

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 4028 - 11

79th Oregon Legislative Assembly – 2018 Regular Session
Legislative Fiscal Office

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Date:

Measure Description:

Limits expenses for which dependent care income tax credit may be claimed to lesser of each spouse's income on joint return and to earned income taxable by Oregon.

Government Unit(s) Affected:

Department of Revenue (DOR)

Summary of Expenditure Impact:

Costs related to the measure are anticipated to be minimal - See explanatory analysis.

Analysis:

The Working Family Household and Dependent Care credit (WFHDC) is a refundable credit against personal income tax. It is designed to reimburse low to moderate income taxpayers for dependent care expenses. Qualifying dependent care expenses are currently limited to earned income and \$12,000, if the taxpayer has one qualifying individual, or \$24,000 if the taxpayer has two or more qualifying individuals. This bill makes technical fixes to the credit qualifications and calculations. The bill also allows students to qualify for the credit, using a different calculation. Earned income is imputed to the students based on the number of months they attend school. There is no requirement that a student have earned income to qualify for the credit.

The Department of Revenue (DOR) estimates that allowing students to claim the credit will result in 3500 new personal income tax returns filed with the department. Returns claiming this credit are frequently reviewed by DOR to confirm eligibility. The additional workload may mean that taxpayers claiming this credit will experience longer wait times for their returns to process. DOR will also need to update their forms and instructions, write rules and modify their computer system to accommodate the changes, which is a normal part of the agency's approved budget.

This fiscal impact of this bill is minimal. If the cumulative fiscal impact of multiple measures of a similar nature begins to materially affect the agency's ability to fulfill its statutory responsibilities, DOR may need to request additional funding through the budget process.