

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 3235 - A12**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Creates refundable child tax credit, calculated based on number of dependents of taxpayer that are qualifying children with respect to taxpayer and are under six years of age at close of tax year.

Government Unit(s) Affected:

Department of Revenue

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

	2023-25 Biennium	2025-27 Biennium
Department of Revenue		
General Fund		
Personal Services	\$904,118	\$1,908,170
Services and Supplies	\$346,443	\$244,945
Total General Fund	\$1,250,561	\$2,153,115
Other Funds*		
Personal Services	\$18,451	\$38,944
Services and Supplies	\$7,070	\$4,999
Total Other Funds	\$25,521	\$43,943
Total Fiscal Impact	\$1,276,082	\$2,197,058
<i>Total Positions</i>	8	12
<i>Total FTE</i>	5.66	11.50

Analysis:

HB 3235-A12 creates a new refundable credit for personal income tax returns for filers with a dependent under the age of six years old. The refundable credit is \$1,000 per qualifying dependent. Both full-time and nonresident or part-year residents are eligible for the credit. Income thresholds and the credit calculation will be adjusted annually based on the cost of living using the Consumer Price Index. The credit applies to tax years on or after January 1, 2023, and before January 1, 2029.

Department of Revenue (DOR) is directed to establish by rule a process to make quarterly payments for taxpayers subject to the provisions of the measure. Additionally, DOR is directed to establish a system that allows taxpayers to reject quarterly payments and submit updated information on qualifying children. By January 31, DOR must provide taxpayers who received payments for this credit with a written notice detailing the aggregate amount of payments made to the taxpayer for the previous calendar year. The measure requires DOR to regularly review and reconcile payments and prescribes requirements for this process.

The Department of Human Services (DHS) is required to request a federal waiver to exclude distributions of advance credit payments when determining eligibility for supplemental nutrition assistance (SNAP). DHS must report on the status of the waiver request by September 15, 2024 and annually thereafter until the United States Department of Agriculture issues a decision on the request.

The measure is effective on the 91st day following sine die.

The fiscal impact of the measure on DOR for the 2023-25 biennium is \$1,276,082 Total Funds (\$1,250,561 General Fund) and eight positions (5.66 FTE). Costs increase to \$2,197,058 Total Funds (\$2,153,115 General Fund) for the 2025-27 biennium as positions increase to 12 and FTE increases to 11.50 FTE total.

To implement the measure, the following full-time permanent positions are anticipated for the 2023-25 biennium:

- One permanent full-time Operations and Policy Analyst 2 position (0.88) to conduct outreach and education to raise awareness of the new credit among taxpayers.
- Four permanent full-time public service representative 3 positions (0.79 FTE each) to process the anticipated increase in taxpayer and financial institution questions and communications.
- One permanent full-time Revenue Supervisor 2 position (0.79 FTE) to maintain staffing ratios.
- Two permanent full-time Administrative Specialist 2 position (0.83 FTE total) to validate credit compliance on tax returns.

In addition to the positions above, the following full-time permanent positions are anticipated for the 2025-27 biennium:

- One Revenue Agent 1 position (0.75 FTE) to process the anticipated increase in requests received through Revenue online.
- One Administrative Specialist 2 position (1.00 FTE): to validate credit compliance on tax returns.
- One Accountant 2 position (0.88 FTE) to complete financial reporting and reconciliation.
- One Accountant 3 position (0.88 FTE) to complete financial reporting and reconciliation.

Direct deposit refunds, paper check refunds and accompanying letters are projected to have a biennial cost of \$103,100 General Fund. System updates to comply with the measure will require approximately 1,300 hours of work with a one-time cost of approximately \$264,800 General Fund.