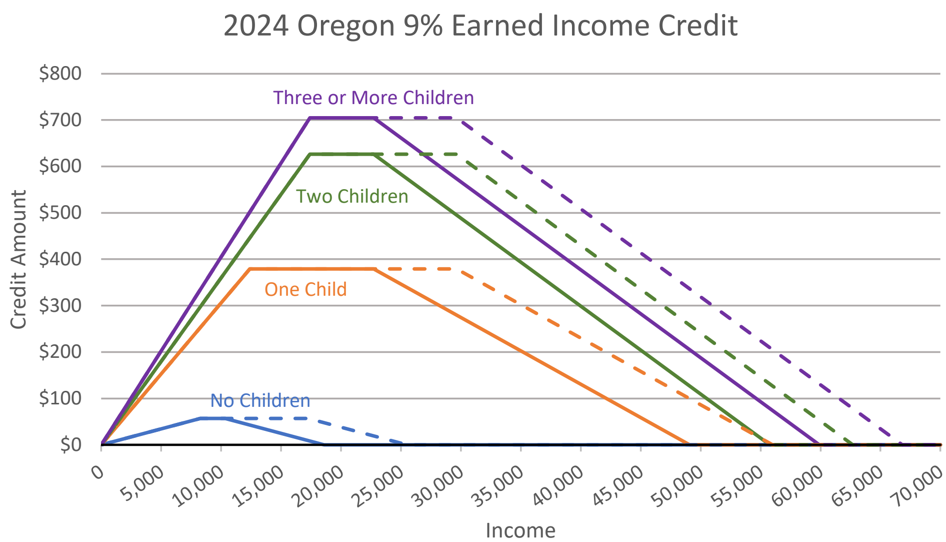
[5] Taxpayers may claim Oregon's EITC using an Individual Taxpayer Identification Number (ITIN) in lieu of an SSN for taxpayer, spouse, or children. See page 9 for more details.

The following chart displays Oregon's 9% credit which mimics the federal credit but at a lower dollar value.

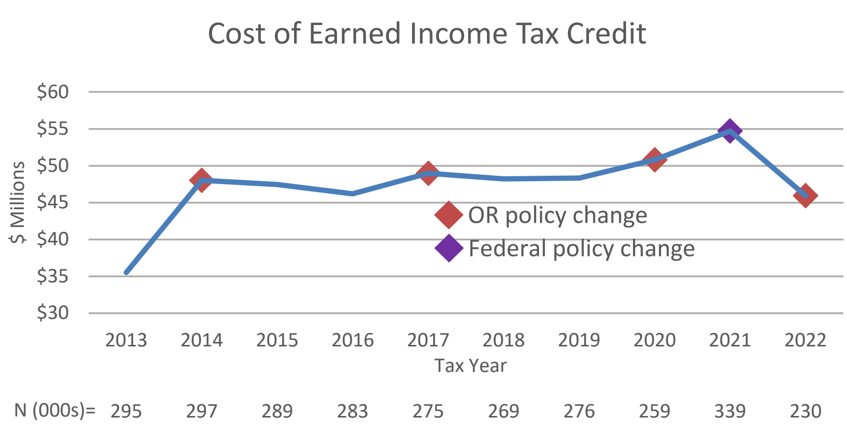


Note: Single Filers (solid line) | Married Filers (dashed line)

Policy Analysis

Oregon's earned income tax credit amount is determined by Oregon's credit percentage and federal credit design. For most qualifying filers, Oregon's EITC is equal to 9% of the federal EITC, whereas filers with at least one dependent under the age of three receive 12% of the federal EITC. The increased percentage more heavily weights Oregon credit benefits towards families with young children. As displayed in the previous charts, by design the credit amount initially increases as income increases, plateaus as income continues to increase and subsequently declines as income continues to increase. Credit benefit increases with the number of qualifying children a filer can claim (up to three) with little benefit available to filers with no children.

The following chart displays the cost of Oregon's EITC for the preceding ten tax years. Each rhombus identifies a policy change described in the following table. As shown, the cost of Oregon's EITC was relatively stable for years 2014 through 2019, a period in which cost of the federal credit decreased. One



reason for stability in the cost of Oregon's credit was increases to Oregon's credit percentage in years 2017 and 2020. The increased cost in 2021 was driven by a one-year expansion of the credit for childless taxpayers. Preliminary 2023 data indicates a credit cost of about $52 million, an amount similar to the pre-pandemic period.

Recent Federal and Oregon EITC Policy Changes, Tax Year in which Change Became Effective	
Tax Year	**Description of Policy Change (includes federal changes incorporated into Oregon's credit)**
2014	OR EITC increased from 6% to 8% of federal amount
2017	OR EITC increased to 11% for taxpayers with child under age 3 making Oregon's credit two different percentages of federal, 8% or 11%
2020	OR EITC increased to 9% and 12% respectively
2021	Federal expansion of childless EITC amount/qualification (temporary for TY 2021 only), permanent changes included increasing investment income limit & expanded qualification for separated taxpayers living with children.
2022	OR EITC qualification expanded to include qualification for taxpayers/children using ITIN

The table below displays the number of full-year resident filers claiming the credit, revenue impact and average credit amount. In 2022, the total value of Oregon's earned income tax credit was about $43 million with nearly 207,000 full-year resident filers claiming the credit. As displayed, over 90% of the total EITC benefits went to filers with income less than $40,400. Average EITC benefit for all full year filers was $210.

Oregon Earned Income Tax Credit | 2022 Personal Income Tax Filers				
Income Group of Full-Year Filers	**Number of Filers Using Credit**	**Avg. Revenue Impact of Credit**	**Revenue Impact ($ millions)**	**Percent of Revenue Impact by Income Group**
< $19,400	107,050	$160	$16.8	39%
$19,400 - $40,400	72,200	$320	$22.9	53%
$40,400 - $67,700	27,590	$120	$3.3	8%
$67,700 - $117,800	0	$0	$0.0	0%
> $117,800	0	$0	$0.0	0%
Total Full-Year Filers	**206,840**	**$210**	**$43.0**	**100%**

(State of Oregon Tax Expenditure Report: 2025-27 Biennium)

In 2021, Oregon's EITC was expanded by House Bill 2819 to allow taxpayers to claim Oregon's EITC (9% or 12% of federal amount) using an Individual Taxpayer Identification Number (ITIN). The taxpayer must otherwise qualify for the federal EITC but for the federal requirement that a taxpayer provide an SSN for each applicable taxpayer and qualifying child. The ITIN expansion was first applicable beginning with the 2022 tax year. The table below displays the number and amount of EITC claimed by Oregon full-year resident taxpayers claiming the EITC using an ITIN. Tax year 2022 numbers are lower in part due to multiple tax preparation software providers not initially supporting the claiming of the credit. In response, Oregon DOR required inclusion of the ITIN EITC in tax preparation software, contributing to the year-over-year increase in tax year 2023.

Full-Year Taxpayers Claiming EITC Using ITIN			
Tax Year	**Returns**	**Amount**	**Avg.**
2022	2,184	$634,129	$290
2023[1]	5,122	$1,597,264	$312

[1]Returns processed through 11/1/2024
Source: DOR

The following two charts display Oregon EITC claimed amounts by adjusted gross income (AGI) and age of primary filer on the tax return. Credit amount claimed by AGI category displays a fairly normal distribution of credit claimed with 77% of the EITC benefit going to tax filers with AGI's less than $30K. As EITC benefit is greater for households with more qualifying children, it is perhaps unsurprising that EITC benefits are most concentrated in age groups where children are more likely to be present in a household.

Credit Amount Claimed by AGI Category
TY 2021 | Full Year Filers

AGI (000's)	Claimed	Pct. of Total
<0	355,000	1%
0-5	2,656,000	5%
5-10	5,629,000	11%
10-15	8,784,000	17%
15-20	8,834,000	17%
20-25	6,952,000	14%
25-30	6,400,000	13%
30-35	5,190,000	10%
35-40	3,500,000	7%
40-45	1,809,000	4%
45-50	802,000	2%
50-60	270,000	1%
Total	**51,182,000**	**100%**

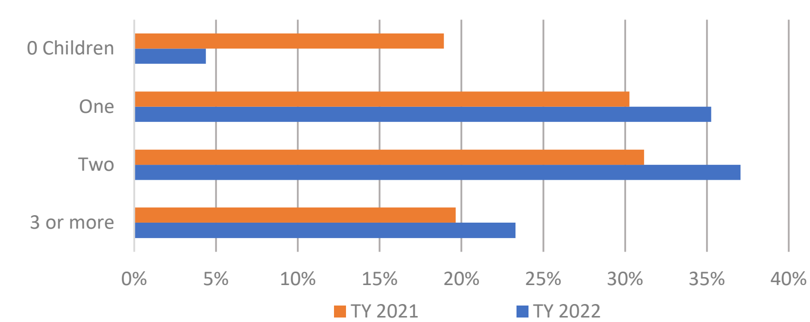
Source: DOR PIT Statistics 2021

Credit Amount Claimed by Age Category
TY 2021 | Full Year Filers

Age	Claimed	Pct. of Total
0 - 14	0	0%
15 - 19	917,000	2%
20 - 24	6,202,000	12%
25 - 29	8,535,000	17%
30 - 34	9,353,000	18%
35 - 39	8,229,000	16%
40 - 44	6,109,000	12%
45 - 49	3,839,000	8%
50 - 54	2,692,000	5%
55 - 59	1,812,000	4%
60 - 64	1,382,000	3%
65 - 69	1,040,000	2%
70 - 74	614,000	1%
75 - 79	289,000	1%
80 - 84	110,000	0%
85+	43,000	0%
Unknown	15,000	0%
Total	**51,182,000**	**100%**

The chart below displays the proportion of the federal EITC benefit claimed by the number of qualifying children claimed on the tax return. The chart reflects the temporary one-year expansion of the EITC for childless taxpayers in TY 2021 when the number of childless taxpayers claiming the EITC about doubled.

Percent of Total Federal EITC Claimed by Number of Qualifying Children - TYs 2021 & 2022



Source: LRO, IRS Statistics of Income

In TY 2022, the EITC amount claimed by childless taxpayers reverted to its pre-expansion amount of about 4% of total. This reflects the credit's historical focus on low-income tax filers with children.[6]

The EITC and Poverty

Within the context of the policy purpose for Oregon's EITC (see page 6), the existence of Oregon's EITC fulfills the credit's underlying purpose of increasing spendable income for low-income working families. The following examples are provided to illustrate the effectiveness of Oregon's credit. The examples are overly simplistic in that they ignore many additional factors that may specifically influence a low-income family's spendable income (e.g. – OR Employment Related Day Care benefits, child & dependent care tax credits, TANF benefits, SNAP benefits, housing vouchers, health insurance tax credits, etc.). Having said that, the simplicity of the examples provides a straightforward way of illustrating the benefit of Oregon's EITC.

The table below illustrates the tax computations related to a family consisting of one adult and two children (most common recipient of EITC) presented by the family's income in relation to percentage of federal poverty level (FPL). In the table, $\boldsymbol{Spendable\ Income} = earned\ income - FICA\ taxes - net\ federal\ inc.tax - net\ OR\ inc.tax$. As displayed, the federal EITC and child tax credit have the greatest effect in increasing spendable income. In the example, increase in spendable income from Oregon's EITC ranges from 2.9% for a family with earned income at 75% of FPL to 0.2% for a family with

Tax Year 2023 - Poverty Guideline for 1 Adult + 2 Children Household

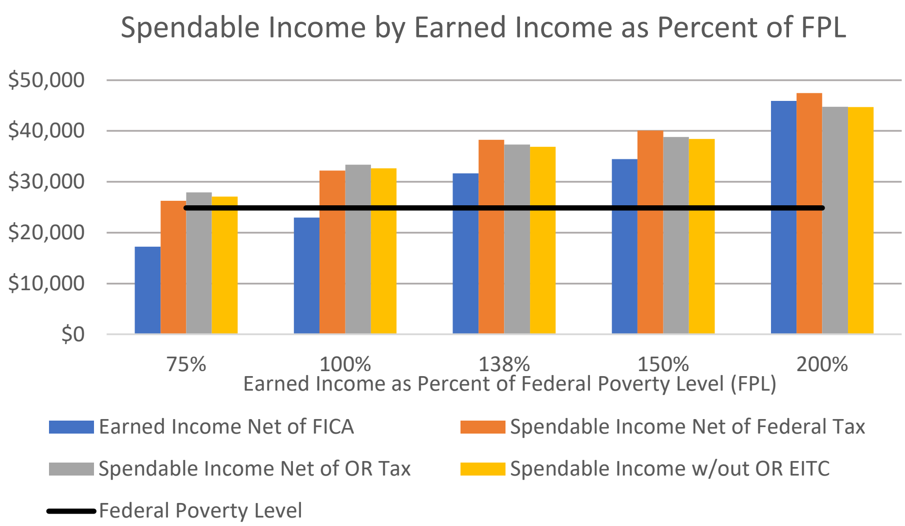
	----- Poverty Guideline Percentage -----				
	75%	**100%**	**138%**	**150%**	**200%**
Earned Income	18,645	24,860	34,307	37,290	49,720
FICA Taxes	1,426	1,902	2,624	2,853	3,804
Federal Income Tax					
Tax Before Credits	0	406	1,351	1,665	3,156
Child Tax Credit	-2,422	-3,760	-4,000	-4,000	-4,000
Federal EITC	-6,604	-5,906	-3,916	-3,294	-672
Net Federal Income Tax	-9,026	-9,260	-6,565	-5,629	-1,516
Oregon Income Tax					
Tax Before Credits	834	1,264	2,091	2,352	3,440
Personal Exemption Credit	-708	-708	-708	-708	-708
OR Child Tax Credit	-1,000	-1,000	0	0	0
OR EITC	-792	-709	-470	-395	-81
Net OR Income Tax	-1,667	-1,152	913	1,249	2,651
Spendable Income					
With OR EITC	27,911	33,370	37,335	38,818	44,781
Without OR EITC	27,119	32,662	36,865	38,422	44,700
OR EITC % Increase in Spendable Income	2.9%	2.2%	1.3%	1.0%	0.2%

Note: Example assumes 1 qualifying child for OR child tax credit and an OR EITC percentage of 12% of federal

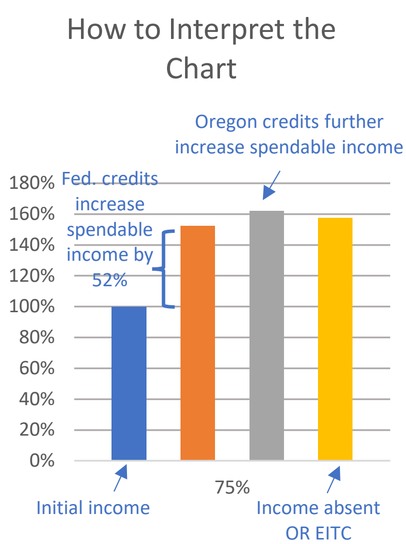
[6] Childless taxpayers were first made eligible for the federal EITC following the Omnibus Budget Reconciliation Act of 1993 which also expanded the credit for those with one qualifying child or those claiming two or more children.

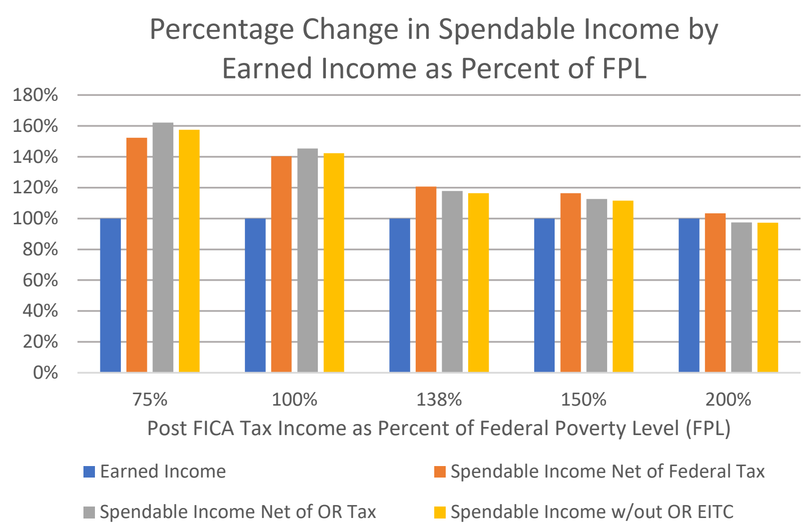
earned income at 200% of FPL. The charts below display the same information contained in the table and reflect tax year 2023.

The first chart presents the change in household spendable income due to federal tax policy (FICA taxes and refundable child and earned income tax credit) and Oregon tax policy both with and without Oregon's



EITC. The charts below display the change in federal and Oregon tax policy as percentage of earned income prior to federal and Oregon tax policy. As displayed in the chart, taxpayers with income at a lower percentage of FPL benefit to a greater extent from federal and Oregon credits. This reflects the phase outs of the respective EITCs and Oregon's child tax credit.





Summary of Federal Earned Income Tax Credit Effectiveness

As Oregon's EITC is a percentage of federal, the briefest of overviews of the federal credit's effectiveness is included. The federal EITC has been the subject of much study since original enactment in the 1970's. The upshot of this analysis is:

- EITC is the largest refundable tax credit targeted to the poor and is considered the most effective government tax and transfer program in reducing poverty of working families with children
- Federal EITC has had a positive effect on labor force participation of single mothers
- Literature is mixed on the EITC's effect on workforce participation of married workers with some studies suggesting the EITC has, to a small degree, decreased workforce participation of married workers. Other research suggests this effect is negligible.
- EITC does tend to result in a slight reduction of hours worked among married workers
- The EITC has had a substantial effect in reducing new entries into the cash welfare system
- EITC has had little effect on the number of hours recipients work. Where adjustment in hours does take place, it is more likely to be an increase in hours.
- For workers that have greater flexibility in adjusting hours worked and income received such as self-employed individuals, evidence suggest some such workers do adjust income to maximize the EITC. This adjusting can increase over time suggesting that as credit recipients learn more about credit structure, greater adjustment to income takes place.

(Crandall-Hollick & Hughes, 2018)

EITC Utilization

Being one of the preeminent government income transfer and poverty reduction programs, utilization of the EITC by qualifying individuals is of importance for qualifying individuals/households and from an overall policy perspective. Taxpayers who qualify for the EITC but who are not claiming the credit have lower after tax incomes as compared to taxpayers claiming the credit. For this reason, utilization of the EITC is a prominent policy topic and one discussed here. This report subsection provides some background/discussion in how EITC utilization is measured.

Credit utilization is expressed as a percentage of credit use as compared to overall credit qualification. Utilization can be expressed from a numerical standpoint (number of taxpayers using the credit as compared to overall qualified) or based on the credit amount (amount of credit claimed as compared to overall credit qualification). While tax return data provides information on use of the credit, overall credit eligibility is estimated using tax return data and additional sources of information.

$$\textit{EITC Utilization Percentage} = \frac{EITC\ Use}{EITC\ Eligibility}$$

Using a combination of 1990 tax returns and Survey of Income and Program Participation (SIPP) data, Scholz (Scholz, 1994) estimated that between 80% - 86% of eligible households utilized the EITC nationally. The estimate was made by comparing tax data to households in the SIPP that appeared EITC eligible but did not claim the credit.

In 2001, the Government Accountability Office (GAO) estimated that for 1999, the national EITC household participation rate was 75% with an estimated 89% of qualifying EITC amount being claimed by the 75% participating (GAO, 2001). The study found greater estimated participation by households with one or two qualifying children (96% & 93% respectively) and lower participation by households with 0, or 3 or more qualifying children (45% & 63%). The GAO estimated the number and amount of potential EITC qualifiers (denominator) using the Census Bureau's Current Population Survey (CPS) which provides household information helpful in estimating potential EITC though the CPS data is insufficient to calculate

EITC qualification and amount. The GAO estimate for EITC claimed on tax returns (numerator) was based on an IRS random sample of tax returns where the EITC was claimed. This sample consisted of audited tax returns where the EITC was not reduced to zero following the audit. Estimates using these two datasets were developed and analyzed independently of one another meaning the data sets were not merged and then examined.

The IRS publishes annual EITC participation estimates for the nation and individual states.[7] The participation rates are estimated by the Center for Economic Studies at the U.S. Census Bureau working in collaboration with the IRS. The estimates are made by linking individuals in the Census' American Community Survey (ACS) to tax records provided by the IRS on EITC payments and participation. For calculating the participation percentage, EITC participation (numerator) is determined from IRS tax records whereas EITC eligibility (denominator) is determined using the ACS data (IRS, 2024). ACS data is used to estimate the population that is EITC eligible as non-claiming individuals that qualify for the EITC can be either those filing tax returns that qualify for the credit but do not claim it, or individuals that qualify for the credit but do not file a tax return.[8]

At time of publication, tax year 2021 was the most recent year in which comparable participation rates were published.[9] EITC participation for the U.S. was estimated at 80.8% in 2021 which is a bit higher than recent previous years. Average U.S. participation for years 2013-2019 was 78.9%, with a low of 77.8% in 2017, and a high of 79.9% in 2013 (IRS, 2024). While the participation rate is updated each year, the IRS and Census Bureau have conducted more extension analysis of EITC participation in previous years.

In 2009, the IRS and Census Bureau cooperated to extensively examine the EITC participation rate for tax year 2005 and published a report on their findings (Plueger, 2009).[10] What follows is an overview of the study's prominent findings. Initial linkages between IRS and Census data resulted in an estimated participation rate of 63% indicating challenges with estimating EITC eligibility using Census data. Estimates refined by deferring to IRS data in more instances resulted in an estimated participation rate of 75.3%. The table to the right displays the eligible 2005 population rates for EITC eligibility based on Census estimates and taxpayer filing status. As displayed, taxpayers filing a return and paid an EITC reflect 75.3% of the overall EITC eligible estimate (i.e. the participation rate), 8.7% were estimated as eligible and filed a return but were not paid an EITC, and 16.0% were estimated as EITC eligible but did not file a tax return. Of those estimated as eligible but not paid an EITC, 35% filed a tax return and 65% did not file a return. Those not filing a tax return are primarily lower income individuals with incomes below the tax return filing threshold and with correspondingly smaller expected EITCs (Plueger, 2009).

Estimated EITC Eligible Population Rate
U.S. | Tax Year 2005

Filing Status	EITC Status	Elig. Percent
Filed	Paid	75.3%
	Not Paid	8.7%
Did Not File	Not Paid	16.0%
Total		**100%**

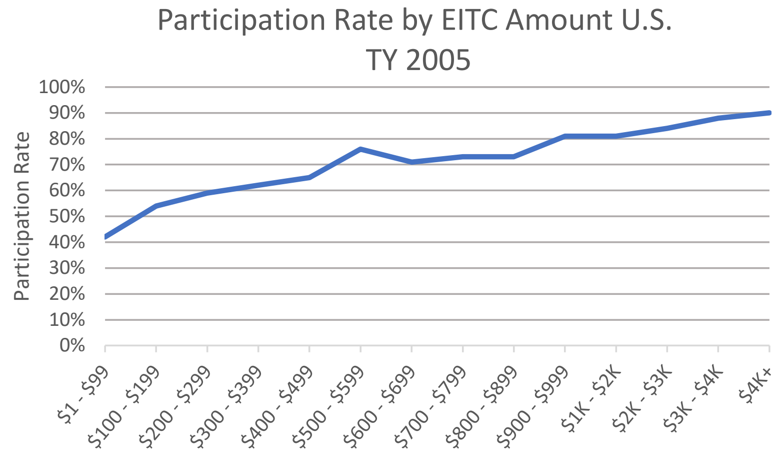
Source: Plueger, 2009

[7] For most recent estimates see https://www.eitc.irs.gov/eitc-central/participation-rate-by-state/eitc-participation-rate-by-states.
[8] Qualifying for the credit and not filing a tax return is primarily due to individuals with income below the tax return filing threshold requirement (Plueger, 2009).
[9] ACS estimates for tax year 2020 used an experimental weighting methodology to address nonresponse bias resulting from the Covid-19 pandemic (IRS, 2024). More information is available through a Census blog and technical working paper.
[10] This examination also developed many of the EITC participation estimation techniques in use today.

The estimated EITC participation rate can vary depending on taxpayer characteristics and EITC amount. The participation rate generally increases as the value of the EITC increases which is often driven by the number of qualifying children (Plueger, 2009). The table below displays the participation rate by number of qualifying children whereas the line chart displays the participation rate by EITC amount.[11]

Estimated Participation Rate by Number of Qualifying Children U.S. | Tax Year 2005	
Qual. Children	Part. Rate
0	55.6%
1	73.6%
2+	85.9%
Total	**75.3%**

Source: Plueger, 2009



Source: Plueger, 2009

Increasing EITC Utilization

Increasing EITC utilization or "take-up" has been identified as a desirable policy outcome by both federal and state governments. The EITC increases after-tax incomes for lower income households, decreases household poverty, and has been shown to support labor force participation (Eissa & Hoynes, 2006). An additional benefit from an Oregon state perspective is that as most of the federal EITC is a refundable credit, increasing EITC utilization results in federal dollars being brought into lower income Oregon households.[12]

Qualifying individuals not claiming the EITC are generally placed in two categories, 1) tax filers not claiming the EITC and, 2) those not filing a tax return. Of those qualified but not claiming the EITC, about 35% file an income tax return whereas 65% do not (TIGTA, 2018). For those taxpayers filing a tax return, EITC participation rate is about 90% (Plueger, 2009), (TIGTA, 2018). The associated literature suggests there are multiple factors affecting EITC participation including, unawareness of the credit, fear of being audited, tax preparation costs, underestimate of potential credit amount, complexity, and stigma. Studies examining policies designed to increase EITC participation have yielded mixed results. Some policies have demonstrated small increases in EITC participation whereas others have resulted in no change.

In response to taxpayers who potentially qualify but do not claim the EITC, the IRS sends reminder notices and claiming worksheets to taxpayers filing tax returns that appear to qualify for the EITC but did not claim the credit. Different notices are mailed to childless taxpayers and those with dependents. Each notice explains the credit and requires taxpayers to answer a series of eligibility questions. The IRS targets notices to taxpayers where sufficient information is available to suggest EITC qualification. For this reason, about

[11] Beginning in 2009, the EITC was expanded for taxpayers with three or more children, increased from two or more.
[12] In tax years 2017 through 2020, about 86% of the federal credit represented the refundable portion, meaning the EITC represented a net payment to the taxpayer (no tax liability or tax liability was first reduced to zero). About 80% of the total refundable credit payments were received by taxpayers with an AGI less than $30,000. (IRS SOI, 2024)

21% of the taxpayers estimated to be potentially eligible were sent a notice for TY 2014 (TIGTA, 2018). In 2014, about half of taxpayers responded to the notice and received the EITC resulting in a 0.7 percentage point increase in overall participation (78% to 78.7%), a 0.2 percentage point increase in EITC amount claimed (84.5% to 84.7%), and 0.9 percentage point increase in the participation rate for taxpayers filing a return (90.7% to 91.6%) (TIGTA, 2018).[13] In total, approximately 175,000 taxpayers received $82 million in federal EITC refunds after responding to an IRS notice for TY 2014 (TIGTA, 2018). Analysis by TIGTA (2018), suggests reminder notices could increase participation in later years as taxpayers previously receiving notices continue to claim the credit in subsequent years. Notice design has also been found to influence taxpayer response and provide a modest way in which to increase overall participation (Bhargava & Manoli, 2013).

Assessing whether requiring employers to provide EITC information to employees increases EITC participation, (Cranor, Goldin, & Kotb, 2019) examined EITC participation in states that enacted laws requiring such notifications. Study results found no evidence that EITC notification laws increase EITC participation.

Three studies that found increases in EITC participation were each based on different notification practices designed to increase taxpayer filing and EITC take-up. By contrast, a recent study out of California focusing on utilizing "nudges" to induce EITC eligible tax filings found no measurable increase in EITC take-up. The studies and relevant results are briefly described here.

In cooperation with the IRS, (Goldin, Homonoff, Javaid, & Schafer, 2021) conducted an experiment in which certain individuals were mailed a one-time informational letter (during the tax year 2018 filing season) from the IRS describing the availability of free assisted tax preparation methods.[14] Individuals who received the letters were 0.74 percentage points more likely to file a return in 2018, a 3.5% relative increase from the control group that received no letter. The authors further estimated that the letters increased the share of individuals claiming the EITC by 0.32 percentage points, a 7% increase relative to the control group (average EITC was equal to $861 for the incentive filers). Increases in tax filing and EITC take-up were concentrated in the initial weeks following the letters being mailed.

Similar to the Goldin et al. (2021) experiment, (Guyton, Manoli, Schafer, & Sebastiani, 2016) explored the impact of sending an official IRS return filing reminder notice to historically non-filing individuals with income. Recipients of one-time notices (designed as postcards) were selectively chosen using previous years information return filings (e.g., W-2, 1099s, and other forms). Notices used official IRS logo and letterhead and were general in design, providing information of potential EITC benefits such as max credit amount by filing status. The study found that receiving a notice did increase filing rates by roughly 0.5 to 1.0 percentage points. The notices were found to increase filing for individuals that received a refund and those required to pay tax upon filing. As the notices increased filing in general, EITC take-up also increased though the notices did not disproportionately increase EITC filing.[15] While notices were found to modestly

[13] Overall, about 20% of the notices were returned undeliverable.
[14] Letter informed individuals of Volunteer Income Tax Assistance (VITA) program and location of the two closest VITA sites along with information on Free File (free online guided tax software).
[15] The EITC claim rate was similar across the treatment group (those receiving notices) and the control group though overall EITC claims increased in accordance with the overall increase in tax filing.

increase filing in the year in which the notices were sent, taxpayers did not display increased filing in the subsequent year suggesting the effect of notices is short lived.

In 2010 and 2011, the Virginia Department of Social Services conducted a study (Beecroft, 2012) examining EITC take-up following direct outreach (mailer and automated phone call) highlighting potential EITC benefit available to the outreach recipient. The outreach recipients were made up of individuals receiving public assistance who did not claim the EITC in the previous year and were identified as likely EITC beneficiaries based on matched Unemployment Insurance data. Identified individuals then received a mailer and automated phone call with information suggesting potential generic EITC benefits and availability of tax filing assistance. Results for the respective tax years were mixed. For TY 2010, an increase of 2.4 percentage points in tax filing was found for those receiving a phone call and a mailer but no statistically significant change in EITC claiming occurred. For TY 2009, an increase in tax filing and EITC claiming of 4.1 and 3.2 percentage points respectively was found.

Working in collaboration with the California Franchise Tax Board (FTB), state/local administrators of SNAP benefits (CalFresh), and a nongovernmental organization (NGO) dedicated to statewide EITC outreach[16], (Linos, Prohofsky, Ramesh, Rothstein, & Unrath, 2020) conducted six large-scale randomized controlled trials in California in 2018 and 2019. The trials were designed to increase take-up of California's state EITC through intervention "nudges" directed at a non-filing population identified as likely recipients of the EITC. Trials were run independently of each other. The trials included text messages sent from either the NGO or CalFresh, with individual trials varying the amount of EITC detail/potential value contained in text message. Letters were sent by the CA FTB, again with varying amount of EITC detail/value. None of the six trials resulted in a statistically significant increase in EITC take-up. The authors did find that engagement with the outreach was higher when the deliverer was the government, and the provided information was more personalized and formal.

The EITC take-up studies discussed here highlight potential strategies for increasing EITC participation along with the challenges and limitations. For the studies that found increased EITC take-up, the results were often modest and not uniformly scalable. Generally, the studies found that directed formal outreach at an identified population yields greater results than generalized increased EITC awareness efforts. Simplifying the communication and reducing the independent effort needed to file a return can also increase EITC utilization.

Oregon's Tax Infrastructure Grant Program

Enacted in 2022, HB 4117 appropriated $4 million to the Oregon Department of Human Services (DHS) to provide grants to culturally specific organizations, tribal governments and under-resourced rural community service organizations assisting low-income households filing tax returns. The respective House and Senate carriers both described the measure as designed to increase Oregon's EITC take-up percentage thereby bringing in federal EITC dollars to Oregon low-income households. DHS used the grant money to establish the Tax Infrastructure Grant Program within the Self-Sufficiency program. Subsequent $4 million annual appropriations supporting the program have been included in DHS's Self-Sufficiency budget.

The Tax Infrastructure Grant Program (grant program) provides funding to tax preparation organizations, tax legal aid services, and high school do-it-yourself tax clinics. Most of the grant funding supports tax

[16] Golden State Opportunity.

preparation organizations associated with the IRS's Volunteer Income Tax Assistance (VITA) sites.[17] The grant program began operating with the 2023 tax filing season. In 2023, about 10,000 personal income tax returns were filed from grant supported organizations, increasing to about 12,600 for the spring 2024 filing season (Tax Infrastructure Grant Program, 2024). Of those returns, the grant program reported about 17% claimed the EITC and claimed on average about $150 in Oregon EITC ($1,575 federal EITC). It should not be assumed that taxpayers filing with a grant-supported preparer would not otherwise have filed their tax return. For example, only about 15% of taxpayers filing with grant-supported preparers were identified as new or lapsed filers (Tax Infrastructure Grant Program, 2024).[18]

Analysis of Potential Direct Appropriation

The chief administrative benefit of the Oregon EITC is the simplicity of the credit for both the administrating agency (Oregon Department of Revenue) and for the tax filer. Oregon's EITC simply functions as a percentage of the federal credit. For a taxpayer to determine their Oregon EITC they either multiply their federal credit amount by 9%, or 12% for filers with dependent under the age of three.

The drawbacks of the Oregon's EITC functioning as a percentage of the federal EITC include the potential loss in ability to determine policy (other than how Oregon's EITC connects to the federal EITC) and the timing of the EITC payments to individuals. As the credit is received after a tax return is filed, this results in funds being dispersed at a single point in time, usually late winter or early spring.

A direct spending program could provide Oregon with more policy options in terms of structural design and could also be designed to provide more monetary support for qualifying individuals throughout the year. However, counter to how the EITC functions, a direct spending program generally requires qualification criteria to be met through an application process prior to benefits being dispersed. The EITC by contrast determines eligibility through the tax return process with benefits being dispersed shortly following return filing. As noted by IRS Taxpayer Advocate, Nina Olson, in congressional testimony:

> *Using tax returns as the "application" for EITC benefits rather than a traditional screening process results in low cost with high participation as well as the risk of improper payment. The IRS has pointed out that for the EITC: Current administration costs are less than 1% of benefits delivered. This is quite different from other non-tax benefits programs in which administrative costs related to determining eligibility can range as high as 20% of program expenditures.* (Olson, 2011)

Similar Incentives Available in Oregon

The Legislative Fiscal Office identified several direct spending programs that shared some level of policy relationship to Oregon's EITC in terms of providing funding to income assistance programs for working adults and families in Oregon. The spending programs along with each program's 2023-25 legislatively adopted budget amount is detailed in the table below. Figures and program descriptions were provided by the Legislative Fiscal Office.

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[17] VITA sites offer free basic tax return preparation to qualified individuals (modest to low-income, persons with disabilities, and limited English-speaking taxpayers). While the IRS manages the VITA program, the sites are operated by IRS partners and staffed by volunteers and are generally located at community and neighborhood centers, libraries, schools, and shopping malls.

[18] Lapsed filers identified as those having not previously filed in the past two or three years. Percentage based on organizations that track previous year tax filings, tracking of such data expected to increase in the coming years.

Direct Spending Program	2023-25 Legislatively Approved Budget ($M)		
	General Fund	Other Funds	Federal Funds
Employment Related Day Care (ERDC)	$228	$0.7	$232
Temporary Assistance to Needy Families (TANF)	$97	$1.2	$163
Eviction Diversion & Prevention (ORE-DAP, EPRR)	$89		
Emergency Housing Assistance (EHA)	$36	$18	
Workforce Operations/Employment Services (STEP & ABAWD)		$51	
Workforce Operations, Contracted Emp. Services			$5
Individual Development Account (IDA)	$5	$0.3	

Employment Related Day Care (ERDC)

The EITC does not directly tie to any expenditures or programming with the Department of Early Learning (DELC); however, the tax policy aligns with the program's purpose of helping families who are working afford child care. The Employment Related Day Care program provides a subsidy to help low-income families in Oregon that are working, in school, or receiving TANF purchase quality child care. To be eligible, a family's income must be less than 200% of the Federal Poverty Level (FPL); for a family of three this is less than $4,304 in gross monthly income. Income must remain under 250% of FPL or 85% of the state median income to remain in the program. Families choose an approved child care provider and ERDC pays the subsidy portion directly to the provider on behalf of the family. Families also pay a portion of the cost of child care, called a copayment. Copayments are based on sliding scale based family size and monthly income and currently cannot exceed 7% of a family's monthly income. Families may pay additional costs when a provider charges more than the maximum hourly or monthly rate that the program is authorized to pay. HB 3073 (2021) expanded program eligibility, including expanded child care hours, as well as reduced copayments.

The Other Funds come from federal Child Care and Development Fund dollars that are passed to the Department from the Oregon Department of Education.

Temporary Assistance to Needy Families (TANF)

The Temporary Assistance to Needy Families (TANF) program is a federal program that provides block grants to states which are used to provide aid to families experiencing poverty. The Cash Assistance program provides a monthly cash benefit to qualified low-income families with children. The goal of the program is to help families meet their basic needs. The amount of cash assistance a family gets depends on household income and the number of individuals in the household.

Some households that receive cash assistance have earned income, but unlike EITC earned income is not required to receive the benefit. Also, while there is some overlap in the target population of the two programs, EITC has broader income qualifications allowing low- to moderate-income households to participate.

Eviction Diversion & Prevention (ORE-DAP, EPRR)

These programs provide eviction interventions such as rental assistance, housing-related fees, and coordination with partners providing legal services to those who are at or below 80% of area median income. Program delivery occurs through contracted local service providers, including culturally responsive organizations.

Emergency Housing Assistance (EHA)

The program provides funds to local Community Action Agencies for homelessness prevention and assistance services, which can include low-income rental assistance payments, transitional housing, in-home services, and other cash assistance that may help prevent homelessness or rapidly rehouse a low-income individual or family. To qualify for the program, those requesting assistance must have a total household income no greater than 80% of the area's median income.

Workforce Operations/Employment Services - STEP and ABAWD

The Employment Department provides enhanced employment services to recipients of the federal Supplemental Nutritional Assistance Program, and intensive case management services to a targeted subset of those recipients, able bodied adults without dependents, via an interagency contract with and transfer of funds from the Department of Human Services. The program's employment and case management services facilitate entry into the workforce, allowing for earned income.

Workforce Operations/Employment Services - Contracted Employment Services

The Employment Department provides enhanced employment services under contract with Rogue Workforce Partnership to adults and dislocated workers seeking employment and training services in Jackson County. The program is funded by the Workforce Innovation and Opportunity Act, and is part of a one-stop service provider location for training, education, and re-employment services. The program's employment, training, and case management services facilitate entry into the workforce, allowing for earned income.

Individual Development Account

Individual Development Accounts are matched savings accounts for low-income Oregonians who are saving toward goals including business startup, education, and home purchase. General Fund in the amount of $5,000,000 is budgeted to augment the amount of tax credits generated by the sale of tax credits under ORS 316.848 offered to those who contribute to the initiative. The budgeted Other Funds amount represents Oregon Housing and Community Services contract management and oversight costs attributable to agreements with Individual Development Account administrators. Matching funds come from a state tax credit offered to those who contribute to the initiative.

Other Tax Credits

Three existing tax credits with overlapping policy relationships with Oregon's EITC are included in this report. While there are numerous tax provisions that are designed to reduce or alleviate income tax liability for lower income working individuals, these three credits are included as they most closely align with the EITC. All three of these credits are refundable, meaning credit amounts exceeding a taxpayer's tax liability are paid directly as a tax refund.

	2023-25 Est. Rev. Imp. ($M)	
Other Tax Credits	***General Fund***	***Federal Funds***
Earned Income Tax Credit (federal portion)		$992
Oregon Child Tax Credit	$80	
Working Family Household and Dependent Care	$35	

Oregon's EITC is simply a percentage of the federal credit amount. Currently, Oregon's EITC is 9% of the taxpayer's federal credit amount, or 12% for taxpayers with a dependent under the age of three. This results in a taxpayer's federal credit amount being 11.1 or 8.3 times as much as their Oregon credit amount. On net, the federal revenue impact of the EITC is about 10 times Oregon's revenue impact. As displayed in the table, this equates to an estimated federal funds impact of $992 million in the 2023-25 biennium.[19]

In 2023, Oregon enacted a child tax credit that provides a refundable tax credit equal to $1,000 per qualifying child dependent under the age of six reported on a taxpayer's income tax return. To qualify, taxpayers must have qualifying income below $30,000 with the credit phasing out for qualifying income between $25,000 to $30,000. The policy purpose of the credit 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.

The Working Family Household and Dependent Care (WFHDC) tax credit was created in 2015 through the merging of two former credits, the Working Family Child Care and Dependent Care tax credits. The WFHDC is a refundable personal income tax credit available to taxpayers with employment related expenses for care of qualifying individual(s) that allow the taxpayer to work, look for work or attend school. Examples of qualified individuals include: dependents under the age of thirteen, disabled dependents, disabled taxpayer or spouse.

The WFHDC amount is a percentage of the qualified employment related expenses limited to no more than $12,000 (single) and $24,000 (joint). The credit percentage initially increases as taxpayer adjusted gross income (AGI) as a percentage of federal poverty level (FPL) increases. The maximum potential credit percentage is 75% and is available to taxpayers with AGI as a percentage of FPL between 90% - 110%. As AGI as a percentage of FPL increases above 110%, the credit percentage decreases, eventually to zero at AGI greater than 300% of FPL. In tax year 2022, the total amount of credit received was $17.5 million, most of the benefit went to taxpayers with AGI less than $50,000 and the average credit amount for full year Oregon filers was $1,110 (State of Oregon Tax Expenditure Report: 2025-27 Biennium).

Administrative & Compliance Costs

Administrative & Compliance – Oregon Specific

The administrative and compliance costs of this credit are generally minimal as credit specific administrative costs are largely born at the federal level by the IRS. Administrative costs can arise in instances where Oregon deviates from federal EITC policy. For example, Oregon's EITC expansion to include taxpayers filing with an ITIN was estimated to cost the Department of Revenue $200K in the 2023-25 biennium.[20]

EITC administrative costs to the Department of Revenue are generally incorporated into the underlying tax administrative costs of the Department. For example, Oregon DOR's Direct File return filing software provides a means for taxpayers to directly file their personal income tax return with the Department. As part of general tax administration, the software was developed to auto calculate a taxpayer's EITC when sufficient information exists.

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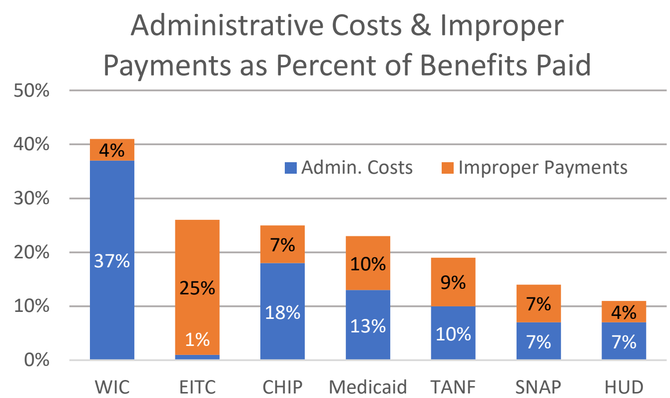
[19] Estimate contained in table reflects ITIN taxpayers being unable to claim a federal EITC and does not include the federal EITC value for nonresident individuals filing an Oregon tax return and claiming an Oregon EITC.
[20] See fiscal impact statement for HB 2819 (2021)

Administrative & Compliance – General

The EITC differs from many other means tested government benefit/income transfer programs in that EITC eligibility is initially self-determined in contrast with many other means tested programs (e.g., CHIP, SNAP, Medicaid, WIC, HUD, TANF)[21] where eligibility is determined up-front through an application and screening process. Because of this, direct EITC administrative costs for the IRS are low at about 1% of payments compared with 7% to 37% for the aforementioned means tested programs (IRS Taxpayer Advocate, 2020). However, because EITC eligibility is self-determined, the amount of improper payments for the EITC is far higher than other means tested programs where eligibility is determined up-front. As displayed in the chart to the right, combining administrative costs and improper payments results in the EITC having similar combined costs as other means tested programs.[22]



Source: IRS Taxpayer Advocate, 2020

Two common measures of EITC compliance are improper payments and overclaims. ***Overclaims*** are the amount of the credit claimed incorrectly and do not include the impact of IRS enforcement activities. ***Improper payments*** by contrast reflect IRS enforcement activities and recovered amounts though unclaimed qualified amounts are not included (i.e. amount of underutilized EITC is not factored in).

$$\text{Improper Payments} = Overclaims + Underpayments - Claims\ Protected\ or\ Recovered$$

Underpayments: Amount of EITC disallowed by the IRS in processing that should have been allowed.

Claims Protected or Recovered: Amount of EITC overclaims prevented by IRS from being paid and/or amounts recovered post-refund examination.

The improper payment rate is annually estimated and reported by the IRS and is the amount of improper payments divided by total claims. Since 2009, the improper payment rate has averaged 26% and has been relatively stable, ranging from 23% to 28% in years 2009 through 2021.[23]

While the IRS estimates the improper payment rate annually, comprehensive studies of EITC compliance are done more sporadically. In 2002 and 2014, the IRS examined EITC taxpayer compliance and sources

[21] Children's Health Insurance Program (CHIP), Supplemental Nutrition Assistance Program (SNAP), Women, Infants, and Children (WIC), Department of Housing and Urban Development Rental Assistance (HUD), Temporary Assistance for Needy Families (TANF).

[22] Reflects federal EITC administrative and improper payment estimates, state EITCs are excluded from analysis.

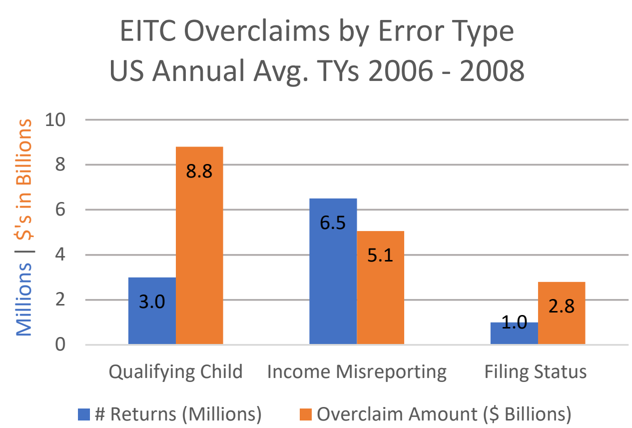
[23] Improper payment rate is reported annually in the Department of Treasury's Agency Financial Report. See (Department of Treasury, 2024).

of error.[24] More recently, in 2020 the Treasury's Office of Tax Analysis examined EITC qualifying child noncompliance. The findings from the studies are summarized here.

For TYs 2006-2008, the EITC overclaim percentage was estimated as 28.5% to 39.1% as compared to estimates for 1999 of 30.9% to 35.5% (Leibel, Taxpayer Compliance and Sources of Error for the Earned Income Tax Credit, 2014), (IRS, 2002). The improper payment rate, which accounts for IRS enforcement, was estimated at 24.2% for fiscal years 2010 through 2013. For TYs 2006-2008, most (about 80-85%) of taxpayers found to overclaim the EITC were ineligible to claim any amount of the credit whereas about 15% were eligible for a smaller credit amount (Leibel, Taxpayer Compliance and Sources of Error for the Earned Income Tax Credit, 2014). Both studies found the three largest sources of taxpayer overclaim to be:

1) Claiming children who were not the qualifying child (QC) of the taxpayer
2) Taxpayer misreporting their income
3) Using incorrect filing status when claiming the credit.

As displayed in the chart two the right, income misreporting is the largest numerical error type followed by qualifying child (QC) and filing status. By EITC misreported amount, QC errors are the largest category.[25]



Source: Leibel, 2014

The EITC can be claimed by taxpayers filing as single, married filing jointly, or head of household (married filing separate cannot claim the credit). ***Filing status errors*** occur when a taxpayer files using an incorrect filing status. As credit amount is determined in part on filing status, the credit may incentivize filing using an incorrect filing status. Most EITC filing status errors arise from married couples filing two separate returns (IRS, 2002).

Recall that the EITC is designed to initially increase as earnings increase, plateau, and then phase out (see exhibit on page 8). In such a design, the amount of income reported can influence credit amount creating incentives to adjust income reported. The largest source of ***income misreporting*** is derived from the underreporting of self-employment income (about 60% of all income misreporting), followed by underreporting of investment income and AGI (23%) followed by misreporting of wage income (17%) (Leibel, 2014).

As displayed in the column chart, while ***qualifying child*** errors are numerically the second largest source of EITC improper payment, they made up the largest source by dollar amount in 2006 - 2008. To meet the

[24] The 2002 IRS EITC compliance study referenced audited TY 1999 returns whereas the 2014 study referenced TYs 2006-2008.

[25] Errors are not mutually exclusive meaning returns can have multiple error types. For this reason, counts and amounts attributed to error type may be double counted.

qualifying child (QC) requirements of the EITC, three primary “tests” for a child exist: the residency, relationship, and age tests. The residency test requires the child to reside with the taxpayer for over half the year. The relationship test requires the child to be the taxpayer’s daughter, son, stepchild, foster child, sibling, half-sibling, step-sibling, or a descendant of any of those (e.g., grandchild, niece/nephew). The age test requires that the child is either under 19 at end of the tax year or under 24 if a full-time student, or any age if permanently & totally disabled.

For years 2006 – 2008, between 13% to 27% of all children claimed for the EITC were estimated to be claimed in error (Leibel, 2014). Of returns with a QC error, Leibel (2014) found 75% of QC’s failed the residency test, 20% the relationship test, and 10% failed the age test. A follow-up study in 2020 found that 90% of QC’s failing the residency test lacked any substantiated residency with the taxpayer that initially claimed them (Leibel, Lin, & McCubbin, 2020).[26] Said differently, 90% of QC’s failing the residency test were reported on audit as not living with the taxpayer for any period of time during the tax year.

Leibel et al. (2020) examined the familial relationship of children claimed in error and found that the children were much less likely to be the son or daughter of the taxpayer, and more likely to have other valid familial relationships such as a grandchild or niece/nephew. For example, 93% of children meeting the three qualifying child tests were the daughter/son of the taxpayer compared to 47% of children that were initially used to claim the EITC but were found on audit to fail one of the three qualifying child tests (Leibel, Lin, & McCubbin, 2020).

The design of the EITC allows for a child to be the qualifying child of multiple people, though only one taxpayer may claim a qualifying child for the EITC.[27] For example, a child living in a household with their parent and grandparents could potentially be the qualifying child of either, though tiebreaker rules exist that may limit qualification. Utilizing merged tax and Census data for years 2005-2010, (Jones & O'Hara, 2014) found that the likelihood of sorting qualified children for EITC maximizing purposes increased as the potential credit value from sorting qualified children increased. The authors also found an increase in sorting to three children following the expansion of the credit for such taxpayers in 2009 (previously, the credit formula was the same for taxpayers with two or more children). Building on this approach, Leibel et al. (2020) estimated that for years 2006-2011, on average 10% of the EITC amount from overclaims attributed to the three qualifying child errors (residency, relationship, age) could be offset by the “correct” taxpayer claiming a predominantly smaller credit amount.[28]

Similar Credits Allowed in Other States

Twenty-seven states and the District of Columbia have earned income tax credits. Of the twenty-seven, all states except California, Minnesota and Washington calculate their credit as a percentage of the federal credit amount. The percentage of the federal credit varies by state with a low of 4% in Wisconsin to a high of 125% in South Carolina with most states’ credits being refundable. Of the four states neighboring

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[26] While 90% of QC had zero months of residency with the taxpayer, it is likely that some audit participants chose not to reply with a specific number of months reflective of a requirement of at least six months.

[27] A qualifying child can be claimed by one taxpayer for five related federal tax benefits: child tax credit, head of household filing status, child and dependent care expenses credit, exclusion for dependent care benefits, and the EITC.

[28] Equates to an average error offset of 4% of all EITC overclaims.

Oregon, California has adopted an EITC and Washington has a program based on EITC eligibility.
(National Conference of State Legislatures, 2024)

California's EITC design is similar to the federal credit though eligibility is focused on the lowest income taxpayers with the credit peak amount and income qualification phase-outs occurring at lower incomes than federal. For tax year 2023, the maximum AGI to still receive the California state credit for a family with one or more children is $30,000. The maximum state credit for a taxpayer with one qualifying child is at annual income between $6,551 to $6,600 and credit amount is $1,900. For a taxpayer with three or more qualifying children, max credit is $3,529 at income of $9,201 to $9,250.
(CA Franchise Tax Board, 2023)

While Washington does not have an income tax, in 2021 the state enacted the Working Families Tax Credit which provides payments to qualifying individuals. Eligibility for the tax credit payment is based on federal EITC qualification though a taxpayer is not required to have claimed the EITC on their federal return. Amount of the payment is dependent on the taxpayer's income and number of qualifying children. In 2023, the maximum credit amount ranged from $315 for a taxpayer with no qualifying children, up to $1,255 for taxpayers with three or more qualifying children. (WA Department of Revenue, 2024)

Manufactured Dwelling Park Closure

316.090	Year Enacted:	2007	Transferable:	No
	Length:	1-year	Means Tested:	No
	Refundable:	Yes	Carryforward:	No
TER 1.425	Kind of cap:	None	Inflation Adjusted:	No

Policy Purpose

A specific policy purpose statement regarding the manufactured dwelling park closure credit is not contained in statute. Rather, a general policy purpose of the credit can be derived by referencing the relevant legislative committee discussions and deliberations that took place when the credit was enacted.

The credit was enacted by HB 2735 (2007) which contained multiple provisions relating to manufactured dwelling parks. The content of the measure relating to manufactured dwelling parks can be categorized in two primary ways:

1) Encouraging the continued existence of the current stock of manufactured dwelling parks
2) ***Mitigating the costs to manufactured dwelling park households that are forced to move due to instances where market forces and development are causing closure of the manufactured dwelling park.***

HB 2735 addressed mitigating resident park closure costs in two ways: 1) by requiring landlords that own a manufactured dwelling park that is closing to pay moneys to tenants displaced by the park closure, 2) replacing existing park closure tax credit with a new refundable credit. The 2007 legislation established landlord payment amounts of $5,000 to $9,000 depending upon type of manufactured dwelling.[29, 30]

Statements in 2007 supporting the enacted refundable tax credit included:

- In the public interest to provide pragmatic solutions to displacement of mobile home park tenants
- Provide mobile home park tenants with peace of mind that if land is "sold out from under them" tenants will have means to move and will not have to abandon their home
- Credit payments to displaced tenants help to alleviate potential tenant costs to State from Medicaid.

Description

Enacted in 2007, the Manufactured Dwelling Park Closure Credit is a $5,000 refundable tax credit available to owners of a manufactured dwelling where the manufactured dwelling was the owner's principal residence and the dwelling park is being closed and the rental agreement is being terminated by the landlord, or because of the exercise of eminent domain by order of a federal, state or local agency. The $5,000 amount of the credit is reduced by any amount that was paid to the individual as compensation for the exercise of eminent domain. If more than one individual in a household qualifies for the credit, the amount of the credit is shared in proportion to each qualifying individual's respective gross income for the tax year.

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[29] $5,000 for a single-wide dwelling, $7,000 for a double-wide, and $9,000 for a triple wide or larger are the pre-inflation indexed dollar amounts of the required payment.
[30] See 'similar incentives available in Oregon' sub-section for discussion of current landlord payment amounts.

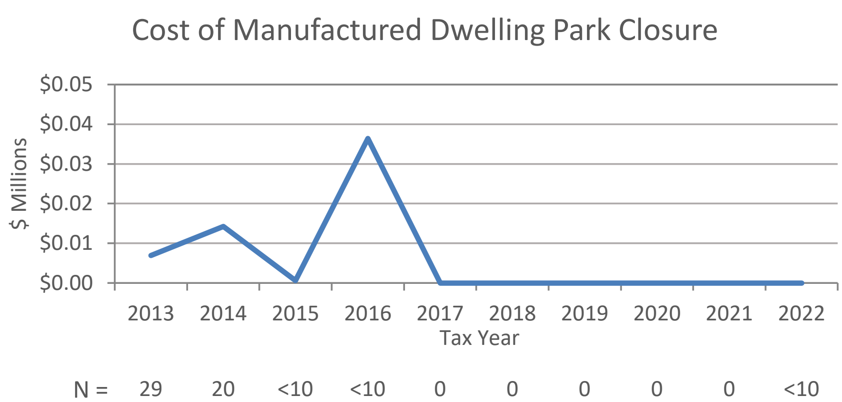
The enacting legislation (HB 2735, 2007) was written in a manner suggesting the credit may only apply to manufactured dwelling park closures that result only from the exercise of eminent domain. This interpretation did not align with submitted testimony nor with the subsequent administration of the credit and statutory changes corrected this inconsistency in 2019.

The credit is available to an individual whose household ends tenancy at a manufactured dwelling park during a tax year that begins on or after 1/1/2007 and before 1/1/2026. For purposes of the credit, 'manufactured dwelling park' is defined as a place within the state where four or more manufactured dwellings are located for the primary purpose of renting space to any person.

The current park closure credit replaced an existing mobile home tax credit that was available to households with income of $60,000 or less.[31] The previous credit was the lesser of $10,000 or the actual cost of moving and setting up the mobile home in a new location. The usage of the credit was taken in equal amounts over three years with a five-year carryforward. For households with income less than 200% of federal poverty guidelines, the credit was a refundable one-year credit.

Policy Analysis

The number of beneficiaries of the credit has declined substantially since peak usage in the initial year of credit enactment. In recent years, very few taxpayers have claimed the credit, and the cost of the credit has been at or near $0 annually since 2017. The exhibit below displays the cost of the credit and number of return claimants for the most recent ten years in which data is available.



Manufactured Park Closures		
Calendar Year	Park Closures	Spaces
2002	2	40
2003	11	192
2004	12	164
2005	10	521
2006	10	366
2007	16	1,040
2008	5	323
2009	1	49
2010	2	21
2011	0	0
2012	0	0
2013	0	0
2014	1	21
2015	0	0
2016	1	10
2017	1	16
2018	0	0
2019	0	0
2020	1	18
2021	1	26
2022	0	0
2023	2	48

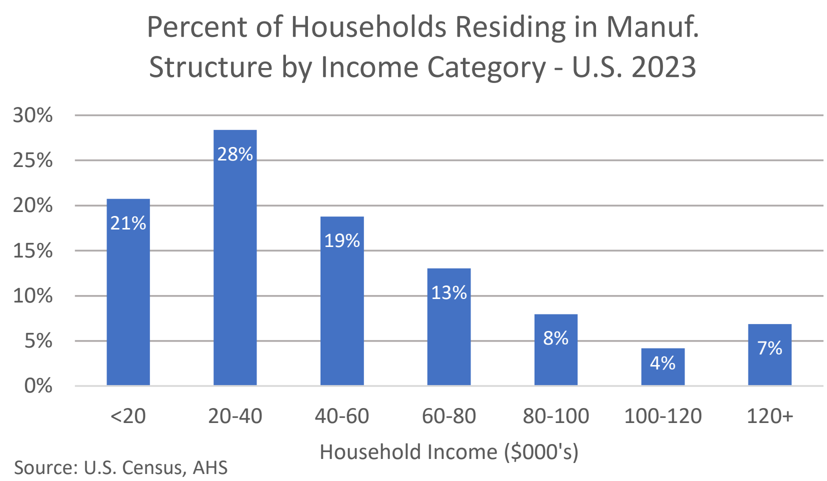
Source: OHCS

As displayed in the table to the right, in the past twenty years park closures and spaces eliminated were highest in the years 2005 through 2007 (OHCS, 2024). As the number of park closures declined from its 2007 peak, usage of the credit also declined. Unsurprisingly, a correlation exists between park closures/spaces eliminated and the number of credit claimants. That being said, the park closure data is sourced from Oregon Housing and Community Services

[31] Statutory reference in the previous credit used the term "Mobile home" which was largely replaced by the current nomenclature, "manufactured dwelling". This report predominantly uses manufactured dwelling as preferred term, however, mobile home is used when referencing statute or testimony where the term 'mobile home' was used.

and listed park closures and associated spaces do not necessarily ensure qualification for and claimant of the tax credit.

Due to the low number of credit claimants, data on credits claimed by income is unavailable. However, U.S. Census data does report income categorized by household type which includes a delineation for households residing in manufactured structures. Unfortunately, the data does not distinguish between manufactured structures located within or outside of parks nor is Oregon specific data available. As shown, nearly 70% of households residing in a manufactured or mobile home reported an annual income of less than $60,000 in 2023 (U.S. Census Bureau, 2024).



The refundable tax credit for manufactured dwelling park closures was enacted in 2007 as part of a larger measure relating to manufactured parks. Whereas other portions of the measure were enacted with the policy purpose of maintaining the stock of manufactured dwelling parks, the purpose of the credit is to mitigate the costs to owners residing in manufactured dwellings parks at time of closing. The tax credit was designed as a refundable credit to ensure that absence of tax liability did not limit a displaced individual's ability to receive the $5,000 credit. The new $5,000 credit replaced a previous tax credit that was equal to the lesser of $10,000 or the actual cost of moving and setting up the mobile home. The purpose of the previous credit was mitigating the cost of moving a mobile home whereas the existing $5,000 credit is available to displaced manufactured dwelling owners regardless of whether they move their manufactured dwelling.

One part of the policy purpose of the credit as stated when the credit was enacted was mitigating moving costs and providing peace of mind to manufactured dwelling park residents. The existence of the credit fulfills that purpose as the credit provides up to $5,000 for displaced park residents that resided in an owner-occupied manufactured dwelling. When the credit is added to the direct payment received from the manufactured dwelling park owner, total potential compensation for park closure will range from about $13,000 to $18,300.[32]

[32] As of 2024, reflects HB 2008's (2017) increase and indexing of the direct payments.

As the existence of the credit in part fulfills the purpose of the credit, examining the adequacy of the amount of the credit may be desirable. While the existing tax credit does not require an individual to move their manufactured dwelling for the individual to qualify for the credit, cost to move a manufactured dwelling can guide whether the amount of credit is sufficient. Costs to move a manufactured dwelling are determined by specific individual dwelling characteristics. However, general estimates of cost to move a dwelling range from a few thousand dollars to upwards of $15,000 or more depending upon size of dwelling and moving distance (US Mobile Home, 2024) (Moving.com, 2023).

Similar Incentives Available in Oregon

While the enacting legislation for this credit contained multiple provisions relating to manufactured dwelling parks, for purposes of identifying other similar "incentives" available, the focus in this report is on the benefit of the tax credit to displaced dwelling owners.[33]

As previously discussed, in addition to the credit HB 2735 (2007) required a manufactured dwelling park landlord to pay a tenant for each space for which a rental agreement is terminated. The amount of the required payment has changed over time and is now indexed to inflation. The table below displays the originally enacted payment amount and the most recent year's indexed payment amount.[34] Oregon does not subject park closure payments to the personal income tax.[35]

Manufactured Structure Size	Original 2007 Payment	2024 Payment
Single-wide	$5,000	$7,982
Double-wide	$7,000	$10,643
Triple-wide or larger	$9,000	$13,304

(OHCS, 2024)

In instances where a manufactured dwelling park is closed due to the exercise of eminent domain, the Fifth Amendment to the U.S. Constitution requires just compensation. Payments of just compensation are subtracted from the $5,000 Oregon credit amount and the park landlord to tenant payments are not required in instances of eminent domain.

The Manufactured Communities Resource Center, which is part of Oregon Housing and Community Services (OHCS), describes itself as:

> *a member of the tenant relocation team during park closures and meets with tenants providing service referrals to meet the tenants' relocation needs and to educate tenants regarding tenant rights, responsibilities, and the availability of services. (OHCS, 2018)*

OHCS also designates and funds a network of Regional Housing Centers (RHC). RHCs provide counseling services to residents facing potential displacement from a manufactured dwelling park.

Other potential similar services include funds originating from a community development block grant as park residents may receive Optional Relocation payments via the grant program (OHCS, 2018). Many

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[33] A discussion of manufactured dwelling park policy often involves the more expansive low-income housing discussion.

[34] HB 2008 (2017) increased each of the three payments by $1,000 respectively and indexed the payment amounts to reflect inflation.

[35] ORS 316.795 provides an Oregon income tax subtraction if such payments are included on the taxpayer's federal income tax return.

other housing related programs may be available to tenants affected by a park closure, however, the programs are more synonymous with general housing support programs than specific programs for displaced manufactured dwelling park tenants and therefore are not included in this report.

The Legislative Fiscal Office identified two direct spending programs that shared some level of policy relationship to the credit. The two spending programs along with each program's 2023-25 legislatively adopted budget amount is detailed in the table below.

	2023-25 Legislatively Approved Budget ($M)	
Direct Spending Program	***General Fund***	***Other Funds***
Manuf. Housing & Marina Communities Programs	$3.5	$6.4
Affordable Housing Preservation		$50.0

Manufactured homes programs in the Housing and Community Services Department consist of the following: the Manufactured Housing Repair and Replacement Program which provides assistance with repair or replacement of dilapidated manufactured housing; and the Marinas and Manufactured Communities Resource Center which provides navigation, mediation, and training to park residents and owners, particularly in the instance of community closures or resident displacement. Manufactured Home Parks are also eligible for preservation funding if they are in danger of closing due to sale or other circumstances. The full $50 million appropriation displayed in the table above is not solely dedicated to manufactured structures.

Analysis of Potential Direct Appropriation

A direct appropriation could function in place of the refundable credit as the qualifying action or event that must occur for an individual to qualify for the credit is determined outside of the individual's control. The upside of using a direct appropriation rather than a credit is that a direct appropriation could help to eliminate the delay in funds received that exists due to the natural lag in tax filings. For example, an individual that ends tenancy at a manufactured dwelling park in January may not receive the benefit of the refundable tax credit until the Spring of the following year. A direct appropriation could distribute funds at a date closer to when the individual was forced to move providing greater immediate aid to the individual.

From an administrative perspective, administering the payments as refundable tax credits through tax filings provides a benefit as compared to a direct spending program. Historical use of this tax credit has varied with the greatest use occurring in the same year as enactment with little use in the most recent five tax years. Administrative costs of the tax credit are relatively low and little ongoing cost are required as initial investment in tax form design and instruction are generally fixed and up front. The credit also automatically responds to annual cost variations as there is no annual limit on the credit whereas a direct payment could require emergency appropriations in response to years of outsized need.

Recipients of the credit will generally also receive a direct payment from the park owner of $8,000 to $13,000 as specified in ORS 90.645.[36] These direct payments are required to be paid in installments. Half is paid after a tenant notifies the landlord of their intent to cease tenancy with the other half paid no later

[36] Payments are annually adjusted to reflect inflation.

than seven days after tenant ceases to occupy the space. Amount and timing of the direct payments can provide positive cash flow to tenants while benefits from the tax credit may be more delayed.

Administrative & Compliance Costs

Ongoing administrative and compliance costs are minimal.

Crop Donations

315.154-156 (318.031)	Year Enacted:	1977	Transferable:	No
	Length:	1-year	Means Tested:	No
	Refundable:	No	Carryforward:	3-years
TER 1.431	Kind of cap:	None	Inflation Adjusted:	No

Policy Purpose

A specific policy purpose statement regarding the crop donations credit is not contained in statute. Rather, a general policy purpose of the credit can be derived by referencing the relevant legislative committee discussions and deliberations that took place when the credit was enacted and substantively modified.

While originally enacted in 1977, the scope of the crop donations credit has existed in two similar but fundamentally different conditions. From 1977 to 2001, the credit was specific to crop donations made vis-á-vi gleaning organizations. ***The primary policy purpose of the credit was to encourage farmers to participate in gleaning programs and to incentivize more gleaning projects throughout the state.*** The credit was assumed to encourage participation by farmers allowing gleaning as the credit provided the only means of compensation to non-corporate farmers. The credit was designed in part to offset costs related to dedicating time to facilitating gleaning of crops and/or forgoing use of fields while gleaners were gleaning along with offsetting potential degradation costs of the gleaning process.[37] Parity between corporate and non-corporate farmers was also discussed as a purpose for the credit. At time of enactment, federal law allowed corporate farmers to claim a tax deduction equal to 50% of the wholesale value of products donated for charitable purposes. (House Agriculture and Natural Resources Committee, 1977) (House Committee on Revenue, 1979)

Supportive testimony of gleaning organizations/operations presented included:

- It encourages people within the community to work together to help each other
- It encourages use of good food that might otherwise be left to rot
- It helps to meet real needs with dignity, from the perspective of helping people to help themselves rather than giving a dole. (House Committee on Revenue, 1979)

Enacted in 2001, House Bill 2718 expanded the scope of the credit allowing post-harvest contributions to qualify for the credit. HB 2718 also defined livestock as an allowable crop that could be donated and qualify for the credit. Expanding the credit also expanded the policy purpose of the credit. Supportive testimony provided in 2001 viewed ***the purpose of expanding the credit to be to increase the amount of food donated to gleaning cooperatives, food banks and other charitable organizations as well as providing compensation to farmers who donate already harvested crops*** (House School Funding and Tax Fairness/Revenue Committee, 2001). With the credit expansion, purpose for the credit also expanded to include aiding farmers as well as incentivizing food/gleaning donations. Examples provided in supportive testimony included the credit functioning as compensation to farmers wanting to keep migrant workers

[37] Testimony from farmers regarding gleaning participation included examples of potential gleaning costs stemming from lost time in overseeing gleaners along with inability to work in the field while gleaners were present. Examples of farm roads being damaged were discussed as well. Gleaning organizations were considered to be well organized with costs to farmers and potential damage to farm land as being pretty minimal.

who will be needed for future work by allowing them to pick crops for donation (House School Funding and Tax Fairness/Revenue Committee, 2001).

The crop donation credit was allowed to sunset in 2012 but was reinstated and expanded in 2014 by SB 1541. The credit was expanded from 10% to 15% of the wholesale price of donated food. The following policy purpose statement was included in the revenue impact statement, ***to increase the amount of food donated by food producers to charities that serve individuals and families experiencing hunger by offsetting expenses incurred during the collection, transportation, and storage of donated food***.

Description

The crop donations credit provides a credit against personal or corporate income taxes available to crop growers that make a qualified donation of the crop to a food bank or other charitable organization including but not limited to gleaning cooperatives. To be a qualified donation, donated crop must go to food banks, gleaning cooperatives and other charitable organizations engaged in the distribution of food without charge.

Credit amount is equal to fifteen percent of the value of the quantity of the crop donated computed at the wholesale market price. Credit is nonrefundable but unused credit amounts can be carried forward for up to three succeeding tax years.

$$Credit\ =\ 15\% * wholesale\ market\ price\ of\ quantity\ of\ crop\ donated$$

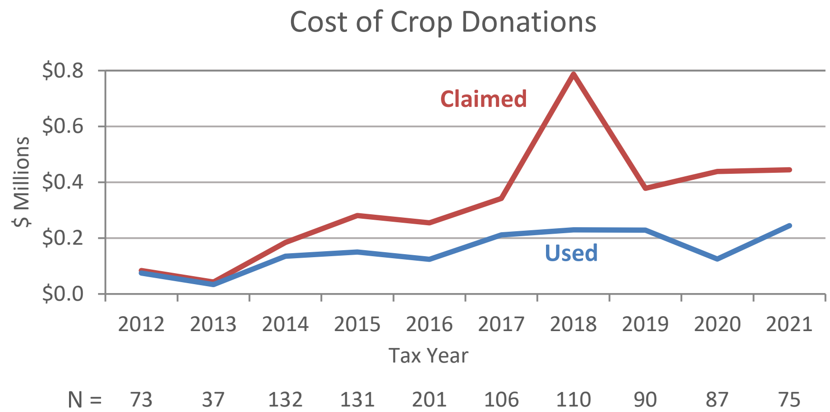
For purposes of the credit, crop is defined as an agricultural crop producing food for human consumption and includes livestock that can be processed into food for human consumption. Qualified donation means the harvest or post-harvest contribution in Oregon of a crop or a portion of a crop grown primarily to be sold for cash. Donated food must be fit for human consumption and meet all quality and labeling standards imposed by federal, state or local laws. However, donated food is not required to be readily marketable due to appearance, age, freshness, grade, size, surplus or other condition.

To claim the credit taxpayers must keep form OR-CROP and maintain necessary records and invoices substantiating crop donation amount and price of crops donated.

Policy Analysis

The direct beneficiaries of the crop donations tax credit are the growers that make qualified donations of apparently wholesome food. Few corporations use the tax credit. For tax years 2005-2011 when the credit was equal to 10% of the value of the crops donated, the average number of taxpayers claiming the credit was about 85 per year. Since reestablishment of the credit at 15% of value beginning with tax year 2014, the average annual number of taxpayers claiming the credit is about 120 with a corresponding average reduction in tax liability from the credit of about $1,600. The crop donation tax credit is nonrefundable meaning taxpayers without tax liability are unable to benefit from the credit. The credit can be carried forward for up to three years allowing taxpayers without liability to potentially use the credit in later tax years.

Indirect beneficiaries of the credit include organizations that receive the donated food, gleaning organizations, and the final recipients of the food.



Part of the policy purpose of the tax credit for crop donations is to offset the expenses incurred during the collection, transportation, and storage of donated food. The credit partially achieves this purpose by compensating growers making qualified donations of apparently wholesome food in an amount equal to 15% of the wholesale market price of the donated food. Actual donation costs will vary by grower and crop. For this reason, the credit amount reflects a proxy amount of donation costs rather than being a specific offset of actual donation costs.

Potential factors limiting grower food donations are discussed in the U.S. Department of Agriculture's 2020 report on the Economic Drivers of Food Loss at the Farm and Pre-Retail Sectors (USDA, 2020). The report highlights four drivers of food loss on the farm, including, price volatility, labor costs/availability, supply-chain factors, and standards and consumer expectations. Perishable products such as fruit and vegetables were found to be especially prone to food loss due to profitability challenges for farmers and distributors.[38] Labor cost and availability was highlighted as especially relevant in decision making of whether to harvest a crop. High labor costs and limited availability of labor can create market conditions leading to crops being left in the field rather than being harvested, conditions tax policies supporting donation may struggle to overcome. While finding post-harvest crop donations to be more economical for the grower, the USDA report also highlighted supply chain challenges of delivering fresh produce. The report also mentioned concerns expressed by growers that donations of blemished or "ugly" products could damage their brand if such products were labeled.[39]

Oregon's crop donation tax credit works to offset donation costs of growers in combination with the enhanced charitable deduction for donated food which is a federal tax provision that flows through to Oregon via Oregon's connection to federal tax law.

The following table provides an example of potential benefit to growers that make qualified donations of food. The value of Oregon's tax credit is based upon the wholesale market price of the crop whereas the enhanced charitable deduction for donated food can vary depending upon the grower's basis in the crop.

[38] The report used the definition of "food loss" as "the edible amount of food available for human consumption but is not consumed".
[39] Removing labels or packaging being an additional cost of donating.

As the enhanced deduction overlaps with Oregon's tax credit, both computations are included in the example as the intent of the example is to provide a simplified contextual framework in how to think about tax incentives for crop donations. Actual value of the enhanced deduction and Oregon's tax credit will depend upon particular circumstances of the taxpayer. The example assumes a taxpayer has sufficient tax liability to benefit from the credit and the enhanced deduction. Additional details on enhanced deduction are available in the following section of this report, *Similar Incentives Available in Oregon*.

The example illustrates the value of Oregon's credit and the enhanced deduction for a non C-corp hypothetical farm that makes a qualified donation of crops worth $5,000. Oregon's crop donation credit of $750 is displayed in line 2 and is equal to 15% of the fair market value (FMV) of the donated crops. The example assumes the Crop grower's basis is equal to 25% of the value of the crop creating an enhanced deduction for Oregon tax purposes equal to $2,500.[40] Using an assumed 8.75% marginal tax rate, the value of the enhanced deduction is equal to $219 in reduced Oregon tax liability (line 6). Combined, the credit and deduction represent $969 in Oregon tax savings (line 7).

The enhanced deduction provides potential federal tax savings as well. Assuming a federal marginal tax rate of 12% yields a federal tax savings of $300 (line 8) from the enhanced deduction.

The total combined tax savings of the credit and respective deductions is $1,269 (line 9), or about 25% of the fair market value of the donated crops.

Example of Benefit from Crop Donation Deduction & Credit

Line	----- Oregon Example -----		Notes on Calculations
1.	Fair market value (FMV)	$5,000	
2.	OR Credit	$750	15% of FMV
4.	Basis (deduction portion)	$1,250	Assumes 25% of FMV
5.	Enhanced Deduction	$2,500	Basis × 2
6.	Reduction in OR Tax Liability from Enhanced Deduction	$219	Assumed 8.75% tax rate (8.75% × $2,500)
7.	Total OR Tax Savings	$969	$750 + $219
8.	Total Federal Tax Savings	$300	Assumed 12% tax rate (12% × $2,500)
9.	Total Combined Oregon & Federal Tax Savings	$1,269	$750 + $219 + $300

Note: Simplified example intended for contextual purposes and assumes farm has tax liability.

While the above examples provide a framework in which to view the incentive to donate created by the credit, the effectiveness of the credit in inducing donations ultimately depends on particular circumstances of each grower. The marginal cost of donating crops will vary by grower. For example, a grower that has strawberries remaining in the field post-harvest will incur greater costs in harvesting the remaining crop for subsequent donation than a grower that harvested a field of carrots, 5% of which are unmarketable for appearance purposes and subsequently donates the unmarketable carrots that are otherwise fit for human consumption.

To receive benefit from the enhanced deduction or Oregon's crop donation credit, a grower must have tax liability as the credit may only reduce a taxpayer's tax liability to zero. This lack of credit refundability potentially limits the incentive to donate crops as the majority of farms in Oregon generally report a net

[40] Basis is the amount it costs to grow the crop. The example uses a basis equal to 25% of value which is the assumed basis for computing the enhanced deduction for farms permitted to use cash accounting.

loss, though most farm products are sold by farms reporting net gains (USDA, 2024).[41] It should also be noted that about half of Oregon farms had sales of less than $5,000 in 2022 (USDA, 2024). Even so, a farm operating at a loss does not necessarily indicate lack of tax liability. In tax year 2021, about two-thirds of Schedule F (profit and loss from farming) filers that reported a loss from farming reported adjusted gross income greater than $50,000 (DOR, 2024). Unused credit amounts can also be carried forward for three successive tax years allowing growers with no tax liability for the tax year in which the donation was made to potentially benefit from the credit in later tax years.

Similar Incentives Available in Oregon

After nearly a decade of temporary on-again off-again enhanced deductibility of food, the U.S. Congress passed legislation in December of 2015 that permanently extended an enhanced deduction for tax-paying businesses that donate food to qualified domestic 501(c)(3) nonprofit organizations that use the food in a manner consistent with the purpose constituting that organization's exempt status (H.R. 2029 114th Congress, 2015). The enhanced deduction is available to all businesses including C-corps, S-corps, limited liability corporations (LLCs), partnerships and sole proprietorships. Limitations exist for businesses that deduct donated food.[42] Generally, donations exceeding established limits can be carried forward for five succeeding tax years.

To receive the enhanced tax deduction, businesses are required to meet four primary requirements:

1) Donor organization must donate food to qualified domestic 501(c)(3) nonprofit organizations
2) Recipient organization must use the donated food in a manner consistent with the charitable organizations exempt status
3) The recipient organization may not use or transfer the food in exchange for money, other property or services
4) Businesses claiming the enhanced deduction must receive a written statement from the recipient organization and maintain proper documentation.

(Harvard Food Law and Policy Clinic, University of Arkansas Food Recovery Project, 2018)

The enhanced deduction is equal to the lesser of:

a) $Basis\ Value\ of\ Food * 2$

or

b) $Basis\ Value\ of\ Food + \left(\frac{Expected\ profit\ margin}{2}\right)$

Basis value of food is the amount it costs to grow the donated food. For smaller businesses that are permitted to use cash accounting, the business has the option of calculating basis value by multiplying the product's fair market value by 25%. In determining fair market value for certain products that cannot or will not be sold, businesses are given the option of using the price of the same or substantially similar food items that are being sold by the business. This allows a business to potentially determine the fair market value of blemished produce as equal to unblemished produce previously sold by the business.

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[41] According to the 2022 Census of Agriculture, 24,684 farms in Oregon reported net losses compared to 10,863 with net gains.

[42] Limits on food donation are interconnected with overall limits on charitable deductions for businesses, see IRC chapter 170.

Analysis of Potential Direct Appropriation

Part of the underlying rationale for encouraging crop donation is to distribute extra food that would otherwise not be consumed by humans (U.S. Environmental Protection Agency, 2018). One way to achieve that purpose is by diverting crops not destined for sale, to nonprofit organizations that distribute food to those in need. Oregon's credit is designed in part to offset grower's costs associated with donating extra crops.

A direct appropriation program could potentially replace the tax credit. An example of such a program would be a reimbursement voucher that a grower would receive from the nonprofit organization following the donation of crops. This would be in addition to the donation documentation the nonprofit organization currently provides to the grower following donation. The grower would then submit the voucher to an administering agency such as the Oregon Department of Agriculture that would then disburse a reimbursement payment. Such a direct spending program could have advantages over a tax credit in that reimbursement could arrive more quickly for growers (as opposed to waiting until tax filing) and growers would not need sufficient tax liability to benefit as is required under the credit framework. A disadvantage of a direct spending program is the potential for greater administrative costs as the tax credit leverages Oregon's established tax structure to compensate growers.

Administrative & Compliance Costs

Administrative and compliance costs for the Department of Revenue are minimal.

Similar Credits Allowed in Other States

Multiple states offer crop donation tax credits similar to Oregon's credit. While an exhaustive 50 state examination was not conducted, the six states identified as presently having a similar credit are: California, Iowa, Nebraska, New York, Virginia, and West Virginia. Many of the other state credits share similar characteristics with Oregon's credit.

Most of the states require taxpayers to be farmers/growers/producers of the agricultural product being donated to a nonprofit food bank or other like organization. Additionally, Nebraska allows grocery stores and restaurants to qualify for their credit. In all six states, the respective credits are equal to a specified percentage of value of the donated product (percentages varied from 15% up to 50%). All the states, with the exception of California, have per taxpayer limits on their credits, ranging from $2,500 to $10,000 per tax year. Generally, the credits are non-refundable with a specified number of years in which unused credits can be carried forward for use in later tax years (New York's credit is refundable but limited to $5,000 per year per business entity). Three states had overall annual limits on the amount of credits claimed ranging from $200K to $500K. States generally require an addition to taxable income in instances where taxpayer claimed the state credit and a charitable deduction based on the same qualified agricultural donation amount.

Certain Retirement Income

316.157-158	Year Enacted:	1991	Transferable:	No
	Length:	1-year	Means Tested:	Yes
	Refundable:	No	Carryforward:	None
TER 1.445	Kind of cap:	None	Inflation Adjusted:	No

Policy Purpose

A specific policy purpose statement regarding the certain retirement income credit is not contained in statute. Rather, a general policy purpose of the credit can be derived by referencing the relevant legislative committee discussions and deliberations that took place when the credit was enacted and substantively modified. ***The primary policy purpose of the credit is to provide tax relief to low-income individuals with pension income.*** To better understand the policy purpose, a little context is required.

Until the late 1980s, Oregon Public Employees Retirement System (PERS) pensions were exempt from Oregon income tax while federal pensions were mostly taxable. In Davis v. Michigan, the U.S. Supreme Court ruled that state pensions could not receive better tax treatment than federal pensions (Davis v. Michigan Dept. of Treasury, 1989). Consequently, Oregon's statutory treatment of federal retiree pension income was deemed unconstitutional. In 1989, the Oregon Legislature responded by passing a referral to the voters, HB 3508, which made Oregon law consistent with the Davis decision. The measure however was defeated in the November election.

In 1991, the Oregon Legislature enacted HB 2352 which imposed Oregon's income tax on PERS pensions and equalized the tax treatment of all pensions. Additionally, HB 2352 eliminated from current law an income tax subtraction for up to $5,000 for federal retirement income, created the "certain retirement income tax credit", allowed eligible medical expenses to be included in itemized deductions for taxpayers age 58 and over, and expanded the elderly rental assistance program. The 1991 Legislature also increased PERS benefits, although not to the extent to fully compensate for benefits becoming subject to Oregon income taxation.

Discussion specific to the proposed certain retirement income tax credit by committee members and staff in both the House and Senate Revenue Committees centered upon response to the Davis v. Michigan Supreme Court decision and how to minimize potential tax implications for lower income pension receiving retirees. As HB 2352 eliminated from statute the income tax subtraction for up to $5,000 for federal retirement income, the proposed credit was viewed in part as a replacement for the subtraction.[43]

Description

Individuals aged 62 years or older who receive certain taxable retirement income may qualify for a tax credit equal to nine percent of their qualified net pension income.

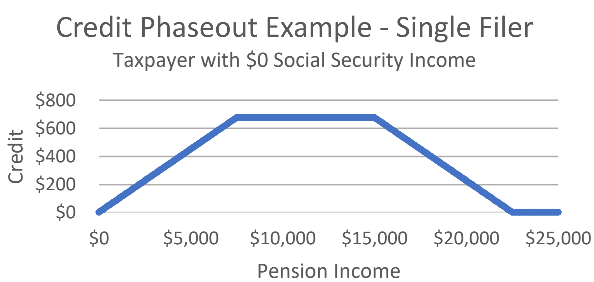
$$Credit \ = \ 9\% * qualified\ pension\ income$$

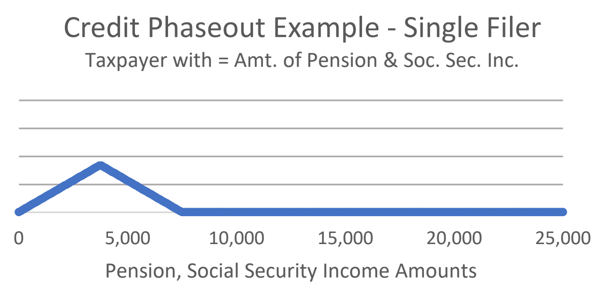
[43] For taxpayers under 62, the subtraction was reduced dollar for dollar for any earned income received. For taxpayers 62 or older, the subtraction was reduced dollar for dollar for household income exceeding $30,000.

Qualified pension income means income included in Oregon taxable income from:

- Deferred compensation plans including: defined benefit, profit sharing, 401(k) & 457 plans
- An employee pension benefit plan
- A federal/state/local public retirement system
- Individual retirement account (IRA), annuity or trust
- Employee annuity accounts

Net pension income qualifying for the credit is limited to $7,500 ($15,000 joint return) minus Social Security benefits minus household income over $15,000 ($30,000 joint). These two limitations effectively cause the credit to potentially phaseout with each additional dollar of Social Security income received or with each additional dollar of pension income above $15,000 ($30,000 joint).[44] The following two charts provide examples of the phaseout. The first chart displays tax credit amount by pension income for a single filer receiving no Social Security. The second displays tax credit amount by pension and Social Security income (assumes pension income and Social Security Benefits are identical amounts). As displayed, a taxpayer with equal pension and Social Security Benefits (right chart) has a lower maximum credit and no credit plateau as phaseout begins immediately after taxpayer reaches $3,750 in both pension and Social Security income.





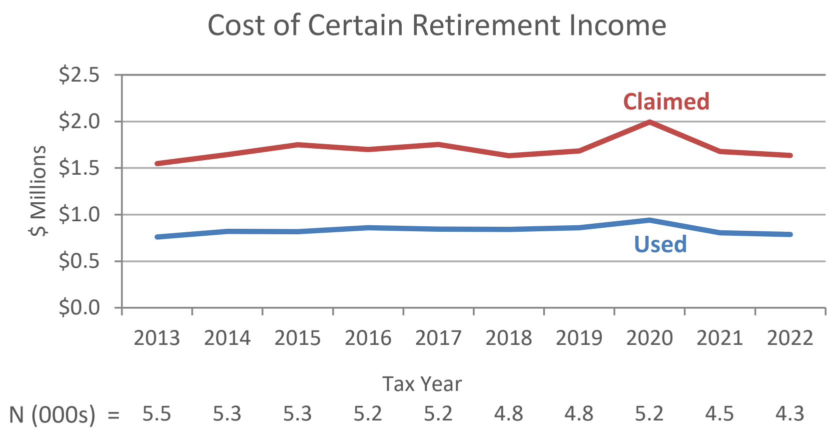
To qualify for the credit the taxpayer must meet both of the following conditions:

- Social Security and/or Tier 1 Railroad Retirement Board benefits less than or equal to $7,500 ($15,000 joint)
- Household income plus Social Security and/or Tier 1 Railroad Retirement Board less than or equal to $22,500 ($45,000 joint).

Policy Analysis

The number of taxpayers claiming the certain retirement income tax credit has trended down relatively steadily for over a decade. In tax year 2022, about 4,300 taxpayers claimed the credit with a total reduction in tax liability of about $800,000 for the tax year. For full year filers, average benefit from the tax credit was about $150. Statutory limits on income qualifying for the credit causes credit beneficiaries to primarily be of comparatively lower income as displayed in the table below.

[44] For example, a single filer with $10,000 in pension income would have their credit reduced from $675 ($7,500 * .09) to $585 if that same individual instead had $10,000 in pension income and $1,000 in Social Security income.

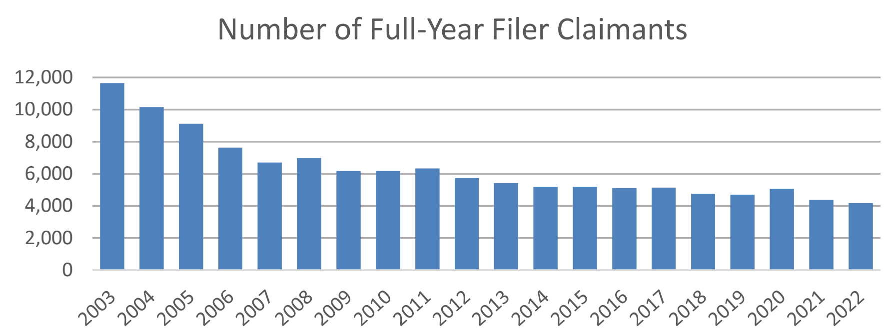


Certain Retirement Income | 2022 Personal Income Tax Filers				
Income Group of Full-Year Filers	Number of Filers Using Credit	Avg. Revenue Impact of Credit	Revenue Impact ($ millions)	Percent of Revenue Impact by Income Group
< $19,400	2,650	$80	$0.2	34%
$19,400 - $40,400	1,360	$270	$0.4	61%
$40,400 - $67,700	180	$180	$0.0	5%
$67,700 - $117,800	0	$0	$0.0	0%
> $117,800	0	$0	$0.0	0%
Total Full-Year Filers	**4,190**	**$150**	**$0.6**	**100%**

(State of Oregon Tax Expenditure Report: 2025-27 Biennium)

Two primary factors have contributed to the decline in taxpayers claiming the certain retirement income tax credit:

1) Changes in the personal income tax base relating to retirement income, and
2) Increases in Social Security benefits.



Since enactment in 1991, the personal income tax base relating to retirement income changed. Multiple court decisions relating to benefits and taxation also took place.[45] Of most significance to the certain retirement income tax credit was the Legislature's enactment of an Oregon subtraction allowing federal pension income attributable to federal employment prior to October 1, 1991, to be subtracted from Oregon income subject to taxation. Enactment of this subtraction greatly

[45] For greater detail, see LRO's 2001 research brief on Taxation of Pensions in Oregon: 2001 Update.

reduced the number of taxpayers benefiting from the certain retirement income tax credit by exempting a large amount of otherwise taxable federal pension income.[46]

A second contributing factor to the declining use of the credit has been increases in Social Security benefits. Taxpayers with Social Security benefits greater than $7,500 ($15,000 joint) are ineligible to receive the credit. Depending upon a taxpayer's pension income, Social Security benefits can contribute to the phasing-out of credit benefit. The various credit income thresholds are not indexed to inflation, and as such, as Social Security benefits increase in accordance with statutory inflation adjustments, the value of the tax credit decreases for many taxpayers while for others, eligibility for the credit becomes nonexistent.

The certain retirement income tax credit was created in conjunction to a federal judicial decision affecting Oregon's tax base relating to federal pension income. The tax credit also replaced in part, an Oregon income tax subtraction for federal pension income available to Oregon taxpayers with household income less than $30,000. The existence of the credit ultimately fulfills the policy purpose of the credit as the credit is a means to an end. To evaluate credit effectiveness and efficiency, this report examines:

1) Enactment in 1998 of exclusion of federal pension income attributable to federal employment prior to October 1, 1991
2) The credit in terms of effectiveness in harmonizing tax treatment of generally lower income individuals aged 62 or older with multiple combinations of pension and social security income, and
3) The effect lack of indexing has on qualification for the credit.

The 1999 Legislature enacted SB 260 which established an income tax exclusion for pension income attributable to federal government service performed before October 1st, 1991. This tax exclusion greatly reduced the number of taxpayers qualifying for the retirement credit as federal retirement income earned prior to October 1, 1991 became no longer subject to Oregon taxation. The exclusion represents something of a capstone regarding the decade plus long dispute in how Oregon was, for tax purposes, treating state vs. federal pension income. Eliminating pre-1991 federal pension income from taxation also eliminated the pension income from factoring into the equation for determining the retirement credit.

Design of the credit provides greater benefit to lower income taxpayers with taxable pension income and minimal Social Security benefits received. The design of the credit results in similar net tax liabilities for lower income individuals with qualified taxable pension income and comparatively low amounts of Social Security benefits. The credit may help in providing tax parity between retired individuals whose primary source of income is Social Security compared to other retired individuals who receive little to no Social Security but are more reliant on pension income as their primary source of income. For individuals who were not subject to Social Security taxes during their employed years because their employer provided a qualified pension program instead (a common practice of federal employees until the mid 80s)[47], Oregon's tax credit can be viewed as providing equitable tax treatment as Social Security benefits are

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[46] Approximately 53,000 taxpayers claimed the credit in 1991 as compared to about 4,300 in tax year 2022 (DOR, 2024).

[47] Until 1984, employment by the federal government was covered under the Civil Service Retirement System and not by Social Security. Employees who worked for a federal agency during those years did not pay Social Security on their earnings and therefore did not earn Social Security credit (Social Security, 2018).

entirely exempt from Oregon income taxation whereas pension income not attributable to federal employment prior to October 1, 1991 is subject to taxation.[48]

The example below displays three credit scenarios for a single tax filer with identical total income but different sources of income. **Scenario 1** is a taxpayer with all income derived from taxable pension income. For credit calculation purposes, qualified pension income is limited to $7,500 causing amount of the tax credit to equal $7,500 multiplied by 9%, or $675. **Scenario 2** displays how Social Security income can result in a reduced credit. In scenario 2, net pension income is equal to $7,500 - $5,000 (Social Security amount) which yields a credit equal to $225 ($2,500 * 9%). In **scenario 3**, the tax filer again has total income of $15,000 but in this scenario the source of total income is split evenly at $7,500 for both taxable pension income and Social Security benefits. However, in **Scenario 3** no credit is received as the entire $7,500 in pension income is reduced for tax credit calculation purposes by the $7,500 in Social Security benefits received. In all three scenarios net tax liability is identical. This reflects the exclusion of Social Security benefits from Oregon taxable income. While this is a simplified example that reflects a technically incorrect net tax liability, it does align with the discussion of the credit when it was enacted by the 1991 Oregon Legislature.

Illustrative Examples of Oregon's Certain Retirement Income Credit - Single Filer

Scenario 1 - Single Filer		Scenario 2 - Single Filer		Scenario 3 - Single Filer	
Pension Income	$15,000	Pension Income	$10,000	Pension Income	$7,500
Social Security	$0	Social Security	$5,000	Social Security	$7,500
Total Income	$15,000	Total Income	$15,000	Total Income	$15,000
Net Pension Income	$7,500	Net Pension Income	$2,500	Net Pension Income	$0
Credit	***$675***	***Credit***	***$225***	***Credit***	***$0***
Net Tax Liability	$675	Net Tax Liability	$675	Net Tax Liability	$675

Note: Net tax liability is computed assuming 9% tax rate on all income. This is incorrect due to Oregon's multiple rates and brackets, but aligns with discussion of credit design during enactment in 1991 as presented during legislative committee discussions.

Oregon's certain retirement income tax credit was enacted in 1991. The credit's income limits and phaseout thresholds remain identical today to those that were enacted in 1991. Inflation adjustments are not part of the underlying credit. As a result, qualification for the credit and average credit benefit have decreased over time, trends expected to continue.

To qualify for the credit, a single filer may receive no more than $7,500 in Social Security benefits during the tax year. Adjusting for intervening Social Security cost of living adjustments, the $7,500 of 1991 would equate to $16,240 in 2022 (Joint filers - $15,000 becomes $32,480). Applying the same inflationary adjustment to the credit's household income limits of $22,500 (S) and $45,000 (J), equivalent 2022 figures would be $48,720 (S) and $97,440 (J).

In 2022, the average OASDI[49] monthly benefit received by Oregon retired workers was $1,834 with the median received being $1,791 (annually equates to $22,013 & $21,491 respectively) (Office of Research,

[48] ORS 316.680(1)(f) exempts from Oregon income taxation pension income attributable to federal employment prior to October 1, 1991. This provision was enacted in 1998.

[49] OASDI is the acronym for old age, survivors, and disability insurance program and is the official name for Social Security.

Evaluation, and Statistics, 2022). As the retirement income credit is unavailable to single filers with Social Security greater than $7,500, the average retired recipient of Social Security benefits will not qualify for the credit. Using published Social Security distribution tables as the primary source, it can be estimated that approximately 3.8% of Oregon retired workers receiving Social Security receive benefits less than the $7,500 credit limit. It should be noted that for a single filer, each $10 in Social Security benefits received equates to a roughly $1 reduction in the credit. For comparison purposes, had Oregon's credit parameters been indexed using Social Security's cost of living increases, roughly 30% of Oregon retired workers receiving Social Security benefits would receive benefits below the indexed $16,240 individual limit.

Nationally in 2014, 84% of units aged 65 or older received Social Security benefits whereas 43.8% received income from private and/or public pensions (Office of Research, Evaluation, and Statistics, 2014).[50] However, pension income represents a smaller portion of total income for lower income retired units. In 2014, for the lowest income quintile of retired units aged 65 or older, pension income accounted for 3.0% of total income as compared to 22.3% of total income for retired units in the highest quintile (Office of Research, Evaluation, and Statistics, 2014). The upshot is that while lower income units are more likely to have income below the credit thresholds and phaseout limits, these same households are less likely to have pension income which is a prerequisite to benefitting from the credit.[51]

Similar Incentives Available in Oregon

The certain retirement income tax credit is a narrowly designed credit that affects a relatively small subset of Oregon taxpayers. While the exclusions from income of Social Security benefits and federal pension income attributable to federal employment prior to October 1, 1991, may provide some crossover benefit to elderly individuals, neither exclusion necessarily has the same policy purpose as the certain retirement income credit. No Oregon direct spending program was identified as providing a similar incentive/benefit.

Analysis of Potential Direct Appropriation

The purpose of the tax credit is to provide tax relief specifically to certain taxpayers with taxable pension income akin to the pension income not being subject to taxation. As the purpose is directed at effectively eliminating tax liability of specific income for certain taxpayers, comparison to a direct spending program is not considered in this report.

Administrative and Compliance Costs

Administrative and compliance costs for the Department of Revenue are minimal.

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[50] Pensions include payment from private pensions and annuities; government employee pensions; Railroad Retirement; and individual retirement accounts (IRAs), Keoghs, and 401(k) plans.

[51] The Social Security Office of Research, Evaluation, and Statistics has suspended their publication of "Income of the Aged Population" as the office continues to evaluate the accuracy of the underlying survey data after finding that pension and retirement income are underreported. 2014 was the last year in which detailed data was published.

Appendix A: Legislative History of Tax Credits being Reviewed

This appendix contains the legislative history for each tax credit included in this report. Statutory changes can be technical in nature or policy oriented. Text in bold identifies changes that are more policy oriented.

Statute	Tax Expenditure (TE) Name and TE Number (Number aligns with Governor's Tax Expenditure Report)
315.266	**1.406 Earned Income**

Year	Bill	Chapter	Section(s)	Policy
1997	**SB 388**	**692**	**3**	**Enacting legislation | Credit amount equal to 5% of federal earned income tax credit (EITC) | Credit not refundable and no carryforward allowed**
2001	HB 2777	114	33	Statutory grammar correction
2001	HB 2272	660	56	Specified Internal Revenue Code (IRC) date connection as IRC in effect on June 8, 2001
2003	HB 2186	77	12	Removed IRC date connection language (IRC connection became part of ORS 314.011)
2005	**SB 31**	**832**	**54, 57, 59**	**Made Oregon EITC refundable beginning 1/1/2006 | Increased credit amount to 6% of federal EITC beginning 1/1/2008 | Sunset refundability for OR EITC as of 1/1/2011**
2007	HB 2810	880	2	Extended refundability through tax year 2013 | Full sunset of credit set to 1/1/2014
2013	3367	750	1	Sunset extended to 1/1/2020
2013 S.S.	**HB 3601**	**5**	**6d**	**Increased OR EITC to 8% of federal EITC effective beginning with tax year 2014**
2016	**HB 4110**	**98**	**1**	**Increased OR EITC to 11% of federal EITC for taxpayers with a dependent under the age of 3 at end of tax year (beginning TY 2017)**
2019	**HB 2164**	**579**	**31-32a**	**Increased OR EITC to 9% of federal EITC, 12% for taxpayers with dependent under age of 3 at end of TY (beginning TY 2020). Sunset extended to 1/1/2026**
2021	**HB 2433**	**525**	**49**	**Allows otherwise qualified taxpayer to claim OR EITC using Individual Taxpayer Identification Number in lieu of Social Security Number**

Statute	TE Name and Number
316.090	**1.425 Manufactured Dwelling Park Closure**

Year	Bill	Chapter	Section(s)	Policy
2007	**HB 2735**	**906**	**17,18**	**Enacting legislation | Credit available to individuals whose principal residence is a manufactured dwelling for which the rental agreement is being terminated due to exercise of eminent domain | Credit equal to $5,000 minus amounts paid to individual for exercise of eminent domain | Credit made refundable | Sunset 1/1/2013**
2009	HB 2067	913	33	Placed sunset of 1/1/2014
2013	HB 3367	750	33	Sunset extended to 1/1/2020
2015	SB 296	348	17	Non-substantive required statutory revision
2019	HB 2164	579	23, 25	Sunset extended to 1/1/2026 | Aligned statute with historic intent/administration of credit

Statute	Tax Expenditure (TE) Name and TE Number (Number aligns with Governor's Tax Expenditure Report)

315.154-156 (318.031) **1.431 Crop Donations**

Year	Bill	Chapter	Section(s)	Policy
1977	**HB 3322**	**852**	**2**	**Enacting legislation | Credit equal to 10% of the value of the crop donated (gleaned) | Required certification by State Department of Agriculture | Defined terms**
1979	**HB 2255**	**622**	**2**	**Modified definition of "wholesale market price" | Eliminated donation certification requirements administered by State Department of Agriculture | Added requirements that crop is grown primarily to be sold for cash and that crop is still usable as food for human**
1985	HB 2487	521	3	Required gleaning to be done in Oregon | Non-substantive statutory revisions
1993	HB 2413	730	15,16,18	Measure combined and moved business tax credits from ORS chapters 316, 317, & 318 into chapter 315
1995	HB 2200	54	5	Allowed Department of Revenue to waive requirements of taxpayer to submit proof of eligibility when claiming income tax credits or deductions
1999	HB 2518	21	39,40	Non-substantive statutory revisions
2001	**HB 2718**	**222**	**1,2**	**Expanded list of recipients eligible to receive donated food to include food banks and other tax exempt organizations engaged in charitable food distribution | Change had effect of changing emphasis of credit from crop gleaning to crop donation (which includes, but is not limited to, gleaning)**
2009	**HB 2067**	**913**	**5**	**Placed sunset of 1/1/2012 (was allowed to sunset)**
2014	**SB 1541**	**115**	**1,2**	**Reinstated credit for tax years 2014 to 2019 | Increased the wholesale price allowed as credit to 15% from 10%**
2019	HB 2164	579	38	Sunset extended to 1/1/2026

316.157-158 **1.445 Certain Retirement Income**

Year	Bill	Chapter	Section(s)	Policy
1991	**HB 2352**	**823**	**5,9**	**Enacting legislation | Grants income tax credit for all types of pensions | Credit set to 9% of eligible pension income | Limited eligible pension income to $7,500 (S) $15,000 (J) less Social Security retirement benefits and household income in excess of $15,000 (S) $30,000 (J) | Applicable to taxpayers ≥ 58 | Increased min age by 1 year each biennium stopping at 62 in**
1997	SB 1144	839	13	IRC connection date of 12/31/1996 | Eliminated eligibility of nonresident individual
1999	HB 2137	90	12	IRC connection date of 12/31/1998
2001	HB 2272	660	39	Eliminated IRC connection
2009	HB 2067	913	36	Placed sunset of 1/1/2014
2013	HB 3367	750	9	Sunset extended to 1/1/2020
2015	SB 296	348	19,22	Conforming language necessitated by repeal of ORS 310.630
2015	SB 36	480	9,10	Correction and conforming
2016	HB 4025	33	22	Update IRC "adjusted gross income" connection date to 12/31/2015
2017	SB 148	315	24	LC reviser bill: improved syntax and deleted outdated provisions
2017	SB 701	527	22	Update IRC "adjusted gross income" connection date to 12/31/2016
2018	SB 1529	101	22	Update IRC "adjusted gross income" connection date to 12/31/2017
2019	HB 2164	579	27	Sunset extended to 1/1/2026
2019	SB 213	319	23	Update IRC "adjusted gross income" connection date to 12/31/2017
2021	HB 2457	456	23	Update IRC "adjusted gross income" connection date to 12/31/2017
2022	SB 1525	83	23	Update IRC "adjusted gross income" connection date to 12/31/2017
2023	SB 141	171	23	Update IRC "adjusted gross income" connection date to 12/31/2017

Appendix B: Revenue Impact Estimate Comparison

The 2015 Legislature enacted HB 3542 which requires certain information to be included in this report. Specifically, tax credits that have a revenue impact that exceeds the estimate in the most recent revenue impact statement. The table below contains a list of the tax credits that were extended and/or enacted between 2017 and 2021, along with the estimated impact for tax year 2021 and the actual impact as reported on tax returns.[52]

Estimates are separated into two components - base and change. Some credits are claimed over multiple years or have carryforwards. For example, the Affordable Housing Lender's credit is claimed over up to 20 years. Even if the credit were to sunset, there would still be an impact on tax collections for up to two decades. The base estimate represents a baseline estimate of the revenue impact in 2021 that would have occurred without any policy change. If the base amount is zero, then the credit is a single year credit and has no carryforward or the estimate was made far enough in the past that carryforwards were part of the original estimate.

The change estimate is the estimate directly attributable to the change in policy. The base and change estimates are added together to arrive at the total estimate. This total estimate is the full cost of the policy, baseline plus policy change. Difference is actual total amount minus the total estimated amount (base & change). Percent difference is difference amount divided by total estimated amount.

[52] Table reflects tax credits enacted/extended that had tax year 2021 revenue impacts. Tax credits with impacts beginning in years after 2021 will be included in the 2027 tax credit report.

Tax Credit Costs: Estimates vs Actuals

Tax Year 2021, $Millions

Tax Credit	Year of Estimate	Estimates: Base	Estimates: Change	Estimates: Total	Actuals: Total	Actuals: Difference	
Employee Training in Eligible County	2017	$0.0	-$0.1	-$0.1	$0.0	$0.1	-100%
Fish Screening	2017	$0.0	-$0.1	-$0.1	$0.0	$0.1	-100%
Oregon Affordable Housing Lender	2017	-$4.9	-$2.2	-$7.1	-$5.0	$2.1	-30%
Reservation Enterprise Zone	2017	$0.0	<50K	<50K	<50K	<50K	N/A
Opportunity Grant Contributions	2018	$0.0	-$14.0	-$14.0	-$14.4	-$0.4	3%
Working Family Household & Dependent Care	2018	-$32.0	$1.1	-$30.9	-$14.8	$16.1	-52%
Agriculture Workforce Housing Construction	2019	-$1.9	-$2.1	-$3.9	-$3.3	$0.7	-17%
Certain Retirement Income	2019	$0.0	-$0.7	-$0.7	-$0.8	-$0.1	13%
Contributions to 529 Account*	2019	$0.0	-$17.0	-$17.0	-$9.3	$7.7	-45%
Crop Donations	2019	$0.0	-$0.2	-$0.2	-$0.2	$0.1	-26%
Employer Provided Scholarships	2019	$0.0	<50K	$0.0	<50K	N/A	N/A
Earned Income	2019	-$58.1	-$12.7	-$70.8	-$54.7	$16.1	-23%
Individual Development Acct. Contributions	2019	-$7.3	$0.0	-$7.3	-$7.1	$0.2	-2%
Manufactured Dwelling Park Closure	2019	$0.0	<50K	$0.0	<50K	N/A	N/A
Oregon Cultural Trust	2019	$0.0	-$4.3	-$4.3	-$4.2	$0.1	-1%
Political Contributions	2019	$0.0	-$5.2	-$5.2	-$3.1	$2.1	-41%
Rural Medical Providers	2019	-$7.7	-$0.2	-$7.9	-$6.6	$1.3	-17%
Short Line Railroad Rehabilitation**	2019	$0.0	-$1.2	-$1.2	N/A	N/A	N/A
Volunteer Rural EMS Providers	2019	$0.0	-$0.1	-$0.1	-$0.1	$0.0	-40%
Film Production Development Contributions***	2021	-$14.0	-$6.0	-$20.0	-$20.0	$0.0	±5%
Total		***-$126.0***	***-$64.8***	***-$190.7***	***-$143.6***	***$46.0***	***-24%***

*Estimate reflects underlying estimate of 529 credit. Revenue impact statement for HB 2164 A (originating legislation) differs from this table as measure's impact reflects net estimate for impact of sunsetting 529 subtraction and creating 529 tax credit. Net estimate difference for credit and subtraction was $4.1 million.

**Actuals not included for Short Line Railroad credit due to nondisclosure laws.

***Table reflects the full allotment of tax credits sold at auction in fiscal year 2021-22 including additional $6 million made available by 2021 legislation (HB 2433). Difference in revenue estimate and usage of tax credits was less than 5%.

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