DHS' Initial Analysis of HB 3541

Summary of Bill

The Department of Revenue (DOR) and the Department of Human Services (DHS) shall collaborate to develop and implement a pilot project where taxpayers could receive dependent care tax credits through an alternative payment method (EBT cards, otherwise known as Oregon Trail cards). DOR will send a list of taxpayers that have claimed a dependent care tax credit from the previous calendar year to DHS. DHS will use the list to conduct a data match to identify the individuals who received SNAP benefits the previous year. A notice will be sent to these clients about the pilot project, and taxpayers/clients will have an opportunity to opt out of participation in the pilot program.

DHS' position is neutral on HB 3541. However, we were asked for feedback on this bill, and listed below are our questions and comments after reviewing HB 3541.

Process Questions

There are several notification and opt-out process questions that would need to be resolved. These include:

1. After the data match, which agency will send notification to individuals? DHS or DOR?
2. Will the notice be at the case or person level? (More than one adult can be on a SNAP case)
3. Is DHS the appropriate agency to capture which people want to opt-out of the pilot program? DHS would recommend that requests for opt-out should be handled by the originating system that is providing the data, which is DOR.
4. Is there a deadline for opting-out? If not, there could be potential impacts on DHS staff from having to update the list constantly.
5. What do we do about people who are no longer receiving SNAP? Some individuals who received SNAP benefits the previous year may no longer be receiving assistance from DHS, which means some individuals may no longer have an EBT card and perhaps need to be excluded from the pilot program.

Potential Impact to Clients

HB 3541 requires a reconciliation of the amount of dependent care paid to the taxpayer/client each year and the actual allowable dependent care tax credit. If the client does not claim the tax credit for the year or does not provide sufficient evidence of eligibility for the amount of dependent care claimed, DOR will be liable for the additional tax liability and may charge interest. A Temporary

Assistance for Needy Families (TANF) client is already very low-income. Paying an amount back to DOR plus interest may create a significant hardship for the family. In addition, if the family is on TANF while having the repay DOR, it seems that the family may be paying one state agency (DOR) with funds from another state agency (DHS). Maybe the bill could be amended to waive repayment until TANF is closed?

Additionally, pursuant to OAR 461-145-0530, tax refunds are considered a resource for TANF. Since this pilot program says that DHS will provide 12 equal monthly payments to the tax payer, workers will need to determine the resource amount that will be applicable to the client's eligibility and monthly benefit amount. The bill could impact clients since a tax refund is considered a resource under the TANF program.

Plus, the resource limit for TANF recipients is $10,000. However, the resource limit goes down to $2,500 for a TANF client with an active JOBS disqualification. HB 3541 could potentially impact TANF clients with an active JOBS disqualification who have combined resources, including the monthly pilot program dependent care tax credit, greater than $2,500.   The bill could impact this smaller group of TANF clients.

We do not believe this pilot program will impact Employment Related Day Care (ERDC) program participants.

Workload Considerations

1. If the opt-out process remains at DHS, we would need to develop a system to capture the people who opt-out.
2. EBT system changes would be required.
3. Extensive changes to DHS legacy mainframe systems (either CM or FS) would also be required.
4. There are potential staffing impacts to the Oregon Trail Card Replacement Unit.
5. A great deal of planning, coordination, and programming work would need to happen to support the bill.