

Testimony in support of HB4144 before House Revenue Committee

My name is Jess Daly. I am a PSU Master of Public Policy Candidate. I work with Beverly Stein at the National Policy Consensus Center to support the Oregon Business Council Poverty Task Force. I have been researching the EITC over the last year.

Oregon is very last in EITC participation by eligible residents- critically underutilizing the EITC. We need HB4144 to create a collaborative arena where we can address the implementation of the EITC. Seventy-three percent utilization is not good enough. We have 49 states to learn from and we need to work together to find solutions. We need this legislation to insure all relevant agencies are held accountable to improve the situation and that they work in partnership with each other and with the private and non-profit sectors.

The federal government taxes Oregon's low-income workers but it is up to them to get their money back by claiming the EITC on their taxes. Because of the nature of the credit, even those with no tax liability need to file taxes to reclaim their money. This is confusing and we suspect it leads to the underutilization of the credit. This process requires knowledge of and access to tax filing rules to get those dollars back. Without this knowledge, assets are kept out of reach of our poorest workers and Oregon's economy is deprived of over \$124 million of federal dollars. This is not acceptable in a state where 45 percent of children live in low-income households and over 600,000 people live in poverty.^{2,6,7}

Oregon is experiencing economic growth at rates higher than the national average, yet we have more people living in poverty than during the height of the 08-09 recession.⁶ Studies at the National Bureau of Economic Research and The Economic Policy Institute have shown that EITC lifts over half the children whose families receive the credit out of poverty.^{4,5} Information from the Brookings Institute shows that EITC dollars are generally spent in the local region on immediate needs- San Antonio estimated that \$1 from the EITC yields \$1.58 in local economic activity.¹ This legislation is needed to assure that over 100,000 families and millions of federal dollars do not slip through our fingers.⁷

Researching the EITC over the last year, we suspect that a major reason for families failing to get their EITC refunds is because they are not aware they can actually get money back by filing taxes. Last month the Oregon Business Council Poverty Task Force, with the assistance of Cash OR, initiated a campaign to encourage businesses to insert a link on their websites that leads to an IRS approved on-line form to file taxes for free. We have secured agreements to promote the EITC from PGE, NWNG, Pacific Power, the Public Power Association, the Portland Water Bureau, and the Rural Electric Co-ops. This just touches the surface of the opportunities to increase the number of eligible families who file for their EITC. The OBC Poverty Task Force is ready to assist in increasing the utilization of the EITC.

The millions of federal dollars we are losing could be flowing into local economies, and significantly reducing the burden of poverty to individuals and families and to state programs. It has become clear that in order to reach the 27% of families and individuals who fail to claim the credit we need a vigorous effort across public, private and non-profit sectors.

Many of the individuals we are trying to reach have direct contact with the state departments designated to participate in the task force recommended in this bill. Currently the state is not using any of the electronic resources provided for free by the IRS to promote the EITC, and has taken few steps to increase awareness of the credit. We believe it is due to lack of recognition and clarity about who is in charge of advocating for the implementation of the EITC—reluctance by some state agencies to participate in its promotion, and an aggressive outreach and tax assistance plan that engages the entire community.

Accountability and action is the answer. We need a direct route of information from state agencies to Oregonians in order to fix this problem. There are many organizations across sectors that are willing to work together with the state to help Oregonians rebound out of poverty. We need HB4144 to help fix an unacceptable hole in our safety net. Please pass HB4144.

Thank you for the opportunity to testify.

References

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