



## Statement of Support for HB 2164

Testimony by Sarah Adams, before Joint Committee on Tax Expenditures

June 11, 2019

Members of the committee, I am Sarah Adams, executive director for CASH Oregon where we work to expand access to and maximize the impact of the Earned Income Tax Credit (EITC). Last year, volunteer income tax services in Oregon prepared 50,000 tax returns, generating over \$50 million in refunds, an amount maximized by an additional \$12.5 million through savings on preparation fees. Thank you for the opportunity to speak with you about the importance of the EITC and why we should renew and raise it in Oregon.

### **Refundable credits work for low wage earners.**

Generally, the value of a tax deduction is directly tied to your tax bracket. For example, a \$1000 deduction for a taxpayer reaching the 35% tax bracket has a \$350 value, compared to only \$100 for someone in 10% tax bracket. This means the wealthiest taxpayers benefit disproportionately from the tax code with the top 1% receiving more benefits from tax code subsidies than the bottom 80% combined<sup>1</sup>.

Refundable credits, on the other hand, are uniquely positioned to impact lower-wage earners the most; generating refunds when tax deductions may offer limited to no benefit. About 80% of refundable tax credits go to households in the bottom three income quintiles<sup>2</sup>.

### **Greater inherent equity in refundable credits.**

Our history of racism in the United States, and in Oregon, has intentionally excluded communities of color from economic prosperity with reduced access to capital to grow wealth, and increased de-investment in communities. Exclusion from economic prosperity harms children and in particular, African American and Latino children who live in poverty at nearly three times the rate as for white children<sup>3</sup>.

State EITC benefits are impacted by race in a way that helps mitigate this history of exclusion. The Carsey School of Public Policy found that 0.7% of Latino headed households were lifted out of poverty, compared to 0.2% of White households<sup>4</sup>. State EITC programs work, and Oregon's

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<sup>1</sup> Ezra Levin et al., *From Upside Down to Right Side Up: Redeploying \$540 Billion in Federal Spending to Help All Families Save, Invest, and Build Wealth* (Washington, DC: CFED, 2014), 6, [http://cfed.org/assets/pdfs/Upside\\_Down\\_to\\_Right-Side\\_Up\\_2014.pdf](http://cfed.org/assets/pdfs/Upside_Down_to_Right-Side_Up_2014.pdf).

<sup>2</sup> Toder, Berger, and Zhang. *Distributional Effects of Individual Income Tax Expenditures: An Update*, 2016. <https://www.taxpolicycenter.org/sites/default/files/publication/134396/2000945-distributional-effects-of-individual-income-tax-expenditures-an-udate.pdf>

<sup>3</sup> Annie E Casey Foundation, *Kids Count Data Book, State Trends in Child Well-Being* (2016). <http://www.aecf.org/m/resourcedoc/aecf-the2016kidscountdatabook-2016.pdf#page=23> Child poverty rates by race: African American (38%), American Indian (36%), Hispanic (32%), White (13%).

<sup>4</sup> Gagnon, Mattingly, Schaefer, *State EITC Programs Provide Important Relief to Families in Need*, (2017), [https://carsey.unh.edu/publication/eitc-relief?utm\\_source=2017\\_02\\_28\\_gagnon&utm\\_campaign=2017\\_02\\_28\\_Gagnon&utm\\_medium=email](https://carsey.unh.edu/publication/eitc-relief?utm_source=2017_02_28_gagnon&utm_campaign=2017_02_28_Gagnon&utm_medium=email)

proposal to end the exclusion of families with ITINs will further address racial disparities in child poverty rates.

It is hard to overstate the value of the EITC to the clients with whom we work. Every year we hear how tax refunds are offering opportunities to: access medical care; stabilize housing; establish a new business; pay down debts; and grow savings. Together, these opportunities grow financial resiliency in our communities.

**We urge the legislature to invest in working families by raising Oregon's Earned Income Tax Credit in HB 2164.**