HB 2958 A STAFF MEASURE SUMMARY

House Committee On Revenue

Action Date:	05/22/25
Action:	Do pass with amendments and be referred to Tax Expenditures. (Printed A-Eng.)
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 (EITC) by six years from January 1, 2026, to January 1, 2032. Applicable to tax years 2026 and later, increases Oregon's EITC percentage of federal EITC from 9% to 20%, and for taxpayers where the youngest dependent is under the age of three at the close of the tax year, from 12% to 25%. Requires Department of Revenue (DOR) to establish by rule a program for making quarterly EITC payments to taxpayers. Specifies total quarterly payments to be equal to half of expected annual EITC amount for a taxpayer. Specifies how quarterly payments are determined and requires reconciliation of quarterly payments when/if EITC is claimed on a tax return. Requires DOR to begin making quarterly payments during the second year following determination that such payments will not be included in eligibility determinations for any federal public assistance program. Specifies that quarterly payments are not subject to garnishment. Takes effect on the 91st day following adjournment sine die.

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:

Eliminated proposed language to expand Oregon's EITC for childless taxpayers aged 18 years or older.

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.