

HB 2623 STAFF MEASURE SUMMARY

House Committee On Early Childhood and Human Services

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Sub-Referral To: Joint Committee On Tax Expenditures

Meeting Dates: 2/22, 3/27

WHAT THE MEASURE DOES:

Creates income tax credit of \$3,000 to \$5,000 for resident and nonresident employee of certified child care facility located in rural area. Provides that amount of tax credit depends on distance between child care facility and largest city in qualified metropolitan statistical area. Specifies that eligible employee must work at least 600 hours at facility that provides minimum training hours and has been certified by the Office of Child Care. Defines "rural area" as area outside of urban growth boundary of city with population greater than 30,000. Allows amount of credit to be prorated according to changes in taxpayer status or taxable year. Applies to tax years from 2024 to 2030. Takes effect on 91st day following adjournment sine die.

REVENUE: *Revenue impact issued*

FISCAL: *May have fiscal impact, but no statement yet issued*

ISSUES DISCUSSED:

- Shortage of child care workforce
- Number of potential tax credit recipients
- Costs and travel time faced by rural child care workers

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

A tax credit is a reduction in the amount of taxes owed to the State of Oregon, which may include both income and excise taxes owed by individuals and corporations. Tax credits are also considered "tax expenditures" because they represent foregone revenue by the state, essentially an expenditure, enacted in order to achieve a policy objective. Oregon law provides for several types of tax credits that are designed to incentivize certain behavior or alleviate pressures faced by taxpayers. One example is a tax credit of \$3,000 to \$5,000 for individuals who provide medical care in rural parts of the state.

Access to affordable child care is a challenge in all regions of Oregon. The effects of the COVID-19 public health emergency, when many child care providers were ordered to temporarily close, have also had a lasting impact on the supply of child care. According to a [2020 report](#) by Oregon State University's College of Public Health and Human Sciences, all 36 counties in Oregon meet the definition of a "child care desert" for infants and toddlers, meaning that there are more than three children for each available child care slot in the community. 25 Oregon counties are also child care deserts for preschool-age children. According to a [2019 report](#) on the state of Oregon's child care workforce, the median wage for teachers and head teachers in center-based child care facilities was between \$12.91 and \$18.00 per hour. In 2023, the minimum wage in Oregon's non-urban counties is \$12.50 per hour.

House Bill 2623 creates an income tax credit for employees of rural child care facilities.