



## **Improving Oregon's Earned Income Tax Credit** ***SB 1044 Would Help Oregon Working Families Get Ahead***

A strong work ethic is rightly among the most cherished of American values. In an ideal world, work alone would open the doors to opportunity. Unfortunately, that's not the case for many Oregonians. Too many low- and moderate-income working families in Oregon struggle to make ends meet.

Oregon can make work more rewarding for low-income families by improving its Earned Income Tax Credit (EITC). SB 1044 would do just that, while phasing in the expansion to ease its budgetary impact.

### **The problem: Taxes hit low-income, working families hardest**

Oregon's working poor and near-poor families pay some of the nation's highest state income taxes. On top of that, other taxes and fees in Oregon's revenue system hit low-income families hardest. For example, the new gas tax signed into law in 2009 and set to take effect in 2011 will take a bigger bite out of the pocketbooks of low- and moderate-income households compared to better-off taxpayers.

### **The policy solution: Improve the state's Earned Income Tax Credit**

A state EITC is the most targeted way to improve the tax system for working families. Oregon's EITC has a long history of bipartisan support. Unfortunately, Oregon's current EITC, at 6 percent of the federal EITC, is too small. Oregon's current EITC is one of the lowest among states offering EITCs and it leaves low-income Oregonians with significantly higher taxes on their income compared to other states.

### **The legislation: SB 1044 would improve Oregon's EITC and its overall tax structure**

SB 1044 would raise Oregon's EITC by 3 percentage points each year beginning in 2011 until it reaches 18 percent of the federal credit in 2014. By raising the EITC to 18 percent of the federal credit, Oregon would:

- Cut taxes for one in seven Oregon households. It would do so in a targeted way, helping low-income working families.
- Boost the earnings of the average EITC household by about \$215 a year. For a family of four living at the poverty line (an income of about \$22,000), it would mean about \$587 extra income each year.
- Benefit over 220,000 households from all corners of Oregon.
- Put state tax dollars into Oregon communities. EITC dollars are spent quickly and locally.

Oregon succeeds when all families have a chance to succeed. An improved state EITC will make work more rewarding for many Oregon families.