

HB 3357 STAFF MEASURE SUMMARY

House Committee On Revenue

Action Date: 05/23/19

Action: Do pass. Refer to Tax Expenditures.

Vote: 6-1-0-0

Yeas: 6 - Findley, Hernandez, Marsh, Nathanson, Reschke, Smith G

Nays: 1 - Smith Warner

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

Prepared By: Kyle Easton, Economist

Meeting Dates: 4/1, 5/23

WHAT THE MEASURE DOES:

Modifies and expands provisions of working family household and dependent care expenses income tax credit. Requires a nonmarried taxpayer to attend school as an enrolled degree seeking student in order to claim credit. For purposes of determining employment-related expenses, limits expenses to the least of: combination of earned income taxable by Oregon and reportable on the taxpayer's return and imputed income, lesser amount attributable to either spouse of the combination of the spouse's imputed income and the spouse's earned income subject to taxation by Oregon. For purposes of calculating credit percentage, provides imputed income for a student claiming the credit. For students with adjusted gross income as a percentage of federal poverty level less than 110 percent, calculates credit to equal greater of: standard credit calculation, or product of: applicable percentage corresponding to an adjusted gross income percentage of 110 percent, multiplied by: lesser of: expenses for care of a qualifying individual or imputed income, and school ratio. Specifies school ratio equal to 100 percent for a month when a student is a full-time student or 70 percent when student is a part-time student. Modifications to credit effective for tax years 2019 through 2021. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Potential costs
- Background on credit creation, current credit is a combination of two former credits
- Providing benefits to college students with children, both full and part-time students
- Impact of housing market on students, especially part-time community college students
- Tax credits, ability to pay for and options for narrowing policy to limit costs
- Looking at return on investment of credit, attempting to quantify benefits.

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The working family household and dependent care expenses tax credit was created in 2015 through the merging of two former credits, the working family child care and dependant care tax credits. A similar federal child and dependent care credit exists, however, the federal credit is generally more limited than Oregon's credit. The working family household and dependent care expenses credit is a refundable personal income tax credit that is allowed for low and middle income families with employment related dependent care expenses. The amount of the credit is a function of: employment related expenses required for care of a qualifying individual, taxpayer's earned income, and age of youngest qualifying individual. In 2016, the credit was claimed by about 35,000 taxpayers with an average claimed amount of nearly \$1,100.