

## **SB 146 STAFF MEASURE SUMMARY**

### **Senate Committee On Human Services, Mental Health and Recovery**

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**Prepared By:** C. Ross, Counsel

**Sub-Referral To:** Joint Committee On Tax Expenditures

**Meeting Dates:** 3/25, 4/1

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#### **WHAT THE MEASURE DOES:**

Continues refundable tax credit for employment-related household services and dependent care expenses from January 1, 2022 to January 1, 2028.

#### **ISSUES DISCUSSED:**

- Tax credit review process; Legislative Revenue Office's Research Report No. 2-21
- Overview of this credit, which resulted from work accomplished during the previous tax credit review process
- Longstanding tax credits that are not about incenting behavior, that meet their purpose continuously
- Importance of credit to target population; value statement that recognizes and respects circumstances of target population
- Providing credit for actual expenses; scaling highest credit amount for eligible households with greatest need

#### **EFFECT OF AMENDMENT:**

No amendment.

#### **BACKGROUND:**

In 2015 the Legislative Assembly allowed two tax credits to expire (the Child and Dependent Care tax credit and the Working Family Child Care tax credit) and enacted House Bill 2116 instead, creating a refundable tax credit for employment-related household services and dependent care expenses, tied to the federal tax credit for Child and Dependent Care and raising the limit on allowable expenses. It is referred to as the tax credit for Working Family Household and Dependent Care and its purpose is to offset the costs of dependent care for low-income taxpayers who are working or attending school full-time, in concert with other policies. (Research Report No. 2-21, *Tax Credit Review: 2021 Session*, Legislative Revenue Office, January 28, 2021, pp. 24 - 33.)

An Oregon taxpayer that qualifies for the federal tax credit for Child and Dependent Care, qualifies for the state refundable tax credit for employment-related household services and dependent care expenses, in an amount calculated based on the taxpayer's federal adjusted gross income (AGI) using a table of percentages of the federal poverty level adjusted for family size. Taxpayers with a federal AGI more than 300 percent of the federal poverty level are excluded. The credit is currently scheduled to expire January 1, 2022.

Senate Bill 146 continues the employment-related household services and dependent care tax credit until January 1, 2028.