

Neighborhood Partnerships

Creating opportunity for low-income people

May 23, 2013

Co-Chair Burdick, Co-Chair Barnhart, Members of the Committee:

Thank you very much for the opportunity to testify in support of the Earned Income Tax Credit. For the record, my name is Alison McIntosh, and I am the Policy & Communications Director for Neighborhood Partnerships. Neighborhood Partnerships is a statewide organization whose mission is to increase opportunity for Oregonians with low incomes, and we are supportive of increasing and expanding the Earned Income Tax Credit. We also manage the Housing Alliance, a coalition of organizations concerned about the supply of safe and affordable housing. They are also supporting the extension and expansion of the Earned Income Tax Credit.

The EITC is a tax credit which provides pathways out of poverty for working families with low incomes. Today in Oregon, too many hardworking parents don't earn enough to pay rent and put food on the table for their children. Nearly half of renters can't afford a two bedroom apartment at market rates. Families in our communities don't have access to opportunity or pathways out of poverty, and all too often, one small event such as a health emergency or a car repair bill can trigger a series of shortfalls. The EITC helps pave the way to stable housing for families and a way out of poverty, which in turn leads to improved school performance and better health.

At Neighborhood Partnerships, we also manage programs that support "asset building," and our experience demonstrates that assets – such as a savings account – can help families make it through financial emergencies, and can help them move out of poverty. The Earned Income Tax Credit is an important tool to help families create that financial buffer and thereby help reduce poverty in Oregon.

The modest amount most families receive through the EITC might allow them to pay down debt, put aside funds for emergencies, or pay rent. Studies have shown the EITC can help improve health outcomes for kids and adults, boost school performance and impact future success. These small funds have ripple effects across the family and generations because they decrease stress related to housing and economic instability.

We know that as a state, we expend resources to encourage people to save for the future or to build assets. These can take the form of the Earned Income Tax Credit, or mirror federal policies such as the Mortgage Interest Deduction. These credits all have the effect of helping Oregonians build assets – whether it's a home or a retirement account, or making ends meet. The chart on the reverse, created by Decision Metrics, shows how the State currently spends these resources. Most benefits accrue for people earning higher incomes, and we believe we can do more to help Oregonians with lower incomes to manage life's financial emergencies, and move out of poverty.

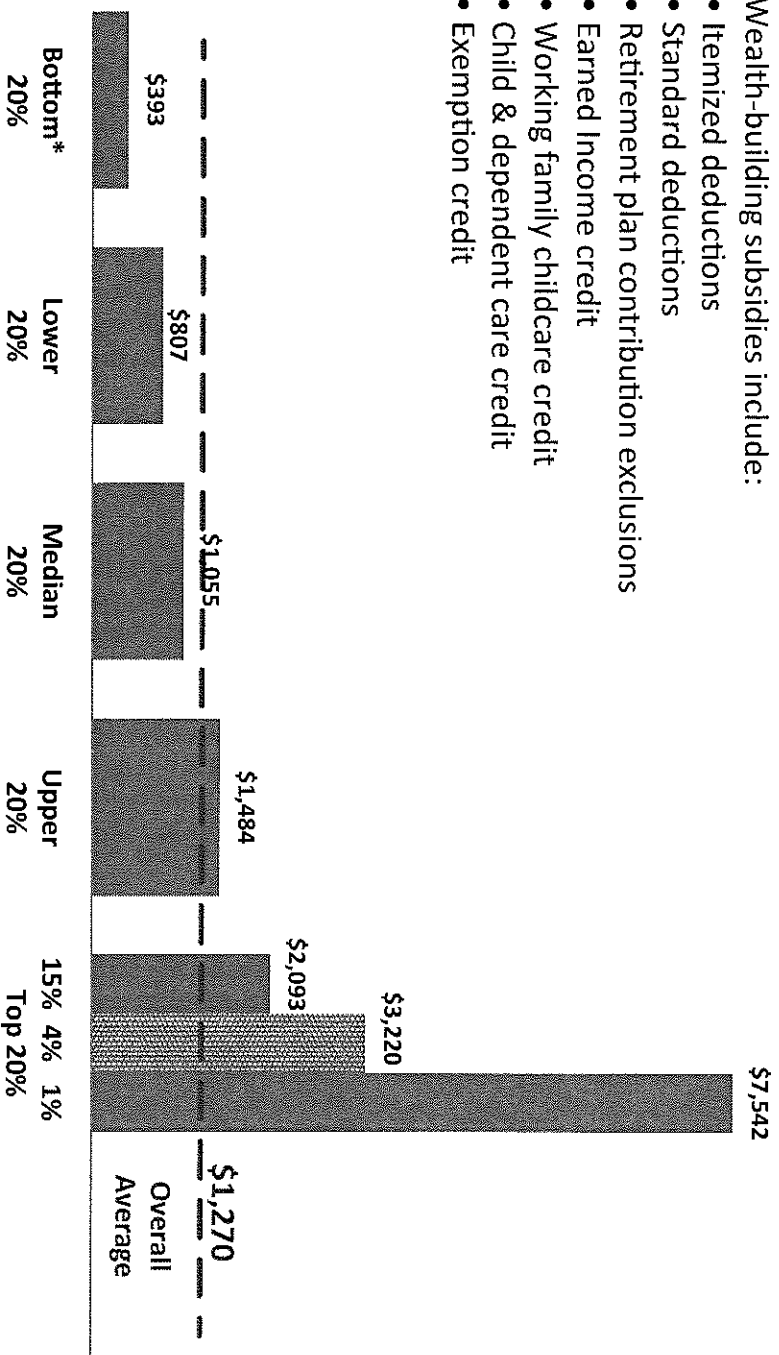
We urge you to extend and expand the Earned Income Tax Credit, and to continue to open access to opportunity by helping hardworking families make ends meet. Thank you for your time and consideration.

"Wealth-Building" Tax Subsidies in Oregon's Personal Income Tax

Tax Year 2010, by Level of Federal Adjusted Gross Income (AGI)

Wealth-building subsidies include:

- Itemized deductions
- Standard deductions
- Retirement plan contribution exclusions
- Earned Income credit
- Working family childcare credit
- Child & dependent care credit
- Exemption credit



* Bottom tier excludes returns with AGI less than zero

Source: Oregon Department of Revenue 2010 Personal Income Tax Statistics: www.oregon.gov/dor/stats/pages/statistics.aspx