HB 2091 STAFF MEASURE SUMMARY

House Committee On Revenue

Action Date:	05/22/25
Action:	Do pass. Refer to Tax Expenditures.
Vote:	6-0-1-0
Yeas:	6 - Hudson, Levy B, Marsh, Nathanson, Smith G, Walters
Exc:	1 - Reschke
Fiscal:	Fiscal impact issued
Revenue:	Revenue impact issued
Prepared By:	Kyle Easton, Senior Economist
Meeting Dates:	2/25, 5/22

WHAT THE MEASURE DOES:

Extends sunset of Oregon's earned income tax credit by six years, from January 1, 2026 to January 1, 2032.

ISSUES DISCUSSED:

Discussed as part of larger EITC discussion for HBs 2091, 2958, 3120

- Overview/policy review of EITC
- Proposed EITC changes contained in respective measures
- Oregon connection to federal tax credit
- Expected amendment to HB 2958 to narrow expansion of childless EITC qualifiers
- Credit's benefits in comparison to other needs based programs
- Potential impact on federal assistance benefits from providing advance EITC quarterly payments.

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Taxpayers allowed to claim the federal earned income tax credit (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.

The EITC is a refundable tax credit available to eligible individuals of comparatively low earnings. 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. Additional background and analysis of Oregon's EITC can be found in LRO's 2025 Tax Credit Report.