

HB 3028 A STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 5/6

WHAT THE MEASURE DOES:

Extends sunset for Oregon earned income tax credit from January 1, 2020 to January 1, 2026. Applicable to tax years 2020 through 2025, increases Oregon earned income tax credit from 8% to 12% of federal earned income tax credit. For taxpayers with a dependent under the age of three at the close of the tax year, increases Oregon credit percentage from 11% to 18% of federal earned income tax credit. For taxpayers with a youngest dependent three years of age or older and under six years of age at the close of the tax year, increases Oregon credit percentage from 8% to 15% of federal earned income tax credit. Allows an eligible resident individual to claim a credit using either a Social Security Number or an individual taxpayer identification number if the individual would otherwise be eligible for an earned income tax credit under federal law. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Taxpayers allowed to claim the federal earned income tax credit (EITC) are allowed an Oregon earned income tax credit (OEITC) equal to either 8% or 11% of the federal credit amount allowed for the corresponding tax year. To claim the 11% credit, an Oregon taxpayer must have a dependent under the age of three at the close of the tax year. The OEITC is a refundable credit, meaning the credit is first used to reduce a taxpayer's tax liability potentially to zero with any remaining credit amount allowed being paid to the taxpayer in the form of a tax refund.

As Oregon's credit is a percentage of the federal credit, Oregon's credit inherently reflects the design of the federal EITC. Under current law, if a primary taxpayer, spouse, or both have Individual Taxpayer Identification Numbers (ITINs), they are ineligible to receive the EITC, even if their dependents have valid social security numbers (SSNs). If the taxpayer and spouse (if filing jointly) have valid SSNs, only dependents with valid SSNs qualify to receive the EITC.