Group I: EITC Eligibility Workgroup

Convened by Governor Kate Brown

Report of Recommendations

January 26, 2021, revised March 5, 2021

Submitted by workgroup chair
Janet Bauer, Oregon Center for Public Policy

Summary of Recommendations

The Group 1: EITC Eligibility Workgroup used two main principles to guide its discussions of how to improve Oregon's Earned Income Tax Credit (EITC). The first was that changes to the credit should promote equity in our state. The second was directly related — to pursue structural change in service of equity.

Guided by these principles, the workgroup makes the following recommendations to improve Oregon's EITC:

1. **End exclusion of people who file taxes using an Individual Taxpayer Identification Number (ITIN).**
2. **Provide to ITIN filers the value of their denied federal EITC, in addition to a state EITC amount.**
3. **Expand the EITC to younger and older workers without dependents.**
4. **Increase the credit amount for workers without dependents.**
5. **Boost the amount of Oregon's credit for everyone eligible.**

Committee Charge

To recommend improvements in eligibility and benefits for Oregon's Earned Income Tax Credit (EITC).

Committee Members[1]

Natalie Arreola, El Programa Hispano Católico
Janet Bauer, Oregon Center for Public Policy, workgroup chair
Janet Byrd, Neighborhood Partnerships
Cindy Carvajai, Rep. Hernandez
Chris Coughlin, Our Children Oregon
Christian Gaston, Policy Advisor, Governor
Deanna Mack, Department of Revenue
Jessica Maravilla, Causa
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Adriana Miranda, Causa
Loren Naldoza, Neighborhood Partnerships
Violet Nazari, Immigrant and Refugee Community Organization (IRCO)
Matt Newell-Ching, Partners for Hunger-Free Oregon
Alejandro Queral, Oregon Center for Public Policy
Maribel Reyes, Causa
Linda Roman, Policy Advisor, Governor
Omar Sandoval, Rep. Alonso Leon
Martha Sonato, PCUN
Alicia Temple, Oregon Law Center
Steve Van Eck, Multnomah County Idea Lab

Meetings

The committee met seven times between December 2019 and September 2020: December 12, 2019, January 8, 2020, January 24, 2020, February 14, 2020, February 28, 2020, June 23, 2020, and September 17, 2020.

Principles

The committee agreed to use the following principles in making its recommendations:

[1] Attended at least one meeting in person or virtually.

1. Equity: Oregon's EITC should promote equity by race and ethnicity, and gender, among other factors.
2. Structural change: Changes to address exclusions to the credit are prioritized over improving the benefit amount for the currently-eligible.[2]

Description of Oregon's Earned Income Tax Credit

Oregon's Earned Income Tax Credit is patterned after the federal EITC.

Congress established the EITC in 1975 to supplement the earnings of low- and moderate-wage workers. The federal credit is well-targeted. The amount depends upon a person's earnings and household size. It increases with greater earnings up to a threshold, then phases out gradually at higher incomes. The credit is larger for households with more dependents. The credit offsets federal taxes but is not limited to the amount of a person's tax liability. Instead, the credit is "refundable," meaning the amount of the credit that exceeds a person's federal taxes is provided to them in a refund check. A description of the income eligibility structure is shown in Appendix A.

To qualify, a person must be at least 25 years old and no more than 64 years, unless they have dependents, in which case there is no age restriction. They must be a U.S. citizen or have work authorization.

The amount of the federal credit can be substantial, particularly for households with children. For instance, a family with three children can qualify for as much as $6,660 in tax year 2020. By contrast, tax filers without children are eligible for relatively little. The most one person without dependents can receive for 2020 earnings is $538.[3]

Extensive research shows the EITC has significant, enduring benefits for workers and their children. By making work more financially rewarding, workers receiving the EITC end up working more and seeing greater

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[2] By "structural" the committee was referring to policies such as who is eligible, how the benefit is provided, and differences in the amount of benefit for subgroups among the eligible. A non-structural change as understood by the workgroup were such proposals as changes to the benefit level for everyone under existing program rules.
[3] "What is the Earned Income Tax Credit?" Tax Policy Center, available at https://www.taxpolicycenter.org/briefing-book/what-earned-income-tax-credit.

wage growth. Their health also benefits. Women show improvement on a variety of health measures and children benefit from their first days of life. Babies of mothers receiving the EITC are more likely to be born at full term at normal birth weight. They tend to have higher school achievement and are more likely to graduate from high school and attend college. The investment in children has pay-offs down the road, when as adults, beneficiaries see greater work engagement and higher earnings.[4]

The EITC carries substantial benefits for the economy. It reaches every county in Oregon, bringing tens of thousands to millions of federal and state dollars each year — dollars that are quickly spent, often locally.[5] The EITC provides a large economic "bang for the buck," generating $1.40 to $1.58 in economic activity for every dollar invested.[6]

Oregon enacted a state EITC in 1997, adopting the eligibility structure of the federal EITC.[7] The amount of the Oregon credit is calculated as a share of a person's federal credit. Currently, that share is **9 percent** of the federal credit. For families with a child under age three, the state EITC is **12 percent** of the federal credit.

The latest data for 2018 shows that 265,000 Oregon tax filers claimed the federal EITC. When considering all household members, the EITC benefits approximately 629,000 Oregonians, including 300,000 children.[8]

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[4] Chuck Marr, Chye-Ching Huang, Arloc Sherman, and Brandon Debot, *The EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development*, Research Finds, Center on Budget and Policy Priorities, October 1, 2015, available at https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens.
[5] "Raising Oregon's EITC helps working families in every county," Renew and Raise Oregon, available at https://www.ocpp.org/media/uploads/pdf/2019/02/20190225-EITC-County-fnl.pdf.
[6] Oregon Center for Public Policy (OCPP) analysis of findings: Antonio Avalos, Sean Alley, The Economic Impact of the Earned Income Tax Credit (EITC) in California, The California Journal of Politics & Policy, 2010, Vol. 2, Issue 1, available at https://escholarship.org/uc/item/2jj0s1dn. Also, Matthew Soursourian, The Earned Income Tax Credit in the 12th District, Community Development Research Brief, Federal Reserve Bank of San Francisco, May 2011, available at https://www.frbsf.org/community-development/files/earned-income-tax-credit-in-the-12th-district.pdf.
[7] "Impact of 1997 Legislation – Earned Income and Working Family Child Care Tax Credits in Oregon," Legislative
Revenue Office, December 2004, available at
https://www.oregonlegislature.gov/lro/Documents/rr6_04earnedincome_taxcredit.pdf.
[8] Internal Revenue Service data for tax year 2018 accessed by OCPP through the Center on Budget and Policy Priorities.

Policy Improvements Considered

The workgroup considered several policy changes to Oregon's EITC to make the benefits of the credit more equitable among striving Oregonians and to increase the credit's impact. These policies included the following:

Policy	Problem Addressed	Assessment Summary*
In priority order		
1. End exclusion of ITIN filers — people who use an IRS-issued Individual Taxpayer Identification Number (ITIN) to file taxes.	Like other EITC recipients, ITIN filers work and contribute to the common good, including through taxes they pay, but are excluded from the benefits of the EITC.	Ending the exclusion of ITIN filers would make structural change and promote racial and ethnic equity.
2. Provide ITIN filers the value of their denied federal EITC, in addition to the state EITC amount.	Exclusion from the federal credit has serious economic impacts, depriving ITIN households of hundreds to thousands of dollars each year.	Providing the full value of both federal and state credits would foster equity and maximize impacts. Discriminating against ITIN filers serves no meaningful public purpose.
3. Expand to younger and older workers — younger than 25 and older than 64 — without dependents.	Exclusion of younger and older workers without children is based on privileged assumptions about college attendance, retirement security, and how early or late in life someone must work to support themselves.	Ending the exclusion of younger and older workers without children would make structural change and promote equity, since people of color are more likely to rely on earned income during the age ranges currently excluded.[9]
4. Increase credit for workers without dependents.	Workers without dependents qualify for a relatively small credit	Boosting the credit for workers without dependents would meaningfully improve

[9] See discussion in *Policy Improvements Considered,* section 3 below.

	under federal law, and currently also under state law.	their standard of living. Children of non-custodial parents would also benefit, an impact that may foster equity.[10]
5. Boost the amount of Oregon's credit for everyone eligible.	At just 9 percent of the federal credit, Oregon's EITC has limited benefit.[11] It is one of the smallest in the country among states with a refundable EITC.[12]	Increasing Oregon's EITC would help 629,000 Oregonians make ends meet.[13] Though not making structural change, increasing the state credit could foster equity, since low-wage workers are disproportionately Black, Latino, and women.[14]

In no priority order

a. Include unpaid caregivers.	Caregiving often relies on uncompensated labor, most often provided by women, particularly Black and brown women.[15]	Providing a benefit through the tax code could foster equity but would leave unaddressed the broader dysfunction in our systems of care. Deeper assessment is needed to address the challenges faced by these workers and the families they support.
b. Include students as a category of eligible filers.	Post-secondary students who are not able to work while focusing on their studies receive no EITC benefit, yet many struggle to make ends meet. BIPOC students are less likely to have	A college education has public value. Our tax code could promote equity and encourage college attendance by making students with few resources eligible for a refundable credit using the EITC structure. Departing from the qualification of

[10] See discussion in *Policy Improvements Considered,* section 4 below.
[11] An exception to the 9 percent credit amount is Oregon households with a child under age three, who are eligible for a state credit equal to 12 percent of their federal EITC (a minority of EITC tax filers).
[12] See graph in *Policy Improvements Considered, #5* section below.
[13] Op. cit. Internal Revenue Service data for 2018.
[14] See discussion in *Policy Improvements Considered,* section 5 below.
[15] "Caregiver Statistics: Demographics," Family Caregiver Alliance, available at https://www.caregiver.org/caregiver-statistics-demographics.

	family resources to attend college.[16]	earned income, this proposal requires deeper evaluation.
c. Revise the Oregon Working Family Household and Dependent Care Credit.	OWFHDCC benefits many of the same households as the EITC. Consolidating these credits could allow lawmakers to target resources more directly.	Replacing the OWFHDCC and Oregon EITC with a new, single tax benefit would sacrifice the advantages of the state's EITC being linked to federal benefit levels. The OWFHDCC may be considered in future legislation to re-envision child care in Oregon and would be more timely considered within child care reform efforts.

* Assessment according to principles of equity and structural change.

Additional assessment information is in the Policy Matrix document (Appendix B).

Discussion of policy options

Prioritized options

1. End exclusion of ITIN filers

The workgroup achieved early consensus that ending the exclusion of taxpayers who use an Individual Taxpayer Identification Number (ITIN) should be a top priority, based on the principles of equity and structural change. Ending arbitrary exclusion of a taxpayer from a benefit offered to others seemed like a self-evident step toward a more equitable economic structure. Further, given that immigrants are the sole users of ITIN numbers, and most in Oregon are people of color who face additional exclusions from structures that offer opportunity to others, ending the exclusion in Oregon's EITC became the top priority among the policy changes the group considered.

[16] *Status and Trends in the Education of Racial and Ethnic Groups 2018*, National Center for Education Statistics, available at https://nces.ed.gov/pubs2019/2019038.pdf.

People who use an ITIN to file taxes include undocumented workers, student visa holders, some spouses and children of people with employment visas, and some survivors of domestic violence. A smaller group of workers with Deferred Action for Childhood Arrival (DACA) status who are caught in federal immigration politics can also find themselves shut out of the EITC. So too can workers with Temporary Protected Status (TPS). Unable to get their work authorization renewed and despite having a valid Social Security Number (SSN), these lawfully-present immigrants are also excluded from the EITC.

Undocumented Oregonians are primarily Latino or from Asia.[17]

The group reviewed data about ITIN filers. The IRS reports there were 34,000 tax filers in Oregon using an ITIN number in 2015.[18] Those tax paying households represented approximately 96,500 Oregonians — 53,000 adults and 43,500 children.[19]

Some of those denied the benefit of the EITC are U.S. citizens. Federal law denies the EITC to a tax filer if just one member of the filing group of any age uses an ITIN — so-called “mixed status” households. In Oregon, an estimated 90,000 U.S. citizens live in mixed status households.[20] Most of those U.S. citizens are children. All told, one of every 10 Oregon children live with a family member who is undocumented.[21]

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[17] An estimated 78 percent of undocumented Oregonians were born in Mexico, Central or South America; and 12 percent in countries in Asia. “Profile of the Unauthorized Population: Oregon,” Migration Policy Institute, available at https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/OR.

[18] Most recent data available. Tax Policy Center, available at http://eitc-data-tool.s3-website-us-east-1.amazonaws.com/.

[19] Analysis by the Institute on Taxation and Economic Policy (ITEP), March 2020 using SPEC Returns Database for the ITIN market segment for tax year 2015 and ITEP's Microsimulation Tax Model. The data was provided to OCPP by request and represents the most recent year of data available at the time of the analysis.

[20] OCPP analysis of Center for American Progress data, available at https://www.americanprogress.org/issues/immigration/news/2017/03/16/427868/state-state-estimates-family-members-unauthorized-immigrants/. Not all of these citizens live in households that file a tax return. Some are not required to file a tax return, their income being below the required filing threshold.

[21] Ibid. OCPP analysis of Center for American Progress and American Community Survey data.

This information contributed to the workgroup's discussion that enabling access to the EITC would benefit thousands of Oregonians, particularly children. It would promote equity in health, education, and life-long economic outcomes.

The Oregon Department of Revenue (DOR) estimates 20,000 to 25,000 ITIN filers would claim the state EITC if they could do so. It estimates the revenue impact to be $10 million per biennium. DOR would need to adapt its IT system for ITIN filers and would require two additional staff on an on-going basis. DOR's administrative costs would be $750,000 per biennium. It would need to conduct audits of the new program and can do so under its current capacity. (For the existing EITC program, DOR relies on federal audits of the program because Oregon rules mirror the federal rules). Enabling ITIN filers to claim Oregon's EITC would not impact how current-eligible filers access the credit.

The group discussed several implementation issues. The first was that undocumented workers may be hesitant to access the credit out of concern for being identified by ICE authorities and their welfare jeopardized. The group noted ICE can target people with ITIN numbers.[22] DOR staff shared that the department is prohibited from disclosing the identity of tax filers and cannot be subpoenaed to do so.[23] DOR protects its data and goes to lengths to ensure filers' information is not disclosed. The group observed that outreach to the immigrant community by trusted community members will be important to their claiming the credit.

A related observation was that the EITC is not included in the list of public benefits considered under "public charge" guidelines used by ICE when making green card determinations.[24]

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[22] *How ICE Picks Its Targets in the Surveillance Age,* New York Times, Updated October 3, 2019, available at https://www.nytimes.com/2019/10/02/magazine/ice-surveillance-deportation.html.
[23] ORS 314.835 *Divulging particulars of returns and reports prohibited*, available at https://www.oregonlegislature.gov/bills_laws/ors/ors314.html.
[24] *Public Charge Fact Sheet*, U.S. Citizenship and Immigration Services, available at https://www.uscis.gov/news/public-charge-fact-sheet.

A second implementation issue concerns the fact that immigrants in Oregon are more likely to be entrepreneurs.[25] Filing taxes can be more complex for them. Skilled and culturally appropriate taxpayer assistance will be important for some to claim the credit.

And third, if Oregon ITIN filers aren't required to file a federal return, filers would need to complete a federal tax return or worksheet. This is because the EITC language in Oregon's tax return form refers to the federal return. They would not need to file the federal return with the IRS but would include it or a worksheet with their Oregon return.

The workgroup considered and rejected an administrative option of technically creating a new Oregon EITC program for all Oregonians, one that would involve disconnecting from the federal definition of earned income, which requires an SSN. DOR staff raised the idea of using a definition that doesn't require an SSN. After consideration, DOR determined Oregon could not disconnect from the federal definition of earned income without disconnecting from the entire federal EITC law. That scenario would involve recreating the entire EITC program in Oregon law, something workgroup members felt would be challenging and complicated. They also observed doing so would have the unintended effect that Oregon's EITC structure would not automatically improve with any improvements to the credit enacted by Congress in the future.

Colorado was the first state to make ITIN filers eligible for a state EITC, action it took in 2020.[26] California followed later in the year, enacting similar legislation.[27] Illinois, New York, Washington, and possibly New Mexico are considering including ITIN filers in their EITC.

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[25] Robert W. Fairlie, *Immigrant Entrepreneurs and Small Business Owners, and their Access to Capital,* Economic Consulting for the Office of Advocacy, U.S. Small Business Administration, May 2012, available at https://www.sba.gov/sites/default/files/rs396tot.pdf.

[26] HB20-1420 Adjust Tax Expenditures for State Education Fund, Colorado General Assembly, 2020, summary available at http://leg.colorado.gov/bills/hb20-1420.

[27] AB 1876, California Legislative Assembly, 2020, available https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1876.

2. Provide ITIN filers the value of their denied federal credit

The workgroup grappled with the fact that including ITIN filers in the state credit would remedy only part of the harm of arbitrary discrimination against them in the federal tax code. ITIN households would continue to be shut out of the benefits of the much larger federal credit. The group reflected that our communities and state would benefit by addressing the impact of discrimination under the federal tax code as well.

Consistent with our principle to promote equity, the workgroup agreed to recommend that Oregon provide an additional amount to ITIN filers equal to the value of what they would receive under the federal credit. This position took into account the fact that ITIN workers are shut out of many other economic benefits available to other Oregonians, such as subsidized health insurance, unemployment insurance, and SNAP, among others.

Oregon Center for Public Policy estimates providing the federal make-up share would require an added $105 million a biennium.

3. Expand to younger and older workers without children

Currently, workers younger than age 25 and older than 64 are ineligible for the credit at any level of earned income, unless they are claiming a dependent. This federal policy, which Oregon follows, reflects incorrect, privilege-based assumptions about the economic circumstances of younger and older workers. Federal eligibility rules envision young adults in college relying on support from their families, and older adults with adequate retirement income to meet their living expenses. Congress ignored the fact that earned income is a vital part of a personal budget for many older and younger workers who face a different reality. As a result, the federal tax code is particularly inequitable as it taxes some impoverished childless adults deeper into poverty.[28]

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[28] *Expanding State EITCs: Age Enhancements and a Credit Increase for Workers without Children in the Home,* Institute on Taxation and Economic Policy, February 2020, available at https://itep.sfo2.digitaloceanspaces.com/021820-Childless-EITC-Report.pdf.

BIPOC young adults

For many younger Oregonians from Black, indigenous, and people of color (BIPOC) communities, earned income is essential to making ends meet. Except for some Asian-American groups, BIPOC young adults are less likely to attend college than whites and more likely to enter the labor force instead.[29] When they do attend college, they are more likely to qualify for income-based grant assistance, suggesting that they are getting less support from family.[30] The primary need-based grant program — the Pell Grant — typically fills only a fraction of a student's financial need. Therefore, BIPOC students may feel more pressure to work to avoid deeper debt and to make ends meet.[31]

Young adults aging out of foster care

Lifting age restrictions on EITC eligibility would help young adults transitioning out of foster care. This group is less likely to attend school after age 18 than other Oregon young adults. While Oregon allows children to continue receiving foster care support until age 21, few take advantage of the option. Many work and do not have the benefit of an EITC income boost.[32]

Older workers, including BIPOC older workers

The exclusion of older workers from the EITC is increasingly problematic because of changes in the official retirement age. While workers become ineligible for the EITC at age 65 unless they claim a dependent, the full Social Security retirement age has been rising beyond that. Older workers reliant on the EITC can

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[29] Nationally, the share of 18- to 24-year-olds attending a 2-year or 4-year college in 2016 was 42 percent for white individuals, 36 percent for Black individuals, 39 percent for Latino individuals, 58 percent for Asian individuals, and 19 percent for American Indian and Alaska Native individuals. *Status and Trends in the Education of Racial and Ethnic Groups 2018*, National Center for Education Statistics, p. 116, available at https://nces.ed.gov/pubs2019/2019038.pdf.

[30] Nationally, 88 percent of Black students qualified for a means-tested grant program in 2015-16, 82 percent of Hispanic students, 66 percent of Asian students, 84 percent of Pacific Islanders, 87 percent of American Indian/Alaska Native students, and 74 percent of white students were eligible for such grants. Ibid, p. 134.

[31] *Everything You Need to Know About the Pell Grant*, U.S. News & World Report, June 22, 2020, available at https://www.usnews.com/education/best-colleges/paying-for-college/articles/everything-you-need-to-know-about-the-pell-grant.

[32] *Transition-age Youth in Foster Care in Oregon,* Child Trends, available at https://www.childtrends.org/wp-content/uploads/2017/09/Transition-Age-Youth_Oregon.pdf.

lose it before they stop working.[33] This structural mis-match weighs more heavily on BIPOC workers because they tend to earn less than their white counterparts.[34] If the age restriction were lifted, the EITC could help low-income older Americans increase their retirement security. Many claim Social Security at the earliest eligibility age of 62 and end up with the lowest monthly benefits.[35] The EITC can encourage working longer and delay drawing on Social Security until full retirement age or later, when benefits are more generous.

Noncustodial parents

The exclusion of younger, childless workers from the EITC harms some parents who support their children financially despite lacking custody. Currently, a parent who is 25 years or older and who helps raise a child living with the other parent in a different home qualifies for the EITC. The same is not true for a non-custodial parent under age 25, even though they shoulder the same financial responsibilities for their children as older parents. This policy exists to the detriment of the children. There is evidence that the EITC incentivizes employment for workers without resident children, and that it encourages child support payment by non-custodial parents.[36]

The Oregon Department of Revenue estimates that lowering the EITC eligibility age to 18 for workers without children would help about 45,000 tax filers and lifting the upper age limit would reach about 15,000 filers. DOR estimates the cost at $1.7 million per

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[33] For most born before 1954, the full retirement is age now 66. For those born in 1960 or after, it is age 67. *Retirement Benefits*, Social Security Administration, 2020, p. 3, available at https://www.ssa.gov/pubs/EN-05-10035.pdf.

[34] *Employment and Earnings among 50+ People of Color*, Urban Institute, pp 6-7, available at https://www.urban.org/sites/default/files/publication/27446/412376-Employment-and-Earnings-among--People-of-Color.PDF.

[35] *Expanding the Earned Income Tax Credit Can Support Older Working Americans*, Urban Institute, September 3, 2019, available at https://www.urban.org/urban-wire/expanding-earned-income-tax-credit-can-support-older-working-americans.

[36] *Expanding the EITC for Workers without Resident Children*, Urban Institute, May 2019, p. 5, available at https://www.urban.org/sites/default/files/publication/100130/expanding_the_eitc_for_workers_without_resident_children_5.pdf.

year. The Institute on Taxation and Economic Policy makes a similar estimate of $2.1 million per year.

Several states have made this change. California opened its credit to childless workers at age 18, with no upper age limit. Maryland eliminated its minimum age requirement. Maine and Washington, D.C. lowered EITC eligibility to age 18. Minnesota lowered it to age 21.[37]

4. Increase credit for workers without dependents

A shortcoming of the current EITC structure is that it provides only a very small credit for workers with no dependents. The maximum credit is seven times larger for adults with one child than for childless adults; the discrepancy grows larger when comparing childless adults to families with more than one child.[38]

Individuals, communities, and Oregon's economy would benefit from an increase in the credit to workers without children. Boosting their credit would alleviate poverty, as they are the lone group the federal tax code taxes into poverty.[39] Because the credit helps workers remain in the workforce, increasing the EITC could help sustain employment among groups with greater barriers, such as men without a college degree, especially Black and brown men; women in low-wage jobs; young adults not in school; workers with disabilities; and older workers.[40]

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[37] "Expanding Earned Income Tax Credits for Childless Workers," National Conference of State Legislatures, December 2019, available at https://www.ncsl.org/research/human-services/expanding-earned-income-tax-credits-for-childless-workers.aspx. Also, Maryland Senate Bill 647 (2018) available at https://mgaleg.maryland.gov/2018RS/bills/sb/sb0647T.pdf/.

[38] *Expanding State EITCs: Age Enhancements and a Credit Increase for Workers without Children in the Home,* Institute on Taxation and Economic Policy, February 2020, available at https://itep.sfo2.digitaloceanspaces.com/021820-Childless-EITC-Report.pdf.

[39] *Childless Adults Are Lone Group Taxed Into Poverty: EITC Expansion Could Address Problem,* Center on Budget and Policy Priorities, updated March 2, 2020, available at https://www.cbpp.org/research/federal-tax/childless-adults-are-lone-group-taxed-into-poverty.

[40] *Reports Bolster Calls to Expand EITC for Childless Workers*, Center on Budget and Policy Priorities, September 6, 2016, available at https://www.cbpp.org/blog/reports-bolster-calls-to-expand-eitc-for-childless-workers.

Some states have increased the amount of their state credits for childless adults beyond the federal amount, while raising the income threshold so that more childless adults can access the EITC.[41] Washington, DC, for instance, has increased the amount for childless workers to 100 percent of the federal credit. The workgroup examined an analysis of the impact of that increase, which became effective in 2015.[42]

The workgroup considered several options for increasing the amount of Oregon's EITC for workers without dependents. The group reviewed analysis by the Institute on Taxation and Economic Policy of the impact of various options on Oregonians by income group and their cost. See Appendix C.

Oregon Department of Revenue reports that increasing the amount for workers without dependents would help about 75,000 filers. About 87 percent of them are single filers.

The workgroup recommended this improvement and listed it as a fourth priority in our list, behind the eligibility changes that would make more fundamental structural change.

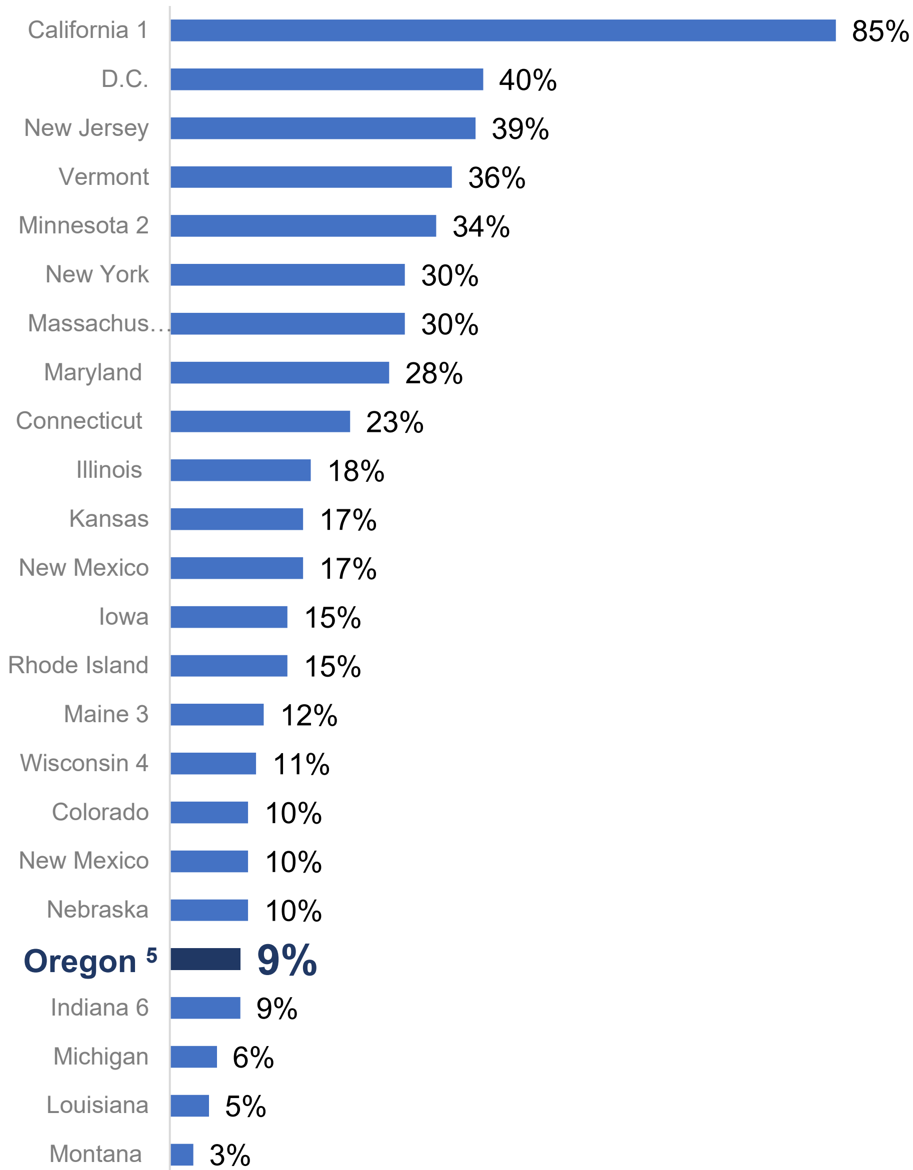
5. Boost the amount of Oregon's credit for everyone

Oregon's EITC is modest; a larger credit would better help low-wage households survive in today's economy. At just 9 percent of the federal credit, the most a parent with two children over age 3 can receive is $525. Most other states with a refundable EITC have larger credits than Oregon.

[41] Op. cit. "Expanding Earned Income Tax Credits for Childless Workers," National Conference of State Legislatures, December 2019.
[42] *DC's Earned Income Tax Credit*, DC Fiscal Policy Institute, September 25, 2017, available at https://www.dcfpi.org/all/dcs-earned-income-tax-credit/.

Oregon's EITC is one of the smallest

State EITC level as share of the federal EITC for states with refundable credits, 2019



[1] California's EITC is available to workers with incomes less than $30,000.
[2] Minnesota's credit is determined by a percentage of income rather than of the federal credit. For purposes of comparision for this graph, the average shown here reflects total projected state EITC spending divided by projected federal EITC spending in the state. Additionally, 21- to 24-year old workers without children can access the credit
[3] Maine's EITC is 12 percent for all workers except for workers without children where it is 25 percent.
[4] Wisconsin's rates are 4% for households with 1 child; 11% for 2 children; 34% for 3. Since 2-child household is most typical among child households, 11% shown in graph.
[5] Oregon provides an additional 3 percent credit for households with children under age 3.
[6] Indiana does not give more for families with 3+ children or for married couples phasing out.

Source: Tax Credits for Working Families.

The workgroup listed it as the fifth priority among the options, behind others that would accomplish structural improvements or have a more targeted equity impact. The workgroup recommends increasing the amount of Oregon's credit, noting that could promote equity since low-wage workers are disproportionately Black, Latino, and women.[43] The group does not have a recommendation for the level of an increase. The group additionally observed that continuing to have Oregon's credit determined as a percent of the federal credit enables administrative simplicity and allows Oregon to seamlessly capitalize on improvements in the federal credit made by Congress.

Oregon Department of Revenue estimates the current population of EITC filers at 250,000. ITEP estimates it would cost $6.3 million per year for every percentage point increase as a share of the federal credit for the currently-eligible population.

Options not prioritized

The workgroup also considered options that did not make it on the list of priorities but acknowledges that these policy options bring up important concerns that ought to be considered in the future. The first two regard segments of our society that contribute to our communities and economy but whose value isn't evident because they are not paid for their labor. They are left out of the list of priorities not because the concerns they address are not pressing, but because of the complexity of addressing those concerns within the tax credit structure — an issue that required more consideration than we were able to give. Ultimately, the matter of whether the tax credit structure is the best way to address these issues needs to be resolved.

a. Minimum payment for unpaid caregivers

Much of the work of caring for vulnerable people in the United States — such as children, people with disabilities, and frail

[43] *Meet the Low-wage Workforce*, Metropolitan Policy Program at Brookings, available at https://www.brookings.edu/wp-content/uploads/2019/11/201911_Brookings-Metro_low-wage-workforce_Ross-Bateman.pdf.

seniors — is carried out through the unpaid labor of family members and personal networks, most commonly women. This uncompensated labor is more common in BIPOC families and others without resources to hire paid caregivers.

The activities of unpaid caregiving often come at the cost of the ability of the caregiver to have paid employment. Unsurprisingly, the devalued labor of caregivers comprises part of the racist and sexist economic structures that hold back Black and brown women. Caregiving is *work*. It is work that supports those who work for pay and work that enables our society to function.

The workgroup considered proposals by the Economic Security Project (ESP) to use the tax credit structure to provide a minimum payment for unpaid caregivers. ESP envisions a payment akin to a Universal Basic Income (UBI). ESP sometimes refers to it as a "cost of living refund."[44]

Several considerations meant this option wasn't in the first tier of priorities. One was that Oregon would need to redefine work as activities not receiving monetary compensation – a central feature of the EITC. While we thought this was worth considering, it meant a deeper overhaul of the credit than we were able to consider at the time.

In addition, we questioned whether adapting a tax credit is the best way to pay caregivers. A tax credit would not carry the protections of wage and hour law and could result in caregivers being "compensated" far below the minimum wage. We were also cognizant of a movement in Oregon to address unpaid caregiving as part of fixing the larger dysfunctional caregiving system. That system is unaffordable for most parents and untenable for many current and would-be caregivers due to low wages. These

[44] "Caregiving has value — let's prove it," Economic Security Project, October 7, 2019, available at https://medium.com/economicsecproj/caregiving-has-value-lets-prove-it-9686c2dc91d6. Analysts conducted a distributional analysis of the proposal in *Expanding the Earned Income Tax Credit: The Economic Security Project's Cost-of-Living Refund*, Tax Policy Center, June 10, 2019, available at https://www.taxpolicycenter.org/publications/expanding-earned-income-tax-credit-economic-security-projects-cost-living-refund/full.

considerations led us to refrain from addressing the issue of unpaid caregiving through the tax structure.

b. Credit for students

Getting a college or vocational degree can have a large payoff for individuals, society and the economy, yet many students face daunting economic obstacles to attending post-secondary school.

Our workgroup considered a concept of the Economic Security Project to assist students.[45] The eligibility issues would be more straight-forward than for unpaid caregivers: students with incomes that make them eligible for a Pell grant would qualify. The benefit would be a minimum payment and would conform with the concept of a Universal Basic Income (UBI). Though simpler to implement than unpaid caregivers, this proposal required more evaluation to make a recommendation due to its departure from the EITC requirement of earned income.

The workgroup discussed the concept of a UBI and what it could mean for students. The group observed that the policy choice was at least in part between providing a UBI through the tax code, as the Economic Security Project suggests, or investing resources directly in higher education to make it more affordable.

The group didn't have clarity on these fundamental issues but recognizes the critical importance of making higher education more affordable to all Oregonians, especially for BIPOC individuals.

[45] The Economic Security Project materials we reviewed are no longer available on their website, however, the site refers to several sources: "Cost of Living Refund: Key Facts," available at https://costoflivingrefund.org/key-facts. The idea of a UBI for students appears in Senator Kamala Harris' "LIFT the Middle Class Act." Analysis of the LIFT Act in "Senator Harris Seeks to Raise Income Using a New Tax Credit," TaxVox: Individual Taxes, Tax Policy Center, October 18, 2018, available at https://www.taxpolicycenter.org/taxvox/senator-harris-seeks-raise-incomes-using-new-tax-credit.

c. Revise Oregon Working Family Household and Dependent Care Credit

A DOR workgroup member suggested we review other tax credits Oregon has that benefit much the same population as the EITC does and consider the complexity of navigating several different credits from the point-of-view of the user. In particular, the DOR staff member mentioned the Oregon Working Family Household and Dependent Care Credit (OWFHDCC). Her concerns were that the credit is cumbersome to access – expenses must be tracked and verified. It is undersubscribed and labor-intensive for DOR to administer. Could Oregon provide a simpler benefit through the tax code to the target group, perhaps a redesigned EITC?

The workgroup considered this, understood the potential benefits, and decided not to pursue it for three reasons. One was the concern that we didn't have a vision for administrative simplification, our concerns being primarily focused on beneficiaries. Another was that overhauling the credit in the near term could seem untimely, as the legislature invested time in redesigning the OWFHDCC recently. Additionally, we preferred the Oregon EITC to remain structurally linked to federal rules for the most part, because of the seamless improvements that would occur for Oregon's credit should Congress strengthen the federal credit. Congress has discussed several improvements in recent years. Last, the OWHFDCC touches on the dysfunction of our care economy mentioned in the previous section. We thought it was better to reassess the OWRFDCC in the context of the larger issues around the caregiving economy, something beyond the scope of our workgroup.

The workgroup declined to recommend revising this credit.

CONCLUSION

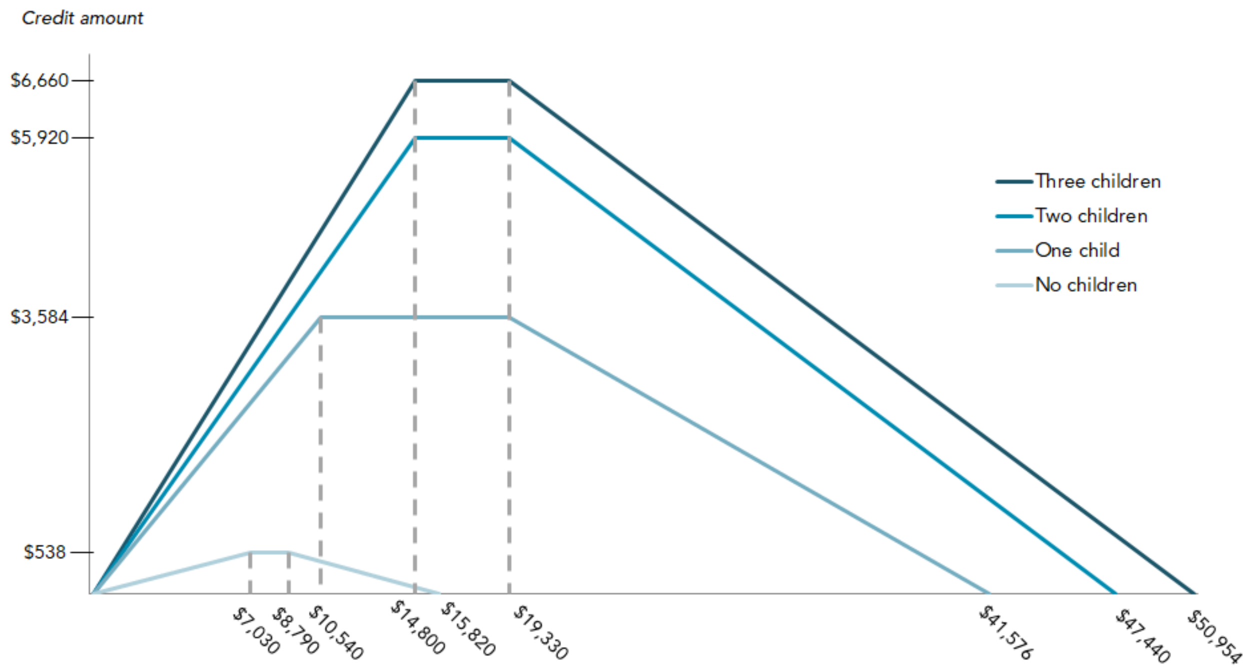
Oregon can take immediate steps to improve the structure of its Earned Income Tax Credit, so that it treats Oregonians more equitably and, ultimately, furthers the goal of the tax credit. The EITC Eligibility Workgroup convened by Governor Brown recommends the following policy changes to the state EITC, in order of priority:

1. End exclusion of people who file taxes using an Individual Taxpayer Identification Number (ITIN).
2. Provide to ITIN filers the value of their denied federal EITC, in addition to a state EITC amount.
3. Expand the EITC to younger and older workers without dependents.
4. Increase the credit amount for workers without dependents.
5. Boost the amount of Oregon's credit for everyone eligible.

The workgroup recognizes that other policy options exist for reforming the credit that could also advance equity and improve the economic well-being of Oregonians. These options raised complex issues beyond the scope of this workgroup. Nevertheless, each regards critical issues deserving the attention of Oregon policymakers.

APPENDIX A

Earned Income Tax Credit
2020



Source: Urban-Brookings Tax Policy Center (2020). Internal Revenue Procedure 2019-44, Internal Revenue Service.
Notes: Assumes all income comes from earnings. Amounts are for taxpayers filing a single or head-of-household tax return. For married couples filing a joint tax return, the credit begins to phase out at income $5,890 higher than shown.

APPENDIX B

Eligibility Group 1 Policy Matrix

All statements and figures are DRAFT

Revised 12/23/20

		Type of Change	Features	Size of population	Improves equity of EITC?	Action by other states	Fiscal (admin) costs	Revenue needed
1	**ITIN filers**	Population		25,000 (DOR)	Y	CO passed 2020; CA passed 2020; IL, NY, WA aiming for 2020; NM possibly.	~$750,000 /biennium	~$5 M /yr (DOR)
2	**Expand to younger and older workers w/o children**	Population		45,000 18-24 yrs; 15,000 65+ yrs (DOR)	Likely	CA to 18 yrs no upper limit; ME to 18 yrs; DC to 18 yrs; MD no min age; MN to 21 yrs; NY proposed.	yes	~1.7 M /yr (DOR) $2.1M/yr (ITEP)
2	**Increase amount for workers w/o dependents**	$ amount of benefit	Higher share of federal credit, or share of what workers with 1 kid gets	75,000 87% are single (DOR)	Likely	DC to 100%, NY proposed.	no for share of federal; yes for share of Oregon	$6M/yr - 32% fed; $8M/yr-40% fed; $24M/yr -1/2 OR 1 kid (ITEP)
4	**Unpaid caregivers**	Population	Minimum payment amount (like Universal Basic Income)					
5	**Students**	Population	Students will Pell grants would get a minimum payment amount (like UBI)	77,000	Likely			
6	**Boost Oregon's rate**	$ amount of benefit		291,000 (2016); ~250,000 (2019)(DOR)	Likely, if exluded groups are included		no	$6.3M/yr for 1 percentage point of federal (ITEP)
7	**Revise OR Working Family Household and Dependent Care Credit**			29,000				

APPENDIX C

Oregon EITC Expansion Scenarios Feb. 2020

All Oregon Residents, 2020 Incomes

2020 Income	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less than $25,000	$25,000 – $43,000	$43,000 – $72,000	$72,000 – $122,000	$122,000 – $254,000	$254,000 – $577,000	$577,000 – Or More
Average Income in Group	$15,000	$34,000	$56,000	$93,000	$170,000	$353,000	$1,389,000

Scenario 4a: Increase EITC for childless adults to 100% of federal							
Tax Change as % of Income	–0.3%	–0.0%	–0.0%	–0.0%	—	—	—
Average Tax Change	–42	–13	–0	–0	—	—	—
% with Income Tax Cut	12%	6%	0%	0%	0%	0%	0%
Avg. Tax Cut for Those w/ Cut	–355	–233	–432	–436	—	—	—
Share of Resident Tax Cut	76%	23%	1%	0%	0%	0%	0%

Modeled Cost ($1000)	
–23,000	
% of Taxpayers w/Cut	3%
% of Bottom 80% with Cut	4%
% of Top 20% with Cut	0%

Scenario 5a: Increase EITC for childless adults to match Oregon credit for households with one child >=3							
Tax Change as % of Income	–0.3%	–0.2%	–0.0%	–0.0%	—	—	—
Average Tax Change	–49	–54	–14	–2	—	—	—
% with Income Tax Cut	19%	33%	11%	2%	0%	0%	0%
Avg. Tax Cut for Those w/ Cut	–251	–166	–129	–110	—	—	—
Share of Resident Tax Cut	41%	45%	12%	2%	0%	0%	0%

Modeled Cost ($1000)	
–50,000	
% of Taxpayers w/Cut	13%
% of Bottom 80% with Cut	16%
% of Top 20% with Cut	0%

Scenario 6a: Increase EITC for childless adults to HALF OF Oregon credit for households with one child >=3							
Tax Change as % of Income	–0.2%	–0.1%	–0.0%	–0.0%	—	—	—
Average Tax Change	–23	–26	–7	–1	—	—	—
% with Income Tax Cut	19%	33%	11%	2%	0%	0%	0%
Avg. Tax Cut for Those w/ Cut	–116	–81	–65	–55	—	—	—
Share of Resident Tax Cut	40%	46%	12%	2%	0%	0%	0%

Modeled Cost ($1000)	
–24,000	
% of Taxpayers w/Cut	13%
% of Bottom 80% with Cut	16%
% of Top 20% with Cut	0%

Source: Institute on Taxation and Economic Policy, February 2020