OCPP OREGON CENTER for PUBLIC POLICY
Because facts matter.

Issue Brief
November 16, 2012

# Don't Let It Sunset Across Oregon

***Renew and Strengthen the Oregon Earned Income Tax Credit***

Renewing Oregon's Earned Income Tax Credit (EITC) should be a top priority for the 2013 legislature. The credit, which helps 250,000 low- and moderate-income Oregon families, is scheduled to expire on December 31, 2013. It's imperative that lawmakers renew the state credit and strengthen it to make its impact even more meaningful for working Oregonians struggling to meet their families' basic needs.

Many jobs pay too little to support a family, leaving many struggling to make ends meet. Families who work and play by the rules — the family of a returning veteran or a single mother supporting two children, for instance — should be able to provide for their children and stay out of poverty. That is why the EITC is important.

The federal EITC is the single most effective anti-poverty program for working families with children. The Oregon EITC works with the federal credit to open the door to economic opportunity for families that work and have modest incomes. The state EITC is a small investment that can make a large difference in the lives of working families. And its expansion would further widen the pathway out of poverty.

## The EITC opens the door to economic opportunity for working families and children

In 2010, the federal EITC lifted about 6.3 million people across the country out of poverty, including about 3.3 million children.[1] Oregon's EITC builds on that success.

The EITC reduces poverty in two ways. First, it boosts the earnings of low-wage working families. For example, for a worker supporting two children and a spouse, a full-time minimum wage job is not enough to escape poverty, but the EITC can lift this family above the poverty line. Second, the EITC encourages work. The additional income from the EITC helps those families earning poverty wages keep working, and their time and experience in the labor force pays off in future income growth.[2]

Reducing poverty is particularly important for young children. A boost to a poor family's income during early childhood not only tends to improve a child's performance in school, it also confers a lifetime of other benefits. Children lifted out of poverty at an early age tend to pursue more education, work more hours and earn more as adults compared to children who remain in poverty.[3]

## Only families who work qualify for the EITC

Low- and moderate-income working Oregonians with children are eligible for the EITC. A small number of very low-income workers without children can also qualify for a minimal credit. Oregon's EITC is set at 6 percent of the federal credit.[4] To receive the federal and state credits, a worker must file federal and state tax returns.

Oregonians who qualify for the federal EITC also qualify for the Oregon EITC. Eligibility for the federal tax credit depends on a family's income, marital status and number of children. For example, a married couple with two children could earn no more than $47,162 to qualify for the EITC in 2012.

**The Oregon EITC can only be claimed by people who earn income through work.**

Like the federal credit, the Oregon EITC can only be claimed by people who earn income through work, and the credit is specifically designed to encourage people to work more hours. That's because the value of the credit grows when low-wage workers increase the number of hours they work. As they earn more, they can claim a larger credit. Then, as working families become more self-sufficient, the value of the credit begins to phase out at higher income levels.

**Federal and Oregon EITC, Tax Year 2012**

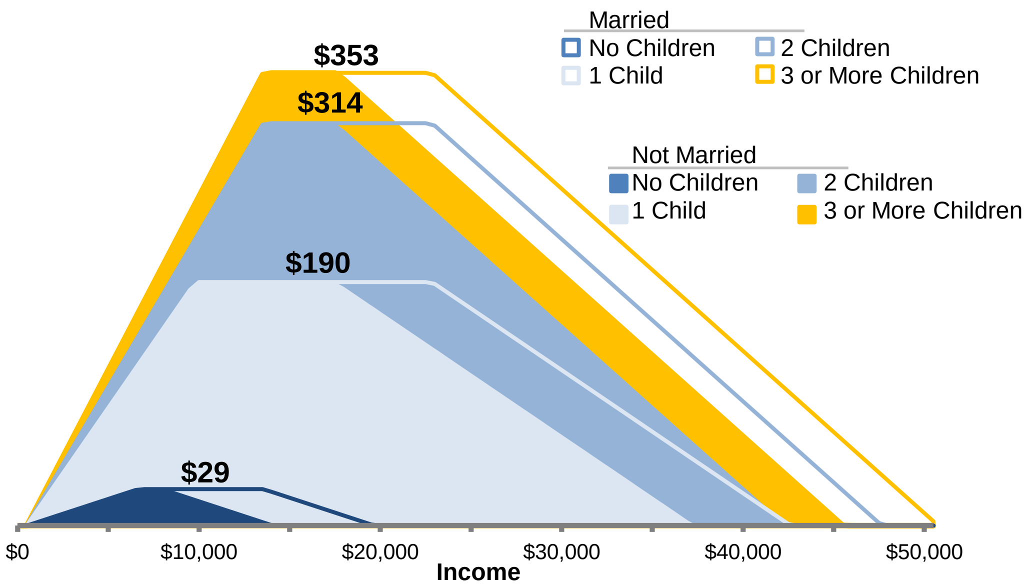
| | Number of Children in Family | | | |
|---|---|---|---|---|
| | 0 | 1 | 2 | 3+ |
| Families receive the maximum credit when income reaches: | $6,150 | $9,300 | $13,050 | $13,050 |
| **Married:** | | | | |
| Families receive the maximum credit until income is over: | $13,050 | $22,350 | $22,350 | $22,350 |
| Maximum income to receive EITC: | $19,190 | $42,130 | $47,162 | $50,270 |
| **Not Married:** | | | | |
| Families receive the maximum credit until income is over: | $7,800 | $17,100 | $17,100 | $17,100 |
| Maximum income to receive EITC: | $13,980 | $36,920 | $41,952 | $45,060 |
| Maximum federal EITC: | $475 | $3,169 | $5,236 | $5,891 |
| Maximum Oregon EITC: | $29 | $190 | $314 | $353 |

Source: OCPP analysis and IRS, Preview of 2012 EITC Income Limits.

The state EITC adds a boost to the federal credit. The average federal EITC received by working families in Oregon was $1,953 in 2010.[5] With Oregon's credit set at 6 percent of the federal credit, the average Oregon credit claimed was $118 that year.[6] Families with children receive a larger credit than those without children. Nationwide, the average federal EITC was $2,770 for a family with children and $259 for a family without children in 2009.[7]

Oregon's EITC is smart investment. The cost of renewing the Oregon EITC would be about $30 million per year.[8] That's fairly inexpensive in the context of a General Fund and Lottery Funds budget of roughly $7.5 billion per year, plus the billions more spent through the tax code — all the tax credits, deductions, exemptions and subtractions. Yet, this small investment — about four-tenths of 1 percent of the budget — can make a real difference in the lives of about a quarter of a million low-income working families in Oregon.

## Value of Oregon Earned Income Tax Credit, 2012




Source: OCPP analysis of IRS data.

**The value of the credit grows with each additional dollar of income earned, up to a maximum amount, and begins to phase out at higher income levels as working families become more self-sufficient.**

Like the federal credit, the Oregon EITC is well designed to ensure that the lowest income workers get the full benefit of the tax credit. If the amount of the Oregon EITC exceeds what the taxpayer owes in income taxes for a given year, the difference is sent to the taxpayer. These low-income working families, of course, still pay other forms of state and local taxes and fees.

### A Brief History of the EITC

At both national and state levels, the EITC has enjoyed broad support over the years from Republican and Democratic policymakers, business groups, labor, faith-based organizations and social service advocates.

A Democratic-controlled Congress originally enacted the federal EITC under President Gerald Ford. It was expanded in the mid-1980s as a part of President Ronald Reagan's tax reform package and again in the mid-1990s under President Clinton. Most recently, it was temporarily expanded further under President Obama in 2009.

The Oregon Legislature first enacted Oregon's EITC with broad, bipartisan support in 1997. Republican Senate President Brady Adams was the champion of the bill. In its original form, Oregon's credit was set at 5 percent of the federal credit and was not refundable.[9] The lowest-income working households, however, could not access the full benefit of the credit. The 2005 legislature fixed that problem by making the EITC refundable and it expanded the credit to 6 percent of the federal EITC effective in tax year 2008.

In an effort to control tax expenditures, the 2009 legislature applied a rotating schedule of sunset dates to all tax credits, including the EITC. This forces the legislature to review each credit and determine whether it is having its intended impact and whether it should be renewed, expanded, scaled back, or eliminated.

**In 2010, more than 250,000 working families received the Oregon EITC.**

## Families in every corner of Oregon benefit from the EITC

The EITC benefits thousands of families across Oregon. In 2010, more than 250,000 working families received the Oregon EITC.[10] These include, for example, a family of a returning veteran reentering the workforce, or a family headed by a single working mother supporting two children on her $25,000 salary.

Residents in every legislative district in the state receive the EITC, as illustrated in the tables below. [11] In 2010, each state House district had 4,436 households on average that received the federal EITC. That accounts for about one out of every six tax returns. That year, the average amount of federal EITC dollars flowing into each House district was about $8.7 million.

The average number of households that received the federal EITC in 2010 in each state Senate district was 8,873. Those credits brought an average of $17.3 million into each district.

**Federal Earned Income Tax Credit by State House District**
2013 Legislative Districts Using 2010 IRS Data

| House District | Total Number of Returns | Number of EITC Returns | Share of Returns with EITC | EITC Amount | Share Rank (1 is highest percent) |
|---|---|---|---|---|---|
| 1 | 25,077 | 4,924 | 19.6% | $9,364,483 | 18 |
| 2 | 23,791 | 5,072 | 21.3% | $10,212,011 | 9 |
| 3 | 25,099 | 5,525 | 22.0% | $11,081,493 | 7 |
| 4 | 25,588 | 5,364 | 21.0% | $11,025,159 | 11 |
| 5 | 27,198 | 5,547 | 20.4% | $10,226,077 | 14 |
| 6 | 26,015 | 5,476 | 21.0% | $11,460,289 | 10 |
| 7 | 24,868 | 4,986 | 20.0% | $9,728,726 | 15 |
| 8 | 27,078 | 4,189 | 15.5% | $7,033,195 | 41 |
| 9 | 25,329 | 5,041 | 19.9% | $9,655,699 | 16 |
| 10 | 25,038 | 4,808 | 19.2% | $9,163,304 | 23 |
| 11 | 23,253 | 3,725 | 16.0% | $6,848,466 | 38 |
| 12 | 24,464 | 5,407 | 22.1% | $10,776,486 | 6 |
| 13 | 26,627 | 4,110 | 15.4% | $6,721,384 | 43 |
| 14 | 26,071 | 5,132 | 19.7% | $9,426,674 | 17 |
| 15 | 26,300 | 4,522 | 17.2% | $8,826,063 | 31 |
| 16 | 25,109 | 3,064 | 12.2% | $4,612,606 | 54 |
| 17 | 24,643 | 4,716 | 19.1% | $9,900,516 | 24 |
| 18 | 24,745 | 4,044 | 16.3% | $8,697,468 | 35 |
| 19 | 24,904 | 4,064 | 16.3% | $8,672,638 | 36 |
| 20 | 25,133 | 3,837 | 15.3% | $7,879,141 | 44 |
| 21 | 24,656 | 6,071 | 24.6% | $13,571,444 | 3 |
| 22 | 22,313 | 5,551 | 24.9% | $13,069,861 | 1 |
| 23 | 24,929 | 4,229 | 17.0% | $8,630,724 | 33 |
| 24 | 25,424 | 4,500 | 17.7% | $9,567,598 | 29 |
| 25 | 26,239 | 4,338 | 16.5% | $9,175,372 | 34 |
| 26 | 25,686 | 2,768 | 10.8% | $5,345,783 | 56 |
| 27 | 29,598 | 3,664 | 12.4% | $6,692,816 | 53 |

| Federal Earned Income Tax Credit by State House District<br>2013 Legislative Districts Using 2010 IRS Data<br>*(Continued)* | | | | | |
|---|---|---|---|---|---|
| **House District** | **Total Number of Returns** | **Number of EITC Returns** | **Share of Returns with EITC** | **EITC Amount** | **Share Rank (1 is highest percent)** |
| 28 | 25,663 | 3,403 | 13.3% | $6,636,022 | 50 |
| 29 | 23,693 | 4,032 | 17.0% | $8,680,306 | 32 |
| 30 | 27,480 | 3,574 | 13.0% | $7,113,206 | 51 |
| 31 | 25,412 | 3,505 | 13.8% | $6,508,388 | 46 |
| 32 | 25,950 | 4,491 | 17.3% | $8,570,478 | 30 |
| 33 | 29,143 | 2,728 | 9.4% | $4,128,976 | 57 |
| 34 | 28,901 | 3,578 | 12.4% | $6,596,422 | 52 |
| 35 | 28,175 | 3,126 | 11.1% | $5,624,898 | 55 |
| 36 | 30,654 | 2,756 | 9.0% | $2,277,200 | 59 |
| 37 | 26,614 | 2,456 | 9.2% | $4,509,124 | 58 |
| 38 | 28,601 | 2,169 | 7.6% | $3,080,475 | 60 |
| 39 | 26,689 | 3,545 | 13.3% | $7,201,685 | 49 |
| 40 | 27,527 | 3,726 | 13.5% | $7,248,076 | 48 |
| 41 | 28,434 | 4,194 | 14.7% | $7,039,857 | 45 |
| 42 | 32,711 | 4,501 | 13.8% | $5,043,956 | 47 |
| 43 | 31,620 | 5,149 | 16.3% | $7,684,608 | 37 |
| 44 | 27,550 | 5,326 | 19.3% | $9,823,935 | 21 |
| 45 | 28,017 | 4,431 | 15.8% | $7,955,217 | 40 |
| 46 | 28,196 | 5,117 | 18.1% | $9,253,821 | 28 |
| 47 | 24,679 | 6,101 | 24.7% | $14,202,301 | 2 |
| 48 | 25,600 | 4,979 | 19.4% | $10,190,411 | 19 |
| 49 | 26,259 | 5,061 | 19.3% | $11,130,169 | 22 |
| 50 | 24,121 | 4,570 | 18.9% | $10,102,420 | 26 |
| 51 | 25,268 | 4,829 | 19.1% | $10,762,633 | 25 |
| 52 | 26,316 | 4,063 | 15.4% | $8,197,587 | 42 |
| 53 | 24,842 | 4,545 | 18.3% | $8,881,775 | 27 |
| 54 | 28,350 | 4,507 | 15.9% | $8,079,709 | 39 |
| 55 | 24,201 | 4,960 | 20.5% | $10,029,872 | 13 |
| 56 | 24,602 | 5,291 | 21.5% | $11,062,431 | 8 |
| 57 | 23,491 | 5,314 | 22.6% | $12,015,895 | 5 |
| 58 | 25,401 | 4,937 | 19.4% | $10,090,282 | 20 |
| 59 | 24,907 | 5,219 | 21.0% | $10,887,072 | 12 |
| 60 | 22,340 | 5,331 | 23.9% | $11,809,296 | 4 |
| **House Average** | **26,110** | **4,436** | **17.0%** | **$8,663,066** | -- |

Source: OCPP presentation of IRS data for the 2010 tax year compiled and sorted by legislative districts by The Brookings Institution.

**About one out of every six tax returns included the EITC in 2010.**

**On average, each state Senate district had 8,873 working families receive the federal EITC in 2010.**

| Federal Earned Income Tax Credit by State Senate District<br>2013 Legislative Districts Using 2010 IRS Data | | | | | |
|---|---|---|---|---|---|
| **Senate District** | **Total Number of Returns** | **Number of EITC Returns** | **Share of Returns with EITC** | **EITC Amount** | **Share Rank (1 is highest percent)** |
| 1 | 48,869 | 9,996 | 20.5% | $19,576,494 | 8 |
| 2 | 50,689 | 10,889 | 21.5% | $22,107,057 | 4 |
| 3 | 53,211 | 11,023 | 20.7% | $21,685,961 | 7 |
| 4 | 51,942 | 9,174 | 17.7% | $16,760,724 | 14 |
| 5 | 50,366 | 9,849 | 19.6% | $18,818,824 | 9 |
| 6 | 47,717 | 9,132 | 19.1% | $17,625,073 | 10 |
| 7 | 52,702 | 9,243 | 17.5% | $16,149,412 | 15 |
| 8 | 51,409 | 7,586 | 14.8% | $13,438,670 | 23 |
| 9 | 49,461 | 8,774 | 17.7% | $18,630,202 | 12 |
| 10 | 49,979 | 7,889 | 15.8% | $16,525,927 | 20 |
| 11 | 46,954 | 11,619 | 24.7% | $26,634,938 | 1 |
| 12 | 50,347 | 8,728 | 17.3% | $18,196,634 | 16 |
| 13 | 51,931 | 7,106 | 13.7% | $14,522,746 | 25 |
| 14 | 55,261 | 7,067 | 12.8% | $13,328,837 | 27 |
| 15 | 51,179 | 7,607 | 14.9% | $15,796,063 | 22 |
| 16 | 51,355 | 7,994 | 15.6% | $15,076,314 | 21 |
| 17 | 58,044 | 6,306 | 10.9% | $10,725,399 | 28 |
| 18 | 58,829 | 5,881 | 10.0% | $7,902,097 | 29 |
| 19 | 55,215 | 4,625 | 8.4% | $7,589,599 | 30 |
| 20 | 54,216 | 7,271 | 13.4% | $14,449,761 | 26 |
| 21 | 61,145 | 8,695 | 14.2% | $12,083,813 | 24 |
| 22 | 59,170 | 10,475 | 17.7% | $17,508,543 | 13 |
| 23 | 56,209 | 9,548 | 17.0% | $17,207,456 | 19 |
| 24 | 50,264 | 11,077 | 22.0% | $24,385,340 | 3 |
| 25 | 50,399 | 9,635 | 19.1% | $21,241,544 | 11 |
| 26 | 51,584 | 8,893 | 17.2% | $18,960,221 | 17 |
| 27 | 53,192 | 9,052 | 17.0% | $16,961,484 | 18 |
| 28 | 48,803 | 10,250 | 21.0% | $21,092,366 | 5 |
| 29 | 48,892 | 10,251 | 21.0% | $22,106,177 | 6 |
| 30 | 47,247 | 10,550 | 22.3% | $22,696,304 | 2 |
| **Senate Average** | **52,219** | **8,873** | **17.0%** | **$17,326,133** | -- |

Source: OCPP presentation of IRS data for the 2010 tax year compiled and sorted by legislative districts by The Brookings Institution.

The appendixes to this paper show the 2010 federal EITC by Oregon House District sorted by recipients and dollars (Appendixes 1 and 2); Oregon Senate District sorted by recipients and dollars (Appendixes 3 and 4); and Oregon county sorted alphabetically and by share of returns claiming the credit (Appendixes 5 and 6).

## If the EITC is not renewed low- and moderate-income working families will have less income

Oregon's EITC is currently scheduled to expire at the end of 2013. If lawmakers do not renew it, about a quarter-million low-income working families in Oregon will have less net income. A two-parent family of four earning poverty wages, for example, would see their net income fall by about $300 due to the additional taxes.

Many of Oregon's working families saw their wages or hours cut back or lost a wage earner during the recession. Many are still struggling. To ensure that the 250,000 working families receiving the Oregon EITC keep more of what they earn, lawmakers should, at a minimum, extend the expiration date of the current EITC.

## Enhancing the EITC would widen the pathway out of poverty

Many families, including families with children, live in poverty despite the fact that they work and play by the rules. And many of these families pay Oregon income taxes, even with the current state EITC in place. Increasing the size of the credit would address that issue and create an even better pathway out of poverty.

Poverty in Oregon has been on the rise. In 2007, prior to the recession, 12.9 percent of Oregonians were living below the poverty line.[12] By 2011, that rate had increased to 17.5 percent.[13] Some 660,000 Oregonians — including about one in four children — lived in poverty.[14]

Sadly, many Oregonians live in poverty in spite of the fact that they work. In 2011, over two-thirds (69 percent) of all poor Oregon families with children had at least one parent who worked.[15]

**In 2011, over two-thirds of all poor Oregon families with children had at least one parent who worked.**

Even full-time work is no guarantee of escaping poverty. Of families with children living below the poverty line in 2011, 22 percent had at least one parent who worked full time, year-round.[16]

Many of these working families living in poverty pay Oregon income taxes, in addition to other taxes and fees. Among the 42 states in the nation that levy an income tax, most do not tax the incomes of the working poor. Oregon is in the minority of states that do, and our income tax on the working poor is one of the highest in the nation. For example, in 2011, a two-parent family of four living at the poverty line (making $23,018) paid $274 in Oregon income taxes. Only three other states in the country asked this family to pay more in state income taxes.[17]

It's true that Oregon does not — unlike most states — tax general sales, which typically consume a higher proportion of the income of poor families than that of wealthier households.

Yet it is also true that Oregonians pay other sales or excise taxes (such as gasoline and tobacco taxes) and pay local property taxes that fall disproportionately on the poor. This results in a combined state and local tax system that is upside down. It asks lower income households to pay a greater share of their income in taxes than the wealthiest households pay.

Rather than have poor, working families devote part of their paycheck to income taxes, Oregon would be better off allowing these families to use that income to cover the basics.

Expanding the Oregon EITC could allow Oregon to join the majority of states in not taxing the earnings of working-poor families with children. Increasing Oregon’s credit to 12 percent of the federal credit could prevent a two-parent family of four living at the poverty line from paying state income taxes that push their net income below poverty. To eliminate the state income tax bill faced by working single parents with two children just above the poverty line (125 percent of poverty income), Oregon’s credit would need to increase to about 20 percent of the federal EITC.

**Increasing the size of the credit enhances the Oregon EITC’s ability to reduce poverty for working families and for children.**

Ultimately, increasing the size of the credit enhances the ability of Oregon’s EITC to reduce poverty for working families and for children. It widens the pathway out of poverty — something that benefits all of Oregon.

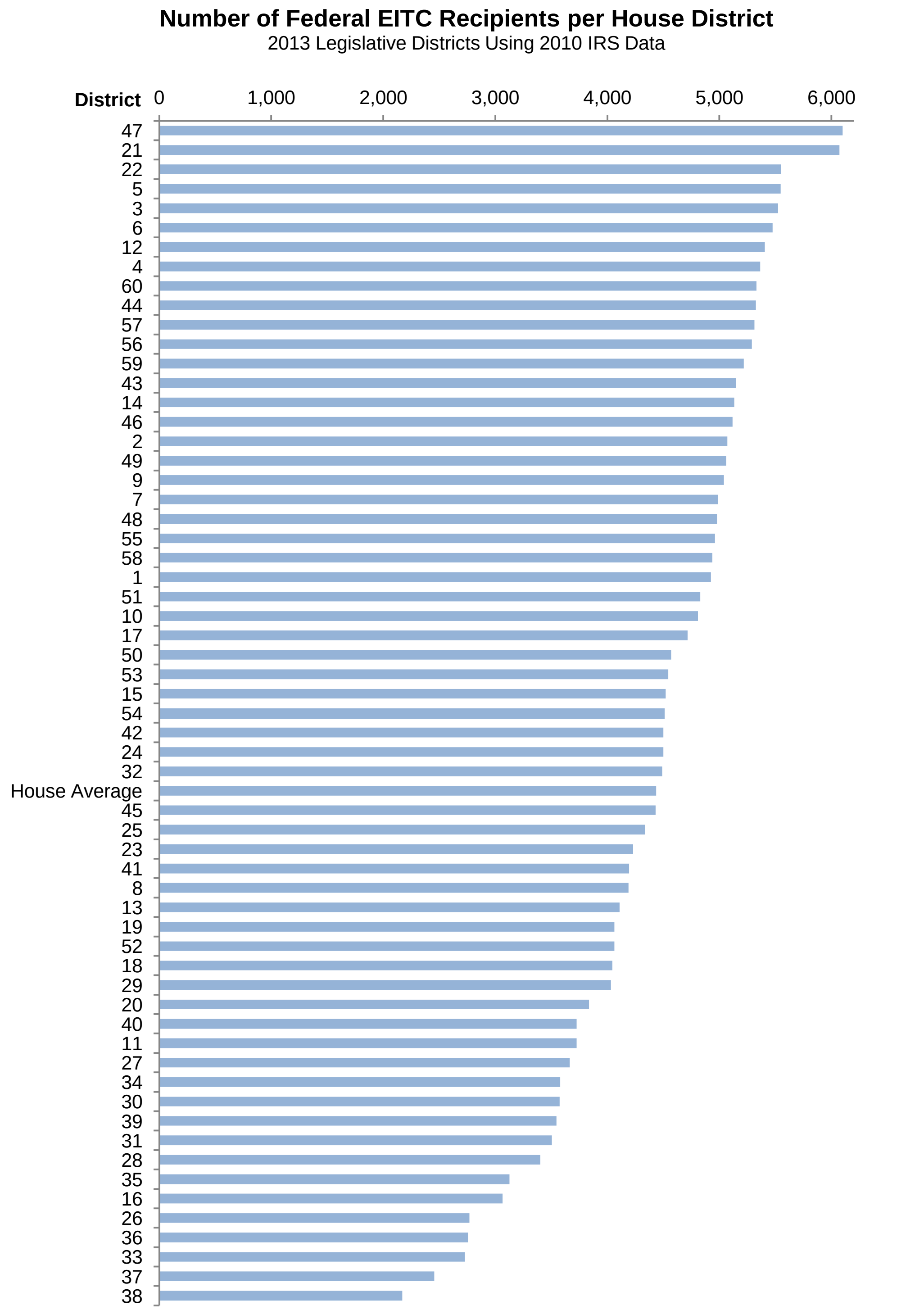
## Conclusion

The Oregon Earned Income Tax Credit exists to help families who work and play by the rules provide for their children and get out of poverty. It is a small investment that can make a big difference in the lives of many working families.

It is imperative that the 2013 Oregon legislature extend the life of the Oregon EITC, which is scheduled to expire at the end of 2013. About a quarter-million Oregon families with children now struggling to make ends meet will have less income if the legislature does not act to extend the credit.

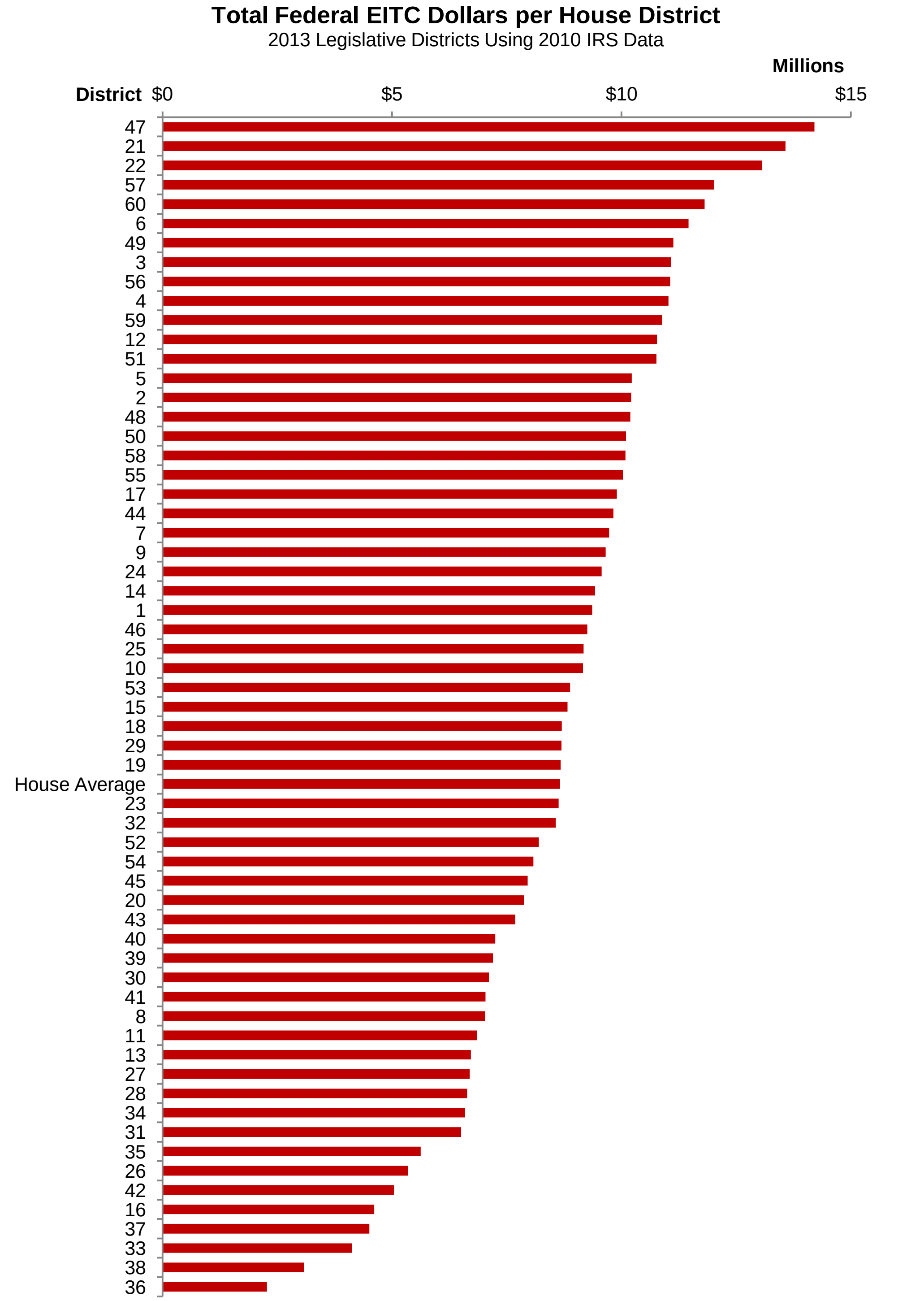
Besides extending the life of the credit, the 2013 legislature should increase the EITC to widen the pathway out of poverty.

## Appendix 1. Number of federal returns claiming the federal EITC by Oregon House district



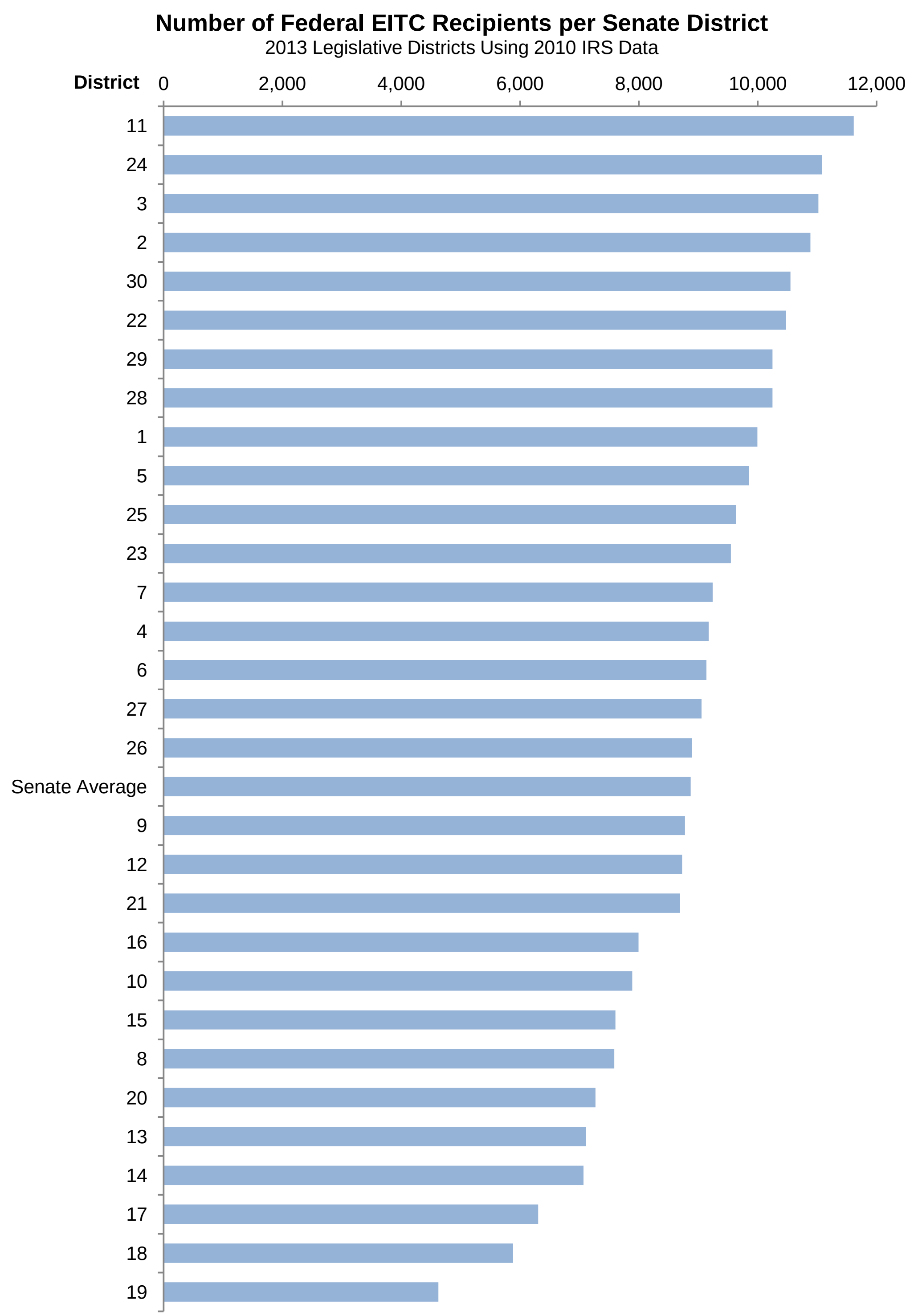

Source: OCPP presentation of IRS data for the 2010 tax year compiled and sorted by legislative districts by The Brookings Institution.

## Appendix 2. Value of the federal EITC claimed by Oregon House district



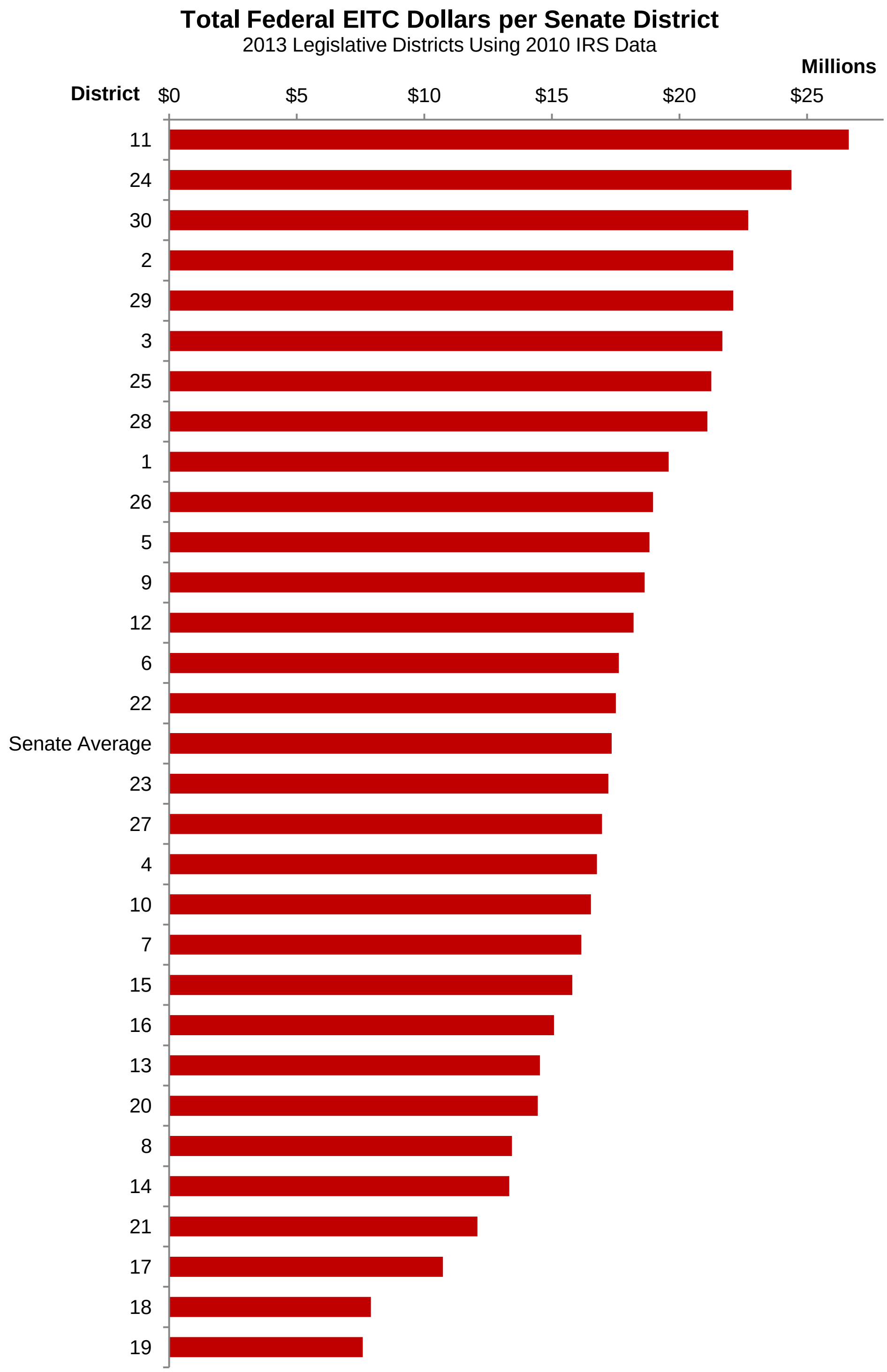

Source: OCPP presentation of IRS data for the 2010 tax year compiled and sorted by legislative districts by The Brookings Institution.

## Appendix 3. Number of federal returns claiming the federal EITC by Oregon Senate district




Source: OCPP presentation of IRS data for the 2010 tax year compiled and sorted by legislative districts by The Brookings Institution.

## Appendix 4. Value of the federal EITC claimed by Oregon Senate district



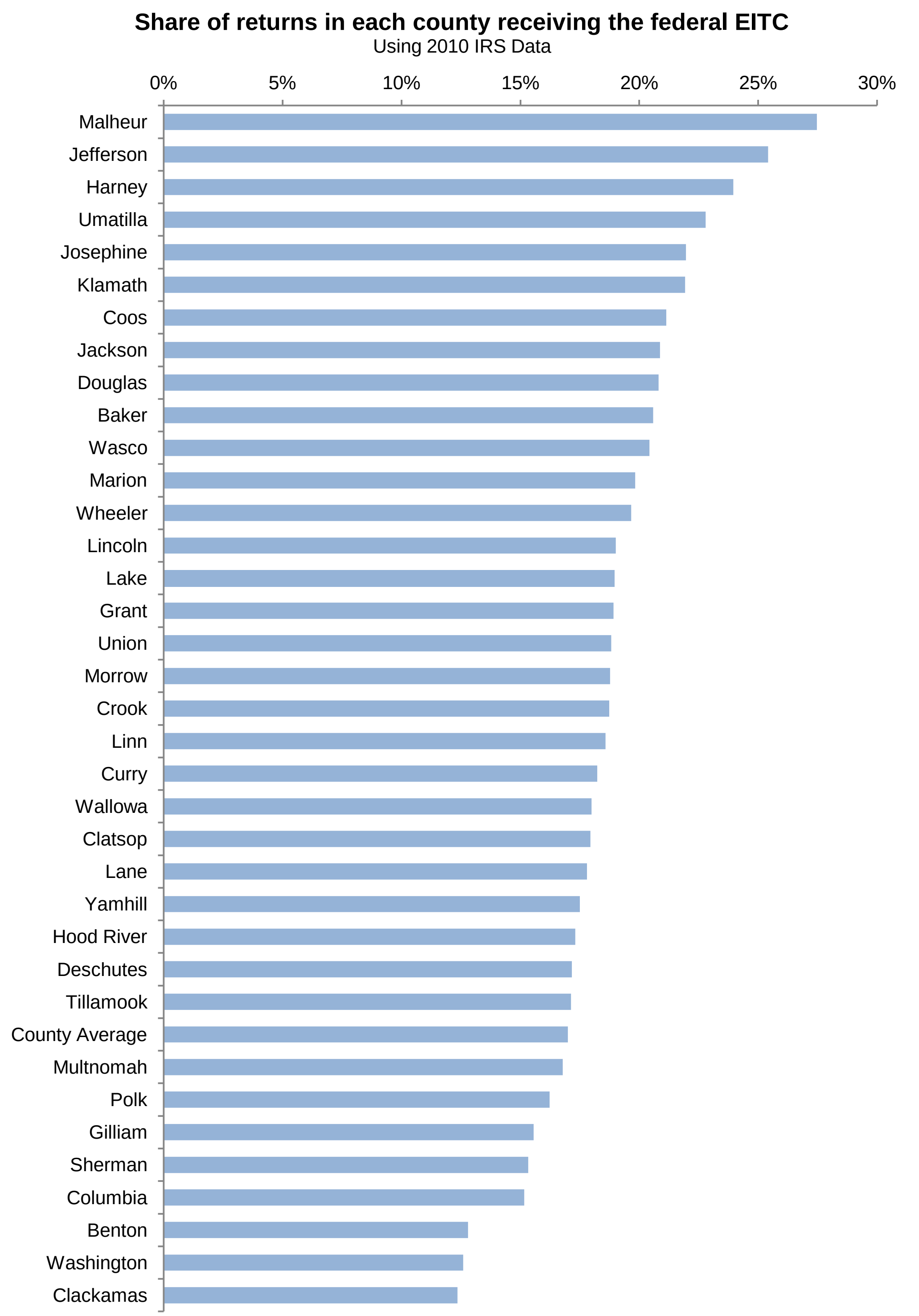

Source: OCPP presentation of IRS data for the 2010 tax year compiled and sorted by legislative districts by The Brookings Institution.

## Appendix 5. Number and percent of federal returns claiming the federal EITC and their value by county

| Federal Earned Income Tax Credit by County<br>Using 2010 IRS Data | | | | | | |
|---|---|---|---|---|---|---|
| **County** | **Total Number of Returns** | **Number of EITC Returns** | **Share of Returns with EITC** | **Share Rank (1 is highest percent)** | **EITC Amount** | **Amount Rank (1 is highest amount)** |
| Baker | 6,492 | 1,336 | 20.6% | 10 | $2,824,944 | 28 |
| Benton | 33,972 | 4,348 | 12.8% | 34 | $6,915,485 | 16 |
| Clackamas | 157,736 | 19,496 | 12.4% | 36 | $37,386,587 | 5 |
| Clatsop | 15,187 | 2,726 | 17.9% | 23 | $5,248,178 | 20 |
| Columbia | 19,477 | 2,953 | 15.2% | 33 | $5,603,122 | 19 |
| Coos | 24,424 | 5,162 | 21.1% | 7 | $10,095,088 | 14 |
| Crook | 7,772 | 1,456 | 18.7% | 19 | $3,017,920 | 26 |
| Curry | 9,217 | 1,680 | 18.2% | 21 | $3,012,902 | 27 |
| Deschutes | 65,225 | 11,194 | 17.2% | 27 | $21,187,176 | 7 |
| Douglas | 41,258 | 8,585 | 20.8% | 9 | $17,313,163 | 9 |
| Gilliam | 823 | 128 | 15.6% | 31 | $226,984 | 34 |
| Grant | 2,866 | 542 | 18.9% | 16 | $1,113,394 | 31 |
| Harney | 2,868 | 687 | 24.0% | 3 | $1,449,314 | 30 |
| Hood River | 9,559 | 1,654 | 17.3% | 26 | $3,454,995 | 24 |
| Jackson | 83,932 | 17,517 | 20.9% | 8 | $35,003,724 | 6 |
| Jefferson | 7,886 | 2,005 | 25.4% | 2 | $4,521,351 | 21 |
| Josephine | 31,750 | 6,974 | 22.0% | 5 | $13,971,086 | 11 |
| Klamath | 25,736 | 5,644 | 21.9% | 6 | $11,775,173 | 13 |
| Lake | 2,955 | 560 | 19.0% | 15 | $1,048,534 | 32 |
| Lane | 141,524 | 25,195 | 17.8% | 24 | $45,421,631 | 4 |
| Lincoln | 18,845 | 3,583 | 19.0% | 14 | $6,683,779 | 17 |
| Linn | 45,956 | 8,540 | 18.6% | 20 | $17,352,447 | 8 |
| Malheur | 9,879 | 2,714 | 27.5% | 1 | $6,331,822 | 18 |
| Marion | 121,778 | 24,141 | 19.8% | 12 | $53,501,961 | 3 |
| Morrow | 4,293 | 806 | 18.8% | 18 | $1,718,458 | 29 |
| Multnomah | 324,625 | 54,484 | 16.8% | 29 | $99,006,766 | 1 |
| Polk | 29,185 | 4,738 | 16.2% | 30 | $9,850,706 | 15 |
| Sherman | 809 | 124 | 15.3% | 32 | $202,934 | 35 |
| Tillamook | 10,348 | 1,773 | 17.1% | 28 | $3,245,268 | 25 |
| Umatilla | 28,693 | 6,541 | 22.8% | 4 | $14,670,441 | 10 |
| Union | 10,417 | 1,961 | 18.8% | 17 | $3,980,815 | 23 |
| Wallowa | 3,073 | 553 | 18.0% | 22 | $1,036,016 | 33 |
| Wasco | 9,959 | 2,034 | 20.4% | 11 | $4,058,543 | 22 |
| Washington | 220,436 | 27,763 | 12.6% | 35 | $53,837,987 | 2 |
| Wheeler | 534 | 105 | 19.7% | 13 | $188,376 | 36 |
| Yamhill | 37,088 | 6,489 | 17.5% | 25 | $13,527,387 | 12 |
| **County Average** | **43,516** | **7,394** | **17.0%** | **--** | **$14,438,457** | -- |

Source: OCPP presentation of IRS data for the 2010 tax year compiled and sorted by county by The Brookings Institution.

## Appendix 6. Share of federal returns claiming the federal EITC by county




Source: OCPP presentation of IRS data for the 2010 tax year compiled and sorted by county by The Brookings Institution.

## Endnotes

[1] Center on Budget and Policy Priorities, *Policy Basics: The Earned Income Tax Credit*, updated February 22, 2012, available at http://www.cbpp.org/files/policybasics-eitc.pdf.

[2] See Dahl, Molly, Thomas DeLeire, and Jonathan A. Schwabish, "Stepping Stone or Dead End? The Effect of the EITC on Earnings Growth," Institute for the Study of Labor, revised April 2009, http://ftp.iza.org/dp4146.pdf.

[3] Dahl, Gordon B. and Lance Lochner, "The Impact of Family Income on Child Achievement: Evidence from Changes in the Earned Income Tax Credit", *American Economic Review*, forthcoming.

[4] Oregon's EITC is set at a percentage of the federal EITC so changes to the federal credit impact the value of Oregon's credit. For example, the 2009 American Recovery and Reinvestment Act (Recovery Act) temporarily expanded the federal EITC in two ways. First, it added a "third tier" of the EITC for families with three or more children. This year, these larger families can now receive up to $655 more than they would have without this improvement. This addition recognizes that larger families face a higher cost of living and that families with three or more children are more than twice as likely as smaller families to be poor. Second, the Recovery Act expanded marriage penalty relief in the EITC, reducing the financial penalty some couples experience when they marry by allowing married couples to receive larger benefits.

Since Oregon's credit is modeled after the federal credit, these temporary expansions also apply to the Oregon EITC. Families with three or more children can receive up to $40 more than they could without the temporary expansion in the federal credit. The expansions originally were scheduled to expire at the end of 2010 but Congress extended them through 2012.

[5] OCPP analysis of IRS data provided by the Brookings Institution.

[6] OCPP analysis of Oregon Department of Revenue data.

[7] Center on Budget and Policy Priorities, *Policy Basics: The Earned Income Tax Credit*, updated February 22, 2012, available at http://www.cbpp.org/files/policybasics-eitc.pdf. We do not have state data on the average Oregon credit by families with and without children.

[8] The Oregon Legislative Revenue Office preliminarily estimated the cost of renewing the credit to be $30.4 million in 2013-15, $61.9 million in 2015-17 and $63.4 million in 2017-19. The cost in 2013-15 is about half the cost of future biennia because the credit does not sunset until after the 2013 tax year. Estimate from Oregon Legislative Revenue Office dated April 17, 2012.

[9] In 1997, the EITC was refundable in the bill that passed the state Senate 26-3 (SB 388-A) and an earlier version that passed the Senate 30-0 (Senate Bill 1143-A). The House made it non-refundable when it approved SB 388-C.

[10] Oregon Department of Revenue data.

[11] The data regarding federal EITC recipients is an OCPP presentation of IRS data compiled and sorted by the Brookings Institution. The IRS now only makes available partial year data (returns filed between January and June). This accounts for approximately 94 percent of all returns filed for a given tax year. However, since higher-income households are more likely to file for an extension and EITC households are, by definition, low- to moderate-income households, it accounts for approximately 97-98 percent of EITC filers and dollars. Thus, the estimates presented here are likely to slightly overestimate the share of all filers that receive the EITC. At the same time, this analysis is likely to slightly underestimate the total number of EITC filers and the total amount of EITC dollars.

[12] 2007 American Community Survey.

[13] 2011 American Community Survey.

[14] 2011 American Community Survey.

[15] OCPP analysis of 2011 American Community Survey data.

[16] OCPP analysis of 2007-11 American Community Survey data.

[17] See Oliff, Phil, Chris Mai and Nicholas Johnson, Center on Budget and Policy Priorities, *The Impact of State Income Taxes on Low-Income Families in 2011*, April 17, 2012, available at http://www.cbpp.org/cms/index.cfm?fa=view&id=3740.

This work is made possible in part by the support of the Ford Foundation, the Stoneman Family Foundation, the Northwest Area Foundation, the Oregon Education Association, the Oregon School Employees Association, SEIU 503 and by the generous support of organizations and individuals.

The Oregon Center for Public Policy is a part of the State Fiscal Analysis Initiative (SFAI) and the Economic Analysis and Research Network (EARN).