

Testimony in Support of HB 4110: Raising Oregon's EITC % for families with young children

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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 and we are very please to see this issue come before the legislature.

Costs in early childhood care and education are increasing to levels on par with university tuition. The EITC is a powerful tool and the small increases proposed here today have the potential to bring more than three times their weight in federal dollars into our state. In order to claim the state credit, you must also claim the federal credit. In 2014 the federal EITC brought over \$570 million dollars into Oregon, and it's only being claimed by 73% of the people who qualify. Increasing the credit for families could increase our overall utilization, as it has in other states like MN and WI.

The EITC is found to reduce poverty overall.

- 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.^{8,9}
- EITC was shown to relieve stress and mental health related issues, especially for single mothers.⁵
- Pregnant women who receive EITC are less likely to have low birth weights and therefore EITC was assumed to alleviate later developmental problems that can be a result of low-birth weight.⁵
- An increase in the EITC was also associated with lower rates of abortion. The research suggests this is due to less pregnancies caused by a change in sexual behavior, *not* an increase in births.⁷
- Sixty percent of EITC claims go to single filers with children.⁸
- Notably, children of color whose parents receive the EITC experience a 30% reduction of poverty levels.³

The National Center for Children in Poverty at Columbia University examined issues in states like Oregon. They recommend substantially increasing EITC for families living in poverty who are most adversely affected by aging or inconsistent tax codes. The EITC is the only mechanism in place that can really adjust the tax burden of those in Oregon who are living below the federal poverty line. Unfortunately, the income tax brackets in Oregon haven't been evaluated since 1987. As inflation increases, this places an increasingly disproportionate burden, not just on low-income workers, but their children as well. Oregon is 1 of only 5 states that experience this phenomena.⁶

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 This legislation is especially important in a state where 45 percent of children live in low-income households and

over 600,000 people live in poverty.^{12,3} 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

The adverse effects of poverty on very young children may have more intense developmental consequences than on older children. School readiness studies from Harvard found the EITC and a similar Canadian credit to have multiple positive impacts on child academic achievement; the benefits were both academic and social. This impact seems to increase the earlier in life the child's family receives the credit.⁴

Oregonians are critically underutilizing the EITC. Some states (MN, WI), use tiered systems providing higher percentages to families and individuals with young children. These states experience higher utilization rates (both hovering between 78-80%). Among states with a refundable credit, the average value is 21.3% of the federal credit.^{10, 11}

Thank you for the chance to share this information about the myriad of benefits offered by a tiered EITC system. Please pass HB4110

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