

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
75th Oregon Legislative Assembly
2009 Regular Session
Legislative Revenue Office

Bill Number:	HB 2970 A
Revenue Area:	Income Taxes
Economist:	Chris Allanach
Date:	4-24-09

Measure Description:

Requires the director of the Housing and Community Services Department to convene an interdepartmental work group with the purpose of expanding the number of eligible taxpayers claiming the earned income tax credit. The work group shall be within the Interagency Council on Hunger and Homelessness. Requires the work group to promote and facilitate interdepartmental collaboration to develop education and outreach strategies to ensure that eligible taxpayers are aware of both the tax credit and free tax preparation assistance. Requires the work group to develop recommendations to ensure state agencies maximize credit usage while decreasing inefficiencies. Requires the work group to report its findings to an interim Legislative committee on revenue by October 1 of each year. Repeals the bill on January 2, 2012.

Revenue Impact:

The revenue impact of the bill is indeterminate. The policy goal of the bill is to increase the utilization of an existing federal and state income tax credit. The existing body of research on the usage of the earned income credit suggests that between roughly 75 and 85 percent of those taxpayers eligible for the credit actually claim the credit. Research also suggests that participation varies with the personal circumstances of the taxpayers and whether or not they are required to file a tax return. Some of the characteristics that appear to be associated with eligible non-filers include eligibility for a smaller credit, a larger family, younger parents, lower level of education, and no prior tax filing experience.

The impact of outreach efforts would depend, in part, on the reasons for individuals not claiming the credits. Some individuals may not be aware of the credit because they aren't required to file a tax return. Other taxpayers may be eligible for a smaller credit and have decided that the benefit of the credit isn't worth the cost of obtaining it. For example, the credit available to filers without children is significantly less than for filers with children – about 10 percent of the credit available to filers with at least two children.

If the efforts of this work group result in a five percent increase in the number of filers who claim both the federal and state credits, roughly 12,000 additional Oregon tax filers would claim the credits. By claiming the federal credit, these filers would receive roughly \$17 million from the federal government per year. Through the Oregon credit, which is currently six percent of the federal credit, they would receive roughly \$1 million from the General Fund per year.

Creates, Extends, or Expands Tax Expenditure: No