

SB 203 STAFF MEASURE SUMMARY

Senate Committee On Workforce

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Sub-Referral To: Joint Committee On Tax Expenditures

Meeting Dates: 2/26, 3/7

WHAT THE MEASURE DOES:

Extends sunset of Oregon earned income tax credits from January 1, 2020 to January 1, 2026.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The federal earned income tax credit was enacted in 1975 as a temporary refundable credit “to offset the effects of the Social Security tax and rising food and energy costs on lower income workers and to provide a work incentive for parents with little or no earned income.” The Oregon earned income tax credit was created in 1997 at a rate of five percent of the federal credit. It was initially nonrefundable, but in 2006 it became refundable. The percentage was increased to six percent in 2008 and to eight percent in 2013. In 2016, the percentage was increased to eleven percent for taxpayers with a dependent under the age of three. The credit is scheduled to sunset on January 1, 2020. Senate Bill 758 extends the sunset until January 1, 2026.

According to the State of Oregon Tax Expenditure Report: 2019-21 Biennium, the earned income tax credit for tax years 2017-2019 had a revenue impact of \$103,600,000. Of the approximately \$46.2 million claimed for 2016, \$26.6 million was used to reduce tax liability, while the remaining \$19.6 million exceeded tax liability and was refunded directly to taxpayers.