



Partners *for a*
Hunger-Free Oregon

Ending hunger before it begins.

To: House Committee on Business and Labor
From: Matt Newell-Ching, Public Affairs Director
Subject: Support SB 398 to strengthen Oregon's EITC participation rate
Date: May 1, 2017

We envision an Oregon that is hunger-free, healthy and thriving.

The Earned Income Tax Credit (EITC) helps make that a vision a reality for many working families in Oregon. It is one of the most successful anti-poverty programs in the United States. **Along with the Child Tax Credit, the EITC lifts 129,000 Oregon households out of poverty every year.** It supports work by providing tax credits on a sliding scale based on income and the size of the household.

The long-term benefits of the EITC are well-documented. Kids who are in families that receive EITC perform better on tests. This leads to higher earnings and employment rates when kids become adults. **One study showed that each dollar invested in EITC results in a child's future earnings increasing by more than one dollar.**

For an individual family, the EITC is most often used to help with life's essentials, such as a home repair, a security deposit for a safer apartment, fixing a car that is used to get to work, or to help pay for classes to secure a higher-paying job. It also reduces toxic stress in households, which is a social determinant of health for families and kids.

For families that currently receive the EITC, this is good news. The bad news is that **Oregon's EITC participation rate is the third-lowest in the nation, at 74 percent¹.** That means about 88,000 working families in Oregon failed to claim the credit. A conservative estimate puts the loss to Oregon at \$130 million in unclaimed credits left on the table.

SB 398 is a good start to fixing this. It would connect working Oregonians who may be eligible with information about EITC to be shared on a worker's W-2 form.

In addition, we would like to explore other ideas that could lead to a higher participation rate, such as how state agencies that administer means-tested programs can play a role in notifying clients of potential eligibility.

¹ *Oregon's Low EITC Participation Leaves over \$100 million unclaimed*; Oregon Center for Public Policy, January 24, 2017. <http://www.ocpp.org/2017/01/24/fs20170124-oregon-eitc-participation-use-rate/>