

HB 2721 STAFF MEASURE SUMMARY

House Committee On Human Services

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Sub-Referral To: House Committee On Revenue

Meeting Dates: 3/8, 4/5

WHAT THE MEASURE DOES:

Allows working family household and dependent care income tax credit to be claimed for expenses to allow taxpayer or spouse to attend school only as an enrolled degree-seeking student for tax years beginning on or after January 1, 2020, and before January 1, 2022.

Limits the employment-related expenses for which a credit is claimed to amount of the combined earned income taxable by Oregon and reportable on the taxpayer's return and imputed income, or the 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.

Specifies how to calculate the allowed amount of credit applicable to the degree-seeking student.

Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Working Family Household and Dependent Care (WFHDC) credit is a refundable personal income tax credit available to low and middle income households with employment related dependent care expenses. Credit amount is determined by applying a credit percentage multiplied by the amount of qualified employment related expenses. Qualified expenses are expenses paid by the taxpayer for household services and/or care of a qualifying individual that allow the taxpayer to work, seek work, or attend school on a full-time or part-time basis (part-time only applicable to an unmarried taxpayer).

The Working Family Household and Dependent Care credit was created in 2015 by combining two credits that were reviewed by the 2015 Legislature. The House Committee on Housing and Human Services led the credit review. The policy decision of the committee was to take no action regarding the sunset extensions for the Child and Dependent Care and Working Family Child Care credits. Rather, the committee chose to create the WFHDC credit which incorporated many underlying policies of the two credits allowed to sunset.

For taxpayers filing jointly, if either taxpayer is enrolled as a full-time student then an income amount is imputed for the student equal to \$250 per month or \$500 per month (if two or more qualifying individuals are cared for). As qualified expenses are limited to the least of either spouse's earned income, the imputed income allows taxpayers to receive credit benefit in instances where a spouse is a full-time student with little to no earned income (the imputed income is treated as an earned income floor for credit calculation purposes). Non-married taxpayers who attend school full or part-time may qualify for the credit, but no imputed income is included as earned income.

House Bill 2721 permits taxpayers and/or their spouses to attend school as enrolled degree-seeking student and claim that as an expense for the Working Family Household and Dependent Care credit and limits the expenses

and provides guidelines for calculation of applicable credit.

PRELIMINARY