

House Bill 3120

Sponsored by Representative ELMER; Representative GOMBERG (at the request of Hugh Ady, Statecraft) (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act modifies the earned income tax credit and extends the sunset for the credit. (Flesch Readability Score: 67.5).

Increases the percentage of federal earned income credit allowable as a credit against Oregon personal income tax. Provides an additional percentage tier based upon the age of the youngest dependent of the taxpayer.

Applies to tax years beginning on or after January 1, 2026, and before January 1, 2032.

Extends the sunset for the earned income tax credit.

Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to earned income tax credits; creating new provisions; amending ORS 315.266 and section
3 6, chapter 880, Oregon Laws 2007; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 315.266 is amended to read:

6 315.266. (1)(a) In addition to any other credit available for purposes of ORS chapter 316, an eli-
7 gible resident individual shall be allowed a credit against the tax otherwise due under ORS chapter
8 316 for the tax year in an amount equal to [*nine*] **12** percent of the earned income credit allowable
9 to the individual for the same tax year under section 32 of the Internal Revenue Code.

10 (b) Notwithstanding paragraph (a) of this subsection, for a taxpayer with a dependent under the
11 age of three at the close of the tax year, the credit allowed under this section shall be in an amount
12 equal [*to 12 percent*] **a percentage** of the earned income credit allowable to the individual for the
13 same tax year under section 32 of the Internal Revenue Code[.], **as follows:**

14 **(A) For a taxpayer with a dependent under the age of three years at the close of the tax**
15 **year, 18 percent.**

16 **(B) For a taxpayer with a youngest dependent three years of age or older and under six**
17 **years of age at the close of the tax year, 15 percent.**

18 (2) A resident individual may claim a credit under this section, using either a Social Security
19 number or an individual taxpayer identification number, if, but for section 32(m) of the Internal
20 Revenue Code, the individual would otherwise be eligible to claim a credit under section 32 of the
21 Internal Revenue Code. The credit allowed as provided in this subsection shall equal the percent-
22 age, as stated in subsection (1) of this section, of the amount that would be allowed on a federal
23 return, based on the amount of the individual's earned income and the other provisions of section
24 32 of the Internal Revenue Code.

25 (3) An eligible nonresident individual shall be allowed the credit computed in the same manner
26 and subject to the same limitations as the credit allowed a resident by subsection (1) or (2) of this
27 section. However, the credit shall be prorated using the proportion provided in ORS 316.117.

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 (4) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085, or if the
2 Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the credit al-
3 lowed by this section shall be prorated or computed in a manner consistent with ORS 314.085.

4 (5) If a change in the status of a taxpayer from resident to nonresident or from nonresident to
5 resident occurs, the credit allowed by this section shall be determined in a manner consistent with
6 ORS 316.117.

7 (6) If the amount allowable as a credit under this section, when added to the sum of the amounts
8 allowable as payment of tax under ORS 316.187 or 316.583, other tax prepayment amounts and other
9 refundable credit amounts, exceeds the taxes imposed by ORS chapters 314 and 316 for the tax year
10 after application of any nonrefundable credits allowable for purposes of ORS chapter 316 for the tax
11 year, the amount of the excess shall be refunded to the taxpayer as provided in ORS 316.502.

12 (7) The Department of Revenue may adopt rules for purposes of this section, including but not
13 limited to rules relating to proof of eligibility, the furnishing of information regarding the federal
14 earned income credit claimed by the taxpayer for the tax year and policies and guidelines for the
15 determination of the amount of credit allowed under subsection (2) of this section.

16 (8) Refunds attributable to the earned income credit allowed under this section do not bear in-
17 terest.

18 **SECTION 2.** Section 6, chapter 880, Oregon Laws 2007, as amended by section 1, chapter 750,
19 Oregon Laws 2013, and section 32, chapter 579, Oregon Laws 2019, is amended to read:

20 **Sec. 6.** ORS 315.266 applies to tax years beginning before January 1, [2026] 2032.

21 **SECTION 3.** The amendments to ORS 315.266 by section 1 of this 2025 Act apply to tax
22 years beginning on or after January 1, 2026, and before January 1, 2032.

23 **SECTION 4.** This 2025 Act takes effect on the 91st day after the date on which the 2025
24 regular session of the Eighty-third Legislative Assembly adjourns sine die.

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