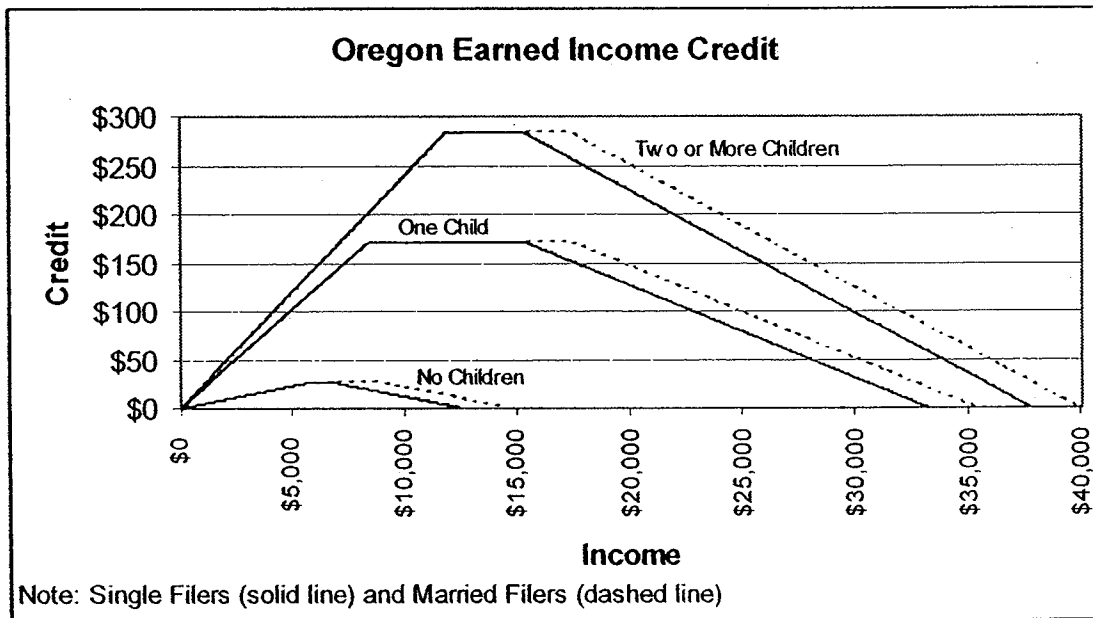


Oregon's Earned Income Credit

Current Law

Beginning with Tax Year 2008, Oregon's Earned Income Credit (EIC) is equal to six percent of the federal credit and is refundable, which means that a taxpayer's liability can be reduced to zero and any remaining unused credit is refunded to the taxpayer. For example, if a single parent with two children is eligible for a federal EIC of \$4,500, they would be eligible for an Oregon EIC of \$270. If their tax liability ignoring the EIC was \$150, then that liability would be reduced to zero and they would get a refund of \$120. The graph below shows how the Oregon EIC changes with family size and income.¹



History

The federal EIC has been in place in 1975 with the original policy goal of refunding payroll taxes to low-income taxpayers. Since then many states have adopted their own EIC, usually as a percentage of the federal amount. The policy goal for the states has been to provide supplemental income to low- and moderate-income working families. The Oregon EIC was created by the 1997 Legislature (SB 388) and was first allowed in tax year 1997. At the time it was a non-refundable credit equal to five percent of the federal EIC. The 2005 Legislature (SB 31) made the credit refundable for tax years 2006 through 2010 and increased the size of the credit to six percent beginning in 2008. The 2007 Legislature (HB 2810) removed the refundability sunset date and established a sunset date for the entire credit of January 1, 2014. The table to the right shows the utilization of the credit for tax year 2006 (the most recent year for which we have data).

Oregon EIC, Tax Year 2006			
AGI Class (\$000)	Number of Returns	Total (\$000)	Average (\$)
Less than zero	2,707	\$97	\$36
0-5	26,517	\$770	\$29
5-10	43,362	\$2,968	\$68
10-15	35,224	\$4,473	\$127
15-20	27,903	\$4,370	\$157
20-25	26,351	\$3,022	\$115
25-30	23,657	\$1,707	\$72
30-35	15,752	\$634	\$40
35-40	5,153	\$85	\$16
> 40	0	\$0	\$0
Total	206,626	\$18,126	\$88

¹ The graph is based on the 2007 EIC schedule but uses an Oregon 6% credit.