

2015 JOINT COMMITTEE ON TAX CREDITS

78th Legislative Assembly

Child Care Tax Credits

Tax Expenditures 1.421, 1.422 & 1.425
2016 Expiring Tax Credits: pages 40-54
House Bills: 2113 & 2116
Senate Bills: 49 & 212

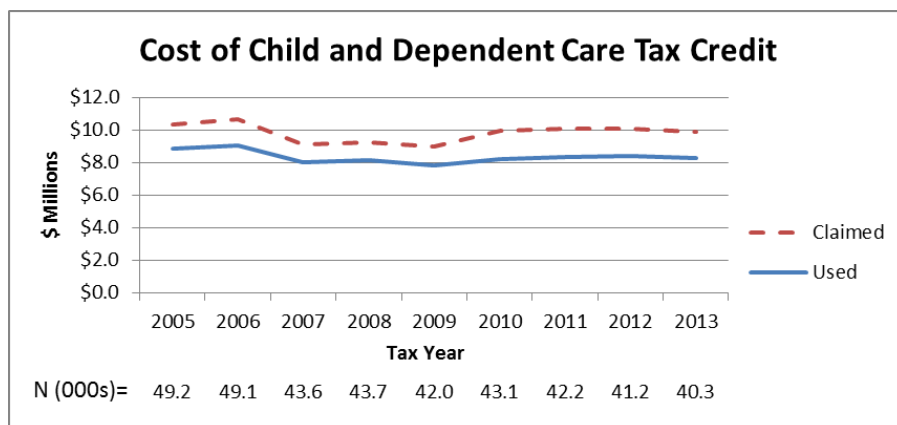
Current Law

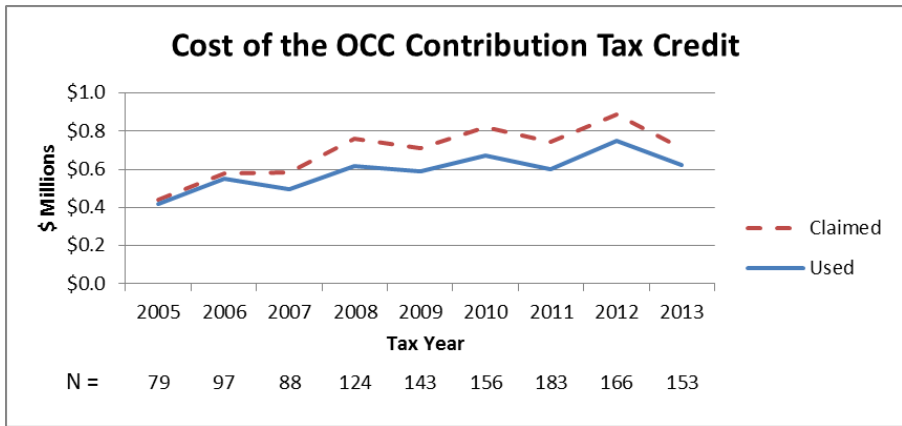
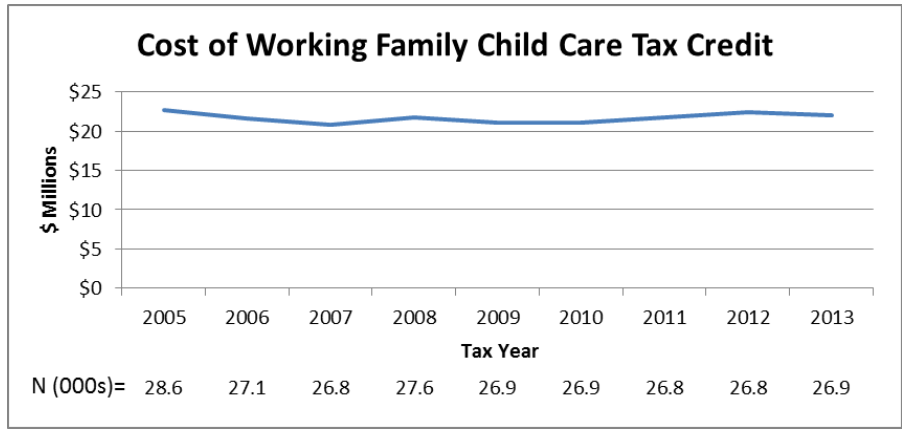
1. **Child and Dependent Care:** Individuals are allowed a tax credit of up to 30% for eligible child care expenses. Eligible expenses are limited to \$3,000 for one dependent and \$6,000 for two or more dependents. The credit is means tested according to federal taxable income.
2. **Working Family Child Care:** Individuals are allowed a credit of up to 40% for eligible child care expenses, which are not limited. The credit is means tested according to the federal poverty level.
3. **Contributions to the Office of Child Care:** Taxpayers are allowed a tax credit equal to 75% of the amount contributed to the Office of Child Care. Has an annual program cap of \$500,000 in tax credits.

Proposed Changes

1. Combine the Child & Dependent Care and Working Family Child Care tax credits into a single, new policy known as the **Working Family Child and Dependent Care tax credit**, for tax years 2016 through 2021
2. Extend the OCC contributions tax credit through tax year 2021
3. Increases the annual cap for OCC contributions credit from \$500,000 to \$2.5 million
4. Modifications to use of OCC tax credit funds
 - a. Removes distributions to community agencies
 - b. Removes requirement to use a tax credit marketer
 - c. Focuses program on high quality child care providers
 - d. Requires distributions be consistent with rules adopted by the Early Learning Council

Historical Use and Revenue Impact





Policy	Bill Number	Revenue Impact \$M		
		2015-17	2017-19	2019-21
Working Family Child and Dependent Care Tax Credit	HB 2116	-\$31.9	-\$64.2	-\$64.9
Contributions to OCC	HB 2113, SB 49, SB 212	-\$2.5	-\$5.0	-\$5.0
Total		-\$34.4	-\$69.2	-\$69.9

Technical Considerations

1. Align tax credit phase-out to the larger of Oregon or Federal AGI?
2. Improve compliance link with the ERDC program?
3. Establish a penalty for unlawfully claiming tax credits?