House Bill 2811

Sponsored by Representatives VALDERRAMA, REYNOLDS, GRAYBER; Representative PHAM K, Senators DEMBROW, JAMA (at the request of Daniel Hauser) (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure as introduced.

Creates refundable child tax credit based upon percentage of federal child tax care credit, as applicable to tax years beginning on or after January 1, 2021, and before January 1, 2022.

Applies to tax years beginning on or after January 1, 2024, and before January 1, 2030.

Directs Department of Revenue, in collaboration with Department of Human Services, to make installment payments to personal income taxpayers of estimated amount of majority of child care credit.

Applies to tax years beginning on or after next January 1 following receipt of federal approval necessary to exclude installment payments from benefit eligibility determinations, and before January 1, 2030.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to a child tax care credit; creating new provisions; amending ORS 314.840 and 316.502; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Section 2 of this 2023 Act is added to and made a part of ORS chapter 315.

SECTION 2. (1) In addition to any other credit available for purposes of ORS chapter 316, an eligible resident individual shall be allowed a credit against the tax otherwise due under ORS chapter 316 for the tax year in an amount equal to 10 percent of the child tax credit allowable to the individual for the same tax year under section 24 of the Internal Revenue Code, as amended and in effect on March 30, 2021, and as applicable to tax years beginning on or after January 1, 2021, and before January 1, 2022.

(2) An eligible nonresident individual shall be allowed the credit computed in the same manner and subject to the same eligibility requirements as the credit allowed a resident by subsection (1) of this section. However, the credit shall be prorated using the proportion provided in ORS 316.117.

(3) If a change in the tax year of a taxpayer occurs as described in ORS 314.085, or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the credit allowed by this section shall be prorated or computed in a manner consistent with ORS 314.085.

(4) If a change in the status of a taxpayer from resident to nonresident or from nonresident to resident occurs, the credit allowed by this section shall be determined in a manner consistent with ORS 316.117.

(5) If the amount allowable as a credit under this section, when added to the sum of the amounts allowable as payment of tax under ORS 316.187 or 316.583, other tax prepayment amounts and other refundable credit amounts, exceeds the taxes imposed by ORS chapters 314 and 316 for the tax year after application of any nonrefundable credits allowable for

NOTE: Matter in boldfaced type in an amended section is new; matter [italic and bracketed] is existing law to be omitted. New sections are in boldfaced type.

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purposes of ORS chapter 316 for the tax year, the amount of the excess shall be refunded to the taxpayer as provided in ORS 316.502.

(6) The Department of Revenue may adopt rules for purposes of this section, including but not limited to rules relating to proof of eligibility, the furnishing of information regarding the federal child tax credit claimed by the taxpayer for the tax year and policies and guidelines for the determination of the amount of credit allowed under subsection (1) of this section.

(7) Refunds attributable to the child tax credit allowed under this section do not bear interest.

SECTION 3. (1) The Department of Revenue, in collaboration with the Department of Human Services, shall distribute in monthly installments advance payments of the tax credit allowed under section 2 of this 2023 Act. The Department of Human Services shall:

(a) Distribute to eligible taxpayers an amount equal to the taxpayer's estimated credit for the tax year during which payments begin, reduced by an amount, established by the Department of Human Services by rule, not to exceed 20 percent of the total credit.

(b) Allow taxpayers to opt out of receipt of advance payments for first year of availability of credit, and annually thereafter, upon filing of the taxpayer's tax return. Taxpayers who subsequently opt out will not receive ongoing advance payments as provided in subsection (7) of this section.

(2)(a) Not later than March 30 of the year in which this section becomes operative under section 6 of this 2023 Act, the Department of Revenue shall provide to the Department of Human Services a list of taxpayers for the tax year ending on the preceding December 31:

(A) Who have filed a tax return on or before March 1 of the current year;

(B) Who have claimed a credit under section 2 of this 2023 Act; and

(C) Whose returns have been sufficiently processed by the Department of Revenue for the list to include the items described in paragraph (b) of this subsection.

(b) The list required under paragraph (a) of this subsection shall include, for each taxpayer:

(A) The amount of credit allowed to the taxpayer; and

(B) The taxpayer's name, address and tax identification number.

(3) Not later than two weeks after receiving the list from the Department of Revenue, the Department of Human Services shall provide notice, as described in subsection (6) of this section, to the individuals described in subsection (2) of this section that they are eligible to receive advance payments as described in this section.

(4) Not later than April 30 of the year in which this section becomes operative under section 6 of this 2023 Act, the Department of Human Services shall provide in electronic format to the Department of Revenue the names and tax identification numbers of, and the monthly disbursement amounts to, all taxpayers who have elected to receive advance payments for that year.

(5)(a) Beginning in July of the year in which this section becomes operative under section 6 of this 2023 Act, the Department of Human Services shall make six equal consecutive monthly payments to each eligible taxpayer. These monthly payments combined shall total 50 percent of the amount described in subsection (1) of this section. The remaining 50 percent shall be distributed to the taxpayer by the Department of Revenue in the following year, upon the taxpayer's claiming of a credit for the tax year under section 2 of this 2023 Act on
the taxpayer's return, but shall be subject to the reconciliation provided in section 4 (1) of this 2023 Act.

(b) Beginning in January of the year immediately following the year in which this section becomes operative under section 6 of this 2023 Act, and in each subsequent year, the Department of Human Services shall make 12 equal consecutive monthly payments to each eligible taxpayer. These advance payments shall be based on the taxpayer's child tax credit for the prior year. For the first six months of the year, the monthly payment amounts under this paragraph shall equal the monthly payment amounts for the final six months of the previous year. This amount shall be reconciled and modified, if necessary, for the final six months of the year, based upon information received by the Department of Revenue, including information on the taxpayer's return.

(6) The notice required under subsection (3) of this section shall include an explanation that the child tax credit payments shall be made in installments beginning in July of the current year, in compensation for expenses made in the current year and that participation shall require the taxpayer to claim the credits on the corresponding tax return and provide supporting documentation if requested by the Department of Revenue. The notice shall inform the taxpayer that the payments made under this section shall be in lieu of allowance of the credit upon filing for the current tax year and that the taxpayer may choose each year whether to receive advance payments.

(7) On or before March 1 of each year, any taxpayer who is currently receiving payments under this section may notify the Department of Human Services that the taxpayer no longer wishes to receive advance payments. This notice shall take the form prescribed by the Department of Human Services. The Department of Human Services shall discontinue, as of April 1 of the current year, payments to taxpayers who provide this notice and shall notify the Department of Revenue of this discontinuation. A taxpayer who has provided notice may not receive any further installment payments. As soon as practicable, the Department of Revenue shall review and reconcile the taxpayer's return, as provided in section 4 of this 2023 Act.

(8) In each year beginning after the year in which this section becomes operative under section 6 of this 2023 Act, the Department of Human Services and the Department of Revenue shall share the information described in subsections (2) to (5) of this section and shall adhere to the dates prescribed in subsections (2) to (5) of this section.

(9) The Department of Human Services may not consider payments made under this section as income when determining eligibility for:

(a) Temporary assistance for needy families under ORS 412.006;

(b) Medical assistance provided pursuant to 42 U.S.C. 1396a-1; or

(c) The Supplemental Nutrition Assistance Program under ORS 411.806 to 411.845.

(10) The Department of Human Services and the Department of Revenue shall by rule establish policies and procedures for the distribution of advance payments as provided in this section and section 4 of this 2023 Act.

SECTION 4. (1) The Department of Revenue, in reviewing the personal income tax returns of taxpayers receiving advance payments as described in section 3 of this 2023 Act shall:

(a) Confirm that, for the tax year during which payments began as provided under section 3 of this 2023 Act, the taxpayer has claimed a credit under section 2 of this 2023 Act;
(b) Reconcile the amounts claimed under paragraph (a) of this subsection against the amounts disbursed under section 3 of this 2023 Act; and

c) Determine whether there is a difference in amount claimed versus amount disbursed and assess a deficiency against the taxpayer or provide a refund.

(2) If a taxpayer who has received advance payments under section 3 of this 2023 Act does not claim a credit under section 2 of this 2023 Act, or does not provide sufficient substantiation of eligibility for the claimed amount, the Department of Revenue shall notify the taxpayer of any overpayment attributable to the installment payments made under section 3 of this 2023 Act.

(3) Upon notification by the Department of Revenue, the Department of Human Services shall discontinue payments to taxpayers under section 3 of this 2023 Act if the Department of Revenue discovers that the taxpayer:

a) Has moved out of this state since initially receiving payments under section 3 of this 2023 Act;

b) Has changed or is likely to change tax filing status; or

c) Is not reasonably likely to qualify for the tax credit under section 2 of this 2023 Act for the upcoming tax year.

(4) Except as otherwise provided in this section and section 2 of this 2023 Act or where the context requires otherwise, the provisions of ORS chapters 305 and 314 as to the audit and examination of returns, periods of limitation, determination of and notices of deficiencies, assessments, collections, liens, delinquencies, claims for refund and refunds, conferences, appeals to the Oregon Tax Court, stays of collection pending appeal, confidentiality of returns and the penalties relative thereto, and the procedures relating thereto, apply to the determinations of taxes, penalties and interest under this section and section 2 of this 2023 Act.

SECTION 5. The Child Tax Credit Program Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Child Tax Credit Program Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to the Department of Human Services for the purpose of making advance payments under section 3 of this 2023 Act.

SECTION 6. (1) The Department of Human Services shall seek, from the United States Department of Health and Human Services and the United States Department of Agriculture, any federal approval necessary to exclude the installment payments described in section 3 of this 2023 Act, in determining eligibility for temporary assistance for needy families under ORS 412.006, medical assistance provided pursuant to 42 U.S.C. 1396u-1 and the Supplemental Nutrition Assistance Program under ORS 411.806 to 411.845.

(2) The Department of Human Services shall immediately notify, in writing, the Legislative Counsel Committee upon receipt of any necessary approval or the denial of approval under subsection (1) of this section.

(3) Sections 3 and 4 of this 2023 Act and the amendments to ORS 314.840 by section 8 of this 2023 Act become operative on the January 1 following receipt of the necessary federal approval under subsection (1) of this section.

SECTION 7. ORS 316.502, as amended by section 13, chapter 115, Oregon Laws 2022, is amended to read:

316.502. (1) The net revenue from the tax imposed by this chapter, after deducting refunds and
amounts described in ORS 285B.630 and 285C.635, shall be paid over to the State Treasurer and held in the General Fund as miscellaneous receipts available generally to meet any expense or obligation of the State of Oregon lawfully incurred.

(2) A working balance of unreceipted revenue from the tax imposed by this chapter may be retained for the payment of refunds, but such working balance shall not at the close of any fiscal year exceed the sum of $1 million.

(3) Moneys are continuously appropriated to the Department of Revenue to make:
   (a) The refunds authorized under subsection (2) of this section; and
   (b) The refund payments in excess of tax liability authorized under ORS 315.174, 315.262, 315.264, 315.266 and 316.090 and section 3, chapter 589, Oregon Laws 2021, and section 8, chapter 115, Oregon Laws 2022, and section 2 of this 2023 Act.

SECTION 8. ORS 314.840 is amended to read:

314.840. (1) The Department of Revenue may:
   (a) Furnish any taxpayer, representative authorized to represent the taxpayer under ORS 305.239 or person designated by the taxpayer under ORS 305.193, upon request of the taxpayer, representative or designee, with a copy of the taxpayer's income tax return filed with the department for any year, or with a copy of any report filed by the taxpayer in connection with the return, or with any other information the department considers necessary.
   (b) Publish lists of taxpayers who are entitled to unclaimed tax refunds.
   (c) Publish statistics so classified as to prevent the identification of income or any particulars contained in any report or return.
   (d) Disclose a taxpayer's name, address, telephone number, refund amount, amount due, Social Security number, employer identification number or other taxpayer identification number to the extent necessary in connection with collection activities or the processing and mailing of correspondence or of forms for any report or return required in the administration of any local tax under ORS 305.620 or any law imposing a tax upon or measured by net income.

(2) The department also may disclose and give access to information described in ORS 314.835 to:
   (a) The Governor of the State of Oregon or the authorized representative of the Governor with respect to an individual who is designated as being under consideration for appointment or reappointment to an office or for employment in the office of the Governor. The information disclosed shall be confined to whether the individual:
       (A) Has filed returns with respect to the taxes imposed by ORS chapter 316 for those of not more than the three immediately preceding years for which the individual was required to file an Oregon individual income tax return.
       (B) Has failed to pay any tax within 30 days from the date of mailing of a deficiency notice or otherwise respond to a deficiency notice within 30 days of its mailing.
       (C) Has been assessed any penalty under the Oregon personal income tax laws and the nature of the penalty.
       (D) Has been or is under investigation for possible criminal offenses under the Oregon personal income tax laws. Information disclosed pursuant to this paragraph shall be used only for the purpose of making the appointment, reappointment or decision to employ or not to employ the individual in the office of the Governor.
   (b) An officer or employee of the Oregon Department of Administrative Services duly authorized or employed to prepare revenue estimates, or a person contracting with the Oregon Department of
Administrative Services to prepare revenue estimates, in the preparation of revenue estimates required for the Governor’s budget under ORS 291.201 to 291.224, or required for submission to the Emergency Board or the Joint Interim Committee on Ways and Means, or if the Legislative Assembly is in session, to the Joint Committee on Ways and Means, and to the Legislative Revenue Officer or Legislative Fiscal Officer under ORS 291.342, 291.348 and 291.445. The Department of Revenue shall disclose and give access to the information described in ORS 314.835 for the purposes of this paragraph only if:

(A) The request for information is made in writing, specifies the purposes for which the request is made and is signed by an authorized representative of the Oregon Department of Administrative Services. The form for request for information shall be prescribed by the Oregon Department of Administrative Services and approved by the Director of the Department of Revenue.

(B) The officer, employee or person receiving the information does not remove from the premises of the Department of Revenue any materials that would reveal the identity of a personal or corporate taxpayer.

(c) The Commissioner of Internal Revenue or authorized representative, for tax administration and compliance purposes only.

(d) For tax administration and compliance purposes, the proper officer or authorized representative of any of the following entities that has or is governed by a provision of law that meets the requirements of any applicable provision of the Internal Revenue Code as to confidentiality:

(A) A state;

(B) A city, county or other political subdivision of a state;

(C) The District of Columbia; or

(D) An association established exclusively to provide services to federal, state or local taxing authorities.

(e) The Multistate Tax Commission or its authorized representatives, for tax administration and compliance purposes only. The Multistate Tax Commission may make the information available to the Commissioner of Internal Revenue or the proper officer or authorized representative of any governmental entity described in and meeting the qualifications of paragraph (d) of this subsection.

(f) The Attorney General, assistants and employees in the Department of Justice, or other legal representative of the State of Oregon, to the extent the department deems disclosure or access necessary for the performance of the duties of advising or representing the department pursuant to ORS 180.010 to 180.240 and the tax laws of the state.

(g) Employees of the State of Oregon, other than of the Department of Revenue or Department of Justice, to the extent the department deems disclosure or access necessary for such employees to perform their duties under contracts or agreements between the department and any other department, agency or subdivision of the State of Oregon, in the department’s administration of the tax laws.

(h) Other persons, partnerships, corporations and other legal entities, and their employees, to the extent the department deems disclosure or access necessary for the performance of such others’ duties under contracts or agreements between the department and such legal entities, in the department’s administration of the tax laws.

(i) The Legislative Revenue Officer or authorized representatives upon compliance with ORS 173.850. Such officer or representative shall not remove from the premises of the department any materials that would reveal the identity of any taxpayer or any other person.

(j) The Department of Consumer and Business Services, to the extent the department requires
such information to determine whether it is appropriate to adjust those workers’ compensation
benefits the amount of which is based pursuant to ORS chapter 656 on the amount of wages or
earned income received by an individual.

(k) Any agency of the State of Oregon, or any person, or any officer or employee of such agency
or person to whom disclosure or access is given by state law and not otherwise referred to in this
section, including but not limited to the Secretary of State as Auditor of Public Accounts under
Article VI, section 2, of the Oregon Constitution; the Department of Human Services pursuant to
ORS 412.094 and section 3 of this 2023 Act; the Division of Child Support of the Department of
Justice and district attorney regarding cases for which they are providing support enforcement
services under ORS 25.080; the State Board of Tax Practitioners, pursuant to ORS 673.710; and the
Oregon Board of Accountancy, pursuant to ORS 673.415.

(L) The Director of the Department of Consumer and Business Services to determine that a
person complies with ORS chapter 656 and the Director of the Employment Department to determine
that a person complies with ORS chapter 657, the following employer information:

(A) Identification numbers.

(B) Names and addresses.

(C) Inception date as employer.

(D) Nature of business.

(E) Entity changes.

(F) Date of last payroll.

(m) The Director of the Oregon Health Authority to determine that a person has the ability to
pay for care that includes services provided by the Oregon State Hospital, or the Oregon Health
Authority to collect any unpaid cost of care as provided by ORS chapter 179.

(n) Employees of the Employment Department to the extent the Department of Revenue deems
disclosure or access to information on a combined tax report filed under ORS 316.168 is necessary
to performance of their duties in administering the tax imposed by ORS chapter 657.

(o) The State Fire Marshal to assist the State Fire Marshal in carrying out duties, functions and
powers under ORS 453.307 to 453.414, the employer or agent name, address, telephone number and
standard industrial classification, if available.

(p) Employees of the Department of State Lands or State Treasurer for the purposes of returning
unclaimed property and identifying, locating and publishing lists of taxpayers entitled to unclaimed
refunds under ORS 98.302 to 98.436.

(q) In addition to the disclosure allowed under ORS 305.225, state or local law enforcement
agencies to assist in the investigation or prosecution of the following criminal activities:

(A) Mail theft of a check, in which case the information that may be disclosed shall be limited
to the stolen document, the name, address and taxpayer identification number of the payee, the
amount of the check and the date printed on the check.

(B) The counterfeiting, forging or altering of a check submitted by a taxpayer to the Department
of Revenue or issued by the Department of Revenue to a taxpayer, in which case the information
that may be disclosed shall be limited to the counterfeit, forged or altered document, the name, ad-
dress and taxpayer identification number of the payee, the amount of the check, the date printed
on the check and the altered name and address.

(r) The United States Postal Inspection Service or a federal law enforcement agency, including
but not limited to the United States Department of Justice, to assist in the investigation of the fol-
lowing criminal activities:
(A) Mail theft of a check, in which case the information that may be disclosed shall be limited
to the stolen document, the name, address and taxpayer identification number of the payee, the
amount of the check and the date printed on the check.

(B) The counterfeiting, forging or altering of a check submitted by a taxpayer to the Department
of Revenue or issued by the Department of Revenue to a taxpayer, in which case the information
that may be disclosed shall be limited to the counterfeit, forged or altered document, the name, ad-
dress and taxpayer identification number of the payee, the amount of the check, the date printed
on the check and the altered name and address.

(s) The United States Financial Management Service, for purposes of facilitating the offsets de-
scribed in ORS 305.612.

(t) A municipal corporation of this state for purposes of assisting the municipal corporation in
the administration of a tax of the municipal corporation that is imposed on or measured by income,
wages or net earnings from self-employment. Any disclosure under this paragraph may be made only
pursuant to a written agreement between the Department of Revenue and the municipal corporation
that ensures the confidentiality of the information disclosed.

(u) A consumer reporting agency, to the extent necessary to carry out the purposes of ORS
314.843.

(v) The Public Employees Retirement Board, to the extent necessary to carry out the purposes
of ORS 238.372 to 238.384, and to any public employer, to the extent necessary to carry out the
purposes of ORS 237.635 (3) and 237.637 (2).

(w) The Secretary of State for the purpose of initiating or supporting a recommendation under
ORS 60.032 (3) or 63.032 (3) to administratively dissolve a corporation or limited liability company
that the Director of the Department of Revenue determines has failed to comply with applicable tax
laws of the state.

(x)(A) A multijurisdictional information sharing organization formed with oversight by the
Internal Revenue Service to combat identity theft and fraud, if the Department of Revenue is a
member of the organization; and

(B) Tax preparation software vendors that are members of an organization described in subpar-
agraph (A) of this paragraph, if information described in ORS 314.835 is shared for the purpose of
investigating industry leads of potential identity theft or fraud.

(y) The State Treasurer, for the purpose of providing employer responses, as indicated on annual
withholding reports submitted to the Department of Revenue, about whether an employer offers a
qualified retirement savings plan as listed in ORS 178.215.

(a) The Oregon 529 Savings Board, for the purpose of facilitating the establishment of accounts
by personal income taxpayers under ORS 178.335 within the Oregon 529 Savings Network through
the use of income tax return forms.

(b) Each officer or employee of the department and each person described or referred to in
subsection (2)(a), (b), (f) to (L), (n) to (q) or (w) of this section to whom disclosure or access to the
tax information is given under subsection (2) of this section or any other provision of state law,
prior to beginning employment or the performance of duties involving such disclosure or access,
shall be advised in writing of the provisions of ORS 314.835 and 314.991, relating to penalties for the
violation of ORS 314.835, and shall as a condition of employment or performance of duties execute
a certificate for the department, in a form prescribed by the department, stating in substance that
the person has read these provisions of law, that the person has had them explained and that the
person is aware of the penalties for the violation of ORS 314.835.
(b) The disclosure authorized in subsection (2)(r) of this section shall be made only after a written agreement has been entered into between the Department of Revenue and the person described in subsection (2)(r) of this section to whom disclosure or access to the tax information is given, providing that:

(A) Any information described in ORS 314.835 that is received by the person pursuant to subsection (2)(r) of this section is confidential information that may not be disclosed, except to the extent necessary to investigate or prosecute the criminal activities described in subsection (2)(r) of this section;

(B) The information shall be protected as confidential under applicable federal and state laws; and

(C) The United States Postal Inspection Service or the federal law enforcement agency shall give notice to the Department of Revenue of any request received under the federal Freedom of Information Act, 5 U.S.C. 552, or other federal law relating to the disclosure of information.

(4) The Department of Revenue may recover the costs of furnishing the information described in subsection (2)(L), (m) and (o) to (q) of this section from the respective agencies.

SECTION 9. (1) Section 2 of this 2023 Act applies to tax years beginning on or after January 1, 2024, and before January 1, 2030.

(2) Sections 3 and 4 of this 2023 Act apply to tax years beginning on or after the January 1 following the operative date specified in section 6 of this 2023 Act, and before January 1, 2030, and first apply to disbursements made in calendar years beginning after the operative date specified in section 6 of this 2023 Act, and before January 1, 2030.

SECTION 10. This 2023 Act takes effect on the 91st day after the date on which the 2023 regular session of the Eighty-second Legislative Assembly adjourns sine die.