

**Statement of Janet Bauer, Policy Analyst
in Support of SB 398-A
House Committee on Business and Labor
May 1, 2017**

The Oregon Center for Public Policy (OCPP) supports Senate Bill 398-A and its effort to increase the use of the Earned Income Tax Credit (EITC) among eligible working families in Oregon.

The EITC helps hundreds of thousands of low-income families in Oregon lift themselves out of poverty and toward self-sufficiency. Research shows children in families receiving the EITC are healthier, perform better in school, and have higher earnings as adults.

Unfortunately, Oregon consistently has one of the lowest EITC participation rates when compared to other states. Internal Revenue Service (IRS) data indicates Oregon had the 3rd worst rate in 2013, with only Colorado and the District of Columbia faring worse (in 2012, Oregon was dead last in the nation). In 2013, Oregon's participation rate was about 74 percent, meaning that one in four working Oregonians who are eligible for this significant tax subsidy are not claiming it.

This poor participation adds up to real money. OCPP estimates that Oregon workers eligible for the EITC, but not claiming it, left \$130 million on the table in 2013.¹

Boosting participation would help Oregon's economy. Millions in federal dollars would flow to the state with much better participation. Second, working families who get the EITC tend to spend their dollars locally, not save them or invest them out of state.

Our state can and should do more to promote the EITC and ensure more Oregonians are benefiting from this important work subsidy. SB 398-A takes an important step in increasing the use of the EITC by informing working Oregonians about their potential eligibility for the state and federal tax credits through a notice sent annually with W-2 forms.

Even with SB 398-A, more will need to be done to address Oregon's low participation rate. It is clear that state agencies will need to work collaboratively with each other and with local groups for Oregon to see an enduring boost in EITC use. And ultimately, a single state agency will need to be responsible for making sure eligible Oregonians are using the credit. SB 398-A is an important step on the road to improvement.

We respectfully urge your support of SB 398-A.

¹ *Oregon's Low EITC Participation Leaves Over \$100 Million Unclaimed*, Oregon Center for Public Policy, January 27, 2017, available at <http://www.ocpp.org/2017/01/24/fs20170124-oregon-eitc-participation-use-rate/>.