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Rehabilitation Center

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ODE-- Child Nutrition Programs

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Clergy

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Ecumenical Ministries of Oregon

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Against Hunger

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OSU - Extension Service

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DHS - Seniors and People with
Disabilities

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Belit Stockfleth
DHS - Children, Adults & Families

Jon Stubenvoll
OFB - Advocacy

Cliff Trow
Private Citizen

Sue Woodbury
DHS - Women, Infants &
Children (WIC)

MEASURE: SB 349
EXHIBIT: K
Senate Finance and Revenue 76th Session
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SUBMITTED BY: Patti Whitney-Wise

To: Members of the Senate Finance and Revenue Committee

From: Patti Whitney-Wise

Re: SB 349 – Earned Income Tax Credit

Date: March 11, 2011

The Oregon Hunger Task Force strongly supports putting the Earned Income Tax credit at the front of the line if/when tax credits are considered this session. Hunger and poverty in Oregon have spiked in the last two years. Coupled with food and other inflation, families struggle mightily to put food on the table, especially when they have lower-wage jobs. We offer the following for consideration in helping our working families thrive:

The Idea - Reward hard work and promote opportunity.

Hard work should be a path out of poverty, a promise of opportunity. Patterned after the Federal Earned Income Tax Credit, perhaps the most successful antipoverty program ever, Oregon's EITC recognizes the need to reward the hard work of struggling families. Yet Oregon's EITC is a very small and insufficient step in that direction. In order to really make hard work pay for Oregon families and promote opportunity, the state must expand its Earned Income Credit.

The Problem – Oregon's tax system is upsidedown.

Oregon's poor workers pay more proportionally than the well-off. A fair tax system is one based on ability to pay; an effective tax system is one that fosters opportunity. Oregon's tax system is neither. In Oregon, the lowest-earning households pay a larger portion of their income in state and local taxes than the highest income households. For many Oregon families, money that would otherwise go to cover basic necessities — food, rent and utilities — is paid in taxes.

At the same time, Oregon offers one of the smallest tax credits for low-wage workers. Among the states with an EITC, Oregon ties for the sixth lowest benefit.

How the Plan Would Work for Oregon - Creating equity for working families

Expanding the Oregon EIC is a simple way to make Oregon's tax system fairer. The Oregon EITC was established in 1997 with strong bipartisan support.¹ The state EITC piggybacks on the federal EITC, cutting taxes for the lowest paid workers with a credit worth 6 percent of the federal EITC. The amount of the federal and state EITC varies with income and family size.

Important considerations - Building opportunity for families AND communities.

Fallout from the national housing crisis promises a bumpy economic road ahead and a renewed focus on challenges to economic security. This is the type of policy response that promises much needed economic relief for working families and local economies.

- Working families need a fair tax system. We've made improvements but the Oregon tax code still penalizes our lowest-paid workers. It's time to change that by expanding the state EITC. It's a simple way to make Oregon's tax system fairer for hard working families.
- An EITC at 18% will especially help rural communities where a greater percent of families receive this assistance. As the federal county payments diminish, the EIC can help boost local economies, giving them a better chance at thriving.
- Expansion of Oregon's EITC will prime our state's economic engine. Studies indicate that every dollar invested in a state EITC returns \$1.58 to local economies, as opposed to other tax credits for higher income tax payers who may or may not reinvest those dollars locally.

¹ Senate Bill 388 passed in 1997 with 26 yeas in the Senate and 49 yeas in the House. Republicans held a majority in both chambers (Senate 19 R, 11D House 34 R, 26 D.)