

For Immediate Release

For More Information, Contact:

March 31, 2009

Janet Bauer (503) 873-1201
Juan Carlos Ordóñez (503) 873-1201

New Tax Credit Fully Kicks In for 1.3 Million Oregonians

(Silverton) — It won't feel like an April shower of money, but by the first day of the month the new Making Work Pay Credit established by the federal recovery legislation will be in full effect, delivering a steady drip of additional dollars to most Oregon workers for two years.

"The tax credit is a timely boost for Oregon's economy," said Janet Bauer, policy analyst with the Oregon Center for Public Policy. "More than 1.3 million Oregon workers and their families will benefit from it."

For most workers, the new tax credit means an extra \$400 per year in 2009 and 2010. The credit won't arrive in a lump sum but instead will be spread out over the course of the year in every paycheck, said Bauer. The average Oregon worker will get about \$40 per month for the rest of this year.

All working families, except those at the top of the income ladder, will get the credit. It begins to phase out at \$75,000 for single workers and shrinks to nothing at \$95,000. For joint filers, the phase-out range is \$150,000 to \$190,000.

"The Making Work Pay Credit meets the test of effective economic stimulus because it puts money in the pockets of families apt to spend it quickly," said Bauer. She added that the "drip, drip" manner in which the money is being delivered, rather than in one lump sum, makes it more likely that people will spend it, not save it.

By April 1, all employers are required to have adjusted federal payroll tax withholdings to give effect to the new tax credit, Bauer explained.

The Obama Administration has proposed making the Making Work Pay Credit permanent, a move that finds favor with Bauer. "It would be an important step in making the overall tax structure more fair," she said.

The Oregon Center for Public Policy is a non-partisan research institute that does in-depth research and analysis on budget, tax and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.