



HOUSE OF REPRESENTATIVES

2/4/2016

Chair Barnhart and members of the House Revenue Committee,

Forty years ago the Earned Income Tax Credit (EITC) was created as an economic growth policy. The idea was that if people could keep more of their tax money, they would then pump that money back into their local economies. Today the EITC is a proven way for people to work their way out of poverty. It rewards work, and helps people leave public assistance sooner.

Oregon has more citizens living in poverty than during the height of the 2008-2009 recession, and one in five children live below the poverty line. This tax credit can be their opportunity to repair that much needed car problem, to pay off bills, or to attend college and pay for tuition and books. Oregon can do more to help citizens work their way out of poverty.

We are proposing that for families with children no older two years old, an increase from 8% to 11% would benefit many families in Oregon. Families with young children fight hardships with mounting child care costs, and an increased cost of living on very modest incomes. Oregon has limited resources at this time, and simply applying a policy across the board would have an inadequate impact for those with the greatest need, and those are families with young children.

Some other benefits are:

- Mothers who receive the credit are less likely than other low income mothers to smoke before and after pregnancy, and are more likely to eat healthy diets and deliver babies at healthy birthweights.
- Children of families that receive the credit score better on math and reading tests than low income children of families who do not receive the EITC, and they are more likely to finish high school and attend college.
- Children from EITC families, on average, go on to earn 17% more money when they reach adulthood than children from low income families who do not receive the EITC.
- Workers who claim the EITC boost their Social Security retirement benefits, which can reduce the severity of poverty in old age.

Increasing the EITC in other states has been proven to reduce poverty for targeted groups. Rigorous studies of the EITC indicate a \$1000 increase leads to:

- A 7.3 point increase in employment
- Fewer children having to receive public health insurance coverage
- Large reductions in the obesity rate in rural communities.

As you can see, increasing the EITC leads to a better quality of life and helps families work their way out of poverty. I appreciate your consideration of this much needed bill. No other tax credit provides more immediate relief to struggling families and none gets more money into local communities as effectively.





Representative Jeff Reardon
House District 48
Vice Chair House Energy and Environment Committee
House Education Committee
House Higher Education and Workforce Development Committee

Earned Income Tax Credit Adjustment Bill Brief HB 4110

Background:

The Earned Income Tax Credit (EITC) started as an economic growth policy 40 years ago. This credit is paid as a tax-refund check and it provides a little extra support for the deferred car repair, for education, or for childcare or other expenses. This approach encourages local economic growth when money is spent locally. Oregon has more citizens living in poverty than during the height of the 2008-2009 recession, and one in five children live in poverty. Our work is not done, and this policy will help people work their way out of poverty.

Proposal:

This bill would maintain the current 8 percent for all people who qualify for the credit. Additional benefits will be directed to families with young children. The amount is to be determined.

Benefits:

Increasing the EITC has proven to reduce poverty for targeted groups. Rigorous studies of the EITC indicate a \$1000 increase leads to a 7.3 percent increase in employment, fewer children having to receive public health insurance coverage, and even larger reductions in the obesity rate in rural communities.

This credit incentivizes and rewards work, assists people to leave public assistance and remain employed, and encourages people to increase work hours so that they can take advantage of the EITC. Working families that have children have increased cost for childcare, clothing, and food. Increasing the EITC for those with children would provide that extra bit of help.

I ask you to consider of the billions of dollars that this state spends on tax credits, are there any that better serve working families or are better at pumping money into local economies?

I am sure you will agree that the answer is a resounding NO.