News Release

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Working Poor Oregonians Pay More in Income Taxes Than Poor in Most Other States

As poverty continues to rise in Oregon, a new report published today said that Oregon remains among a minority of states that tax the income of working poor families and that its tax is among the highest.

In 2010, Oregon income taxes kicked in at $19,900 for a married couple with two children, about $2,414 below the poverty line for a family that size, according to the Washington, D.C.-based Center on Budget and Policy Priorities (CBPP). Of the 41 states plus the District of Columbia that levy an income tax, only nine states taxed four-person families earning less. The vast majority — 27 of the 42 with income taxes — do not tax the working poor.

“Taxing the work effort of poor families makes it that much harder for them to escape poverty,” said Jason Gettel, policy analyst with the Oregon Center for Public Policy, who reviewed the report. “Those families and our state as a whole would be better off if poor, working families could devote all of their income to putting food on the table, paying for transportation, housing and health care costs and covering other basic needs.”

The report also showed that some working poor Oregon families pay among the highest amounts of income taxes of families anywhere in the country. A two-parent family of four living at the poverty line ($22,314 in income) had to pay $234 in Oregon income taxes in 2010. Only three other states — Alabama, Hawaii and Georgia — would give this family a higher income tax bill.

Near-poor Oregon families fared even worse, according to the report. It noted that an Oregon two-parent family of four with income of 125 percent of the poverty line, or $27,893, faced a tax bill of $799 in 2010 — the third highest in the nation, with Alabama and Kentucky being the only states that levied higher income taxes.

The CBPP's analysis arrives at a time when poverty is on the rise both at the national level and in Oregon. U.S. Census Bureau data released in late September showed that 120,000 more Oregonians lived below the poverty line in 2010, compared to 2007, before the start of the recession.

According to Gettel, the most effective way for Oregon to eliminate the income tax on poor, working families with children is through an increase in our state Earned Income Tax Credit (EITC), which is patterned after the federal EITC.

Oregon has an EITC, but it is "too small for the task at hand," noted Gettel. Oregon's EITC is 6 percent of the federal tax credit.

"A meaningful 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," said Gettel.

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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