

Chair: Rep Williams

Vice-Chair: Rep Leif
Rep Ruiz

Staff:
Iva Sokolovska, Committee Analyst
Cameron Engle, Committee Assistant

Members:
Rep Noble
Rep Owens
Rep Sanchez
Rep Schouten



81st LEGISLATIVE ASSEMBLY
House Committee on Human Services
State Capitol
900 Court St. NE, Rm. 453
Salem, OR 97301

To: Representative Nathanson, Chair, House Committee on Revenue
From: Chair Williams
Date: April 5, 2020
Subject: HB 2444 – Extends through January 1, 2028, the tax credit for child with disability for taxpayers with a federal adjusted gross income not exceeding \$100,000.

The House Committee on Human Services heard HB 2444 and recommends passage. If passed, this bill extends through January 1, 2028, the tax credit for child with disability for taxpayers with a federal adjusted gross income not exceeding \$100,000.

Below are responses to questions posed by Rep. Nathanson, in a memo distributed to the House Policy committee chairs on February 4, 2021 and the Legislative Revenue Office's [Research Report #2-21](#), Tax Credit Review: 2021 Session. The responses are based upon the report's findings and the [name] Committee's deliberations.

1. What is the public policy purpose of the tax expenditure?
 - Provide financial relief and offset costs associated with a child's disability.

2. What is the expected timeline to achieve the policy goal?
N/A

3. Who are the direct beneficiaries?
 - Taxpayers with adjusted gross income (AGI) up to \$100,000 are allowed an additional personal exemption credit for each dependent child who meets a statutory definition of disabled. In 2018, 19,440 Oregon taxpayers claimed this credit.

4. Is it an effective and efficient way to achieve the policy goal?

- Research on the topic yields two approaches to tax expenditures related to disabilities. The first approach focuses on the idea that tax expenditures for disabilities should focus on the differences in the ability-to-pay between disabled and non-disabled individuals (Seto & Buhai, 2006), posing that the low utilization of the federal tax credit for the elderly or disabled indicates that it should be repealed. With this approach, credits for the costs of in-home care are more beneficial to individuals with disabilities and a more equitable approach to structuring tax expenditures would be a focus on credits or deductions specifically for costs incurred due to a disability.
- Other research has focused on the use of refundable tax credits (Phillips, 2001). This approach advocates for switching from non-refundable tax credits to refundable tax credits will more effectively meet the needs of the disabled and posits that income exclusions and deductions are most valuable to taxpayers with higher incomes. The advantage of using the tax system as a benefit delivery system would more socially desirable compared to direct payment welfare programs, and tax-based programs would help shift health consumption toward a more privatized, home-based model of caregiving. However, there are certain drawbacks including the lack of a direct budget allocation and less flexibility in meeting specific needs of the disabled.
- This tax credit helps offset costs relating to having a disability, but it does not apply to low-income disabled Oregonians who don't have a tax liability, since the credit is not refundable.

5. What information is available from other states with a similar policy?

- Other states do have similar tax credits. Some states leverage the federal disabled tax credit in a manner similar to Oregon's tax credit.

6. Are there suggested changes to make the tax expenditure more effective or efficient?

- No changes suggested during discussions in the House Committee on Human Services.

7. What other direct and indirect expenditures does Oregon make to achieve the same or similar policy goal?

- The Aging and People with Disabilities and the Intellectual and Developmental Disabilities programs serve individuals that may also benefit from the tax credit.

8. Would a direct appropriation be more efficient?

N/A

9. What other kinds of incentives might achieve a similar policy goal?

- The Aging and People with Disabilities and the Intellectual and Developmental Disabilities programs serve individuals that may also benefit from the tax credit. Aging and People with Disabilities and its partners provide services for seniors and adults with physical disabilities. The Intellectual and Developmental Disability program serves more than 28,000 people (8,650 children and 19,420 adults) with intellectual and developmental disabilities throughout their life

span. This program's mission is to help individuals be fully engaged in life and, at the same time, address critical health and safety needs.

- There is also a federal tax credit for individuals with disabilities.

10. What are the consequences of allowing the tax expenditure to sunset?

- Taxpayers with adjusted gross income up to \$100,000 will no longer be allowed an additional personal exemption credit for each dependent child who meets a statutory definition of disabled, for example, \$214 in 2021.