OCPP OREGON CENTER for PUBLIC POLICY
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News Release

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Oregon Still Among Minority of States That Tax Poor Families' Wages

(Silverton) — Oregon remains among a minority of states that tax the income of poor families and its tax is among the highest in the nation, according to a report released today by the Washington, D.C.-based Center on Budget and Policy Priorities (CBPP).

"Taxing the work effort of poor families is counterproductive," said Joy Margheim, policy analyst with the Oregon Center for Public Policy, who examined the report. "Poor, working families and our state as a whole would be better off if such families could devote more of their modest income to food, child care, transportation and other basic needs."

According to the report, in 2009 Oregon income taxes kicked in at $19,800 for a married couple with two children — about $2,150 below the poverty line for a family that size. Of the 42 states (counting the District of Columbia as a state) with an income tax in 2009, only nine other states imposed income taxes on four-person families with less income. The vast majority of states — 29 of the 42 with income taxes — do not tax the poor.

A two-parent family of four living at the poverty line with just $21,947 in income had to pay $200 in Oregon income taxes in 2009, the fifth highest amount among states for a family of four at that income level, Margheim said. A nearly poor family of four — a family with income at 125 percent of poverty, or just $27,434 — paid the fourth highest income tax in the nation, $764.

"The bottom line," Margheim said, "is that Oregon not only sets the level for having to start paying income taxes much lower than most other states, but it also imposes one of the heftier income tax bills on low-income families once they rise above that income level."

By contrast, many states either levy no income tax on poor working families or even offer what is essentially a negative income tax, where the families get more money back than they pay in. Those states "offer a hand up to working poor families," Margheim said.

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The policy analyst said that the report's findings confirm the need for a "robust improvement" to Oregon's Earned Income Tax Credit (EITC). The Oregon EITC is a refundable tax credit for low-income families who work. It's calculated as a share — currently 6 percent — of the federal EITC.

"A boost to the state's EITC is the most efficient and targeted way for Oregon to raise the income tax threshold and end the practice of taxing the work effort of working poor families," Margheim said. She noted the example of North Carolina, which increased its EITC in 2009 and lifted its income tax threshold above the poverty line for a family of four.

OCPP said that Oregonians for Working Families — a coalition of over 95 health and human service organizations, labor groups, businesses and local governments — plans to push for a significant increase in the state EITC next year.

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.

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NOTE TO EDITORS AND REPORTERS:

Below is a fact sheet prepared by OCPP summarizing Oregon data contained in the CBPP report *The Impact of State Income Taxes on Low-Income Families in 2009*, April 29, 2010.

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Working Poor and Near-Poor Families in Oregon Are Hit Harder by State Income Taxes Than Those in Most Other States

Oregon's 2009 income tax threshold (the income level at which families begin paying income tax) is below the poverty line

	Rank among the 42 states (including the District of Columbia) with income taxes (1 = lowest threshold)
For single-parent families of three: $16,700 ($402 below the poverty line)	10
For two-parent families of four: $19,800 ($2,147 below the poverty line)	10

Oregon's 2009 income tax levied on working poor and near-poor families is relaively high

	Rank (1 = highest tax)
For families of three with incomes at the poverty line ($17,102): $34	10
For families of four with incomes at the poverty line ($21,947): $200	5
For families of three with incomes at 125% of poverty line ($21,378): $449	5
For families of four with incomes at 125% of poverty line ($27,434): $764	4

Oregon has consistently levied income tax on working poor families

- Oregon's tax threshold for families of four has increased since 1991, but it remains below the poverty line.
- Oregon's Earned Income Tax Credit became refundable in 2006 and was raised from 5 to 6 percent of the federal credit in 2008, helping to improve the threshold and lower the tax on working families.

Source: Center on Budget and Policy Priorities, *The Impact of State Income Taxes on Low-Income Families in 2009,* April 29, 2010, available at www.cbpp.org.