

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2810 **STATUS:** C-Engrossed
SUBJECT: Extends sunset date on income tax credit for contributions to Employment Department, Child Care Division and extends the refundability of the Earned Income Tax credit to tax year 2013
GOVERNMENT UNIT AFFECTED: Employment Department and Department of Revenue
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REVIEWED BY: Michelle Deister and Dallas Weyand
DATE: June 23, 2007

EXPENDITURES:	<u>2007-2009</u>	<u>2009-2011</u>
Employment Department – Other Funds		
Personal Services	\$ --	\$ 42,147
Service and Supplies	\$ --	\$ 14,860
Special Payments (to	\$ --	\$ 1,276,325
Total Expenditures	--	1,333,332

REVENUES:	<u>2007-2009</u>	<u>2009-2011</u>
See Legislative Revenue Impact Statement		
Employment Department – Other Funds		
Child Care Contribution Tax Credit	\$ --	\$ 1,333,332
POSITIONS / FTE:		
Office Support Specialist-2	--	1/0.50

EFFECTIVE DATE: January 1, 2008

GOVERNOR’S BUDGET: This bill is not anticipated by the Governor’s recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: This measure has two provisions: (a) the measure extends the sunset date on income tax credit for contributions to Employment Department, Child Care Division from December 31, 2008 to December 31, 2013; and (b) the measure extends the refundability [i.e., payment of a portion of any Earned Income Tax credit by the state back to the taxpayer] to tax year 2013, but with the provision repealing on or after January 1, 2014.

Tax credit for contributions to Employment Department, Child Care Division

Under current law, which will remain in place, the total value of the tax credit certificates available to all selected community agencies in Oregon may not exceed \$500,000 per calendar year. Oregon taxpayers receive a state tax credit of \$0.75 cents for each dollar contributed.

The Employment Department reports that it receives \$666,667 annually or \$1 for each \$0.75 of tax credit issued up to the cap of \$500,000. The Department's 2007-09 Governor's recommended budget includes \$1.3 million in such revenue due to the fact that this revenue is collected prior to December 31st for fiscal years 2007 and 2008. This measure would allow collections to continue past December 31, 2008, which would impact fiscal years 2009 and 2010 collection occurring during the 2009-11 biennium. The amount of revenue collected would be an additional \$1.3 million.

The expenditure impact to the Department would be \$1.3 million for the 2009-11 biennium. This figure is based on administrative expenditures of \$57,007, of which \$42,147 would be one existing position (0.50 FTE) and \$14,860 in associated services and supplies. Another \$1.27 million or approximately 96% of the funds would be paid to a non-profit qualified community agency who the Department contracts with for disbursement of the funds to daycare centers. The funds are then used by daycare centers to subsidize the wages of staff, purchase equipment, and defray the daycare cost for some families.

The Legislative Revenue Office, Revenue Impact Statement for this measure details a reduction in General Fund revenue of \$100,000 for the 2007-09 biennium and \$3.5 million for the 2009-11 biennium.

This measure does not require a subsequent referral to the Joint Committee on Ways and Means since the revenue and expenditure impact would be outside the current 2007-09 budget process.

Extension of the refundability of the Earned Income Tax credit

The Legislative Fiscal Office believes that refundability of the Earned Income Tax (EIT) credit provision of this measure is not anticipated to have a fiscal impact during the next two biennia. The measure could have a fiscal impact to the Department of Revenue during the 2011-13 biennium when the Department will begin issuing refund checks to an estimated 130,000 EIT filers. LRO estimates the total amount of refunds to be approximately \$2.9 million for the 2009-11 biennium. As noted, however, these funds will not be refunded to taxpayers until the first year of the 2011-13 biennium.