

## Expanding the EIC in 2009

### *Increasing the state Earned Income Credit would add fairness and help low-wage working families and communities across Oregon*

This tax season, Oregon will require a minimum wage worker who was employed full-time, year-round last year and supported one child to pay about \$321 in state income taxes. That's equivalent to about a month of food for this hard-working but financially insecure family.<sup>1</sup>

Oregon's Earned Income Credit, enacted in 1997, has certainly helped Oregon's most vulnerable families. The minimum wage family of two described above would have owed about \$484 in state income taxes – \$163 more – without the tax credit. Because the credit is so small, though (it's one of the nation's smallest among states with such credits) Oregon income taxes are still taking a month's worth of food off the table of vulnerable families. In a state where two-thirds of corporations pay just \$10 a year in income taxes, that's shameful.

By expanding the Earned Income Credit (EIC), Oregon can give a hand up to low-wage working families, rather than leaving them behind.

The Oregon EIC piggybacks on the federal EIC. Oregon families can receive a tax credit worth 6 percent of the federal credit. The amount of the state and federal credit varies with income and the number of children. A married-couple family of four earning between \$11,750 and \$17,400 in 2007 would have received the maximum benefit. Families with incomes up to about \$40,000 can qualify for at least a small EIC, but nearly two-thirds of families who receive Oregon's EIC earn less than \$20,000 per year.<sup>2</sup>

Oregon's EIC ties for sixth smallest among 23 states (including the District of Columbia) with state EICs.<sup>3</sup> At the same time, Oregon's income tax on poor families of four ranks fifth highest among states, and its income tax on near-poor families of four ranks third highest.<sup>4</sup>

Increasing the state EIC would benefit Oregon in three key ways:

- ◆ **The EIC helps low-wage working families.** Expanding Oregon's EIC from 6 percent of the federal credit to 18 percent would eliminate income taxes on a minimum wage worker with one child and would reduce income taxes paid by other low-wage working families. Expanding the EIC to 12 percent would at least eliminate income taxes on Oregon families with one or two children with incomes below the poverty line, allowing Oregon to join the majority of states that do not impose income taxes on such families.
- ◆ **The EIC is spent in communities across Oregon.** A single parent raising one child and earning the maximum state EIC would have had \$342 more last year to cover the costs of necessities if Oregon's EIC had been 18 percent of the federal credit, instead of 6 percent. A two-parent, two-child family earning the maximum EIC would have had \$566 more. Since families primarily use the refunds to pay bills such as rent or utilities and to buy basic necessities such as groceries or gas, most of the \$50 million a year in expanded Earned Income Credit money would circulate through communities across Oregon.<sup>5</sup>
- ◆ **The EIC makes Oregon's tax system fairer.** Increasing Oregon's EIC would bring Oregon's overall state and local tax system closer to one that is based on taxpayers' ability to pay. Under today's state and local tax system, the poorest Oregon households pay a higher share of their income in taxes than Oregon's richest households. Adding insult to injury, while a family of four with poverty level income from work paid about \$238 in income taxes last year, two-thirds of corporations operating in Oregon, including corporations with substantial profits, paid just \$10 each.

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### Endnotes

<sup>1</sup> OCPP's analysis of data from the Bureau of Labor Statistics' Consumer Expenditure Survey finds that a two-person family in the lowest-income fifth of families in the United States spent about \$311 per month on food in 2006.

<sup>2</sup> In 2005, 63 percent of state EIC returns reported adjusted gross income under \$20,000. OCPP analysis of data in Oregon Department of Revenue, *2005 Personal Income Tax Statistics*, table I.1, full-year returns.

<sup>3</sup> See Jason Levitis and Jeremy Koulisch, *A Majority of States with Income Taxes Have Enacted Earned Income Tax Credits*, Center on Budget and Policy Priorities, October 5, 2007, available at [www.cbpp.org/10-5-07sfp.htm](http://www.cbpp.org/10-5-07sfp.htm).

<sup>4</sup> See Jason Levitis, *The Impact of State Income Taxes on Low-Income Families in 2006*, Center on Budget and Policy Priorities, March 27, 2007, available at [www.cbpp.org/3-27-07sfp.pdf](http://www.cbpp.org/3-27-07sfp.pdf).

<sup>5</sup> Steve Holt, *The Earned Income Tax Credit at Age 30: What We Know*, Brookings Institution, February 2006, available at [www.brookings.edu/reports/2006/02childrenfamilies\\_holt.aspx](http://www.brookings.edu/reports/2006/02childrenfamilies_holt.aspx).

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## Federal Earned Income Credit by State Senate District, 2005

Senate district	# returns	# EIC returns	EIC share	EIC \$	Share rank
1	51,078	8,563	16.8%	\$14,777,035	7
2	52,849	9,238	17.5%	\$15,970,002	6
3	54,936	8,857	16.1%	\$14,982,124	10
4	50,143	7,130	14.2%	\$11,385,131	16
5	50,606	8,165	16.1%	\$13,488,569	8
6	49,948	8,024	16.1%	\$13,609,572	11
7	54,596	7,859	14.4%	\$12,304,121	14
8	51,791	6,036	11.7%	\$9,505,062	24
9	49,652	7,081	14.3%	\$12,857,635	15
10	50,569	7,024	13.9%	\$12,644,573	17
11	48,270	9,115	18.9%	\$17,760,546	2
12	50,585	7,287	14.4%	\$13,151,819	13
13	51,986	6,032	11.6%	\$10,905,127	25
14	55,620	5,561	10.0%	\$9,311,527	27
15	54,554	6,380	11.7%	\$11,607,058	23
16	52,790	7,020	13.3%	\$11,886,984	20
17	63,600	5,482	8.6%	\$7,909,851	28
18	58,829	4,590	7.8%	\$6,000,975	29
19	55,893	3,415	6.1%	\$4,928,079	30
20	53,078	6,095	11.5%	\$10,367,875	26
21	56,522	7,208	12.8%	\$9,213,015	22
22	52,746	8,507	16.1%	\$13,341,598	9
23	51,573	7,117	13.8%	\$11,243,450	18
24	53,500	9,926	18.6%	\$18,846,935	3
25	51,518	7,647	14.8%	\$14,168,248	12
26	52,136	6,967	13.4%	\$12,237,763	19
27	66,666	8,648	13.0%	\$14,392,381	21
28	50,451	9,123	18.1%	\$16,168,009	5
29	46,092	8,522	18.5%	\$15,660,857	4
30	44,684	9,055	20.3%	\$16,810,744	1
<b>Senate average</b>	<b>52,909</b>	<b>7,389</b>	<b>14.0%</b>	<b>\$12,581,222</b>	<b>--</b>

Source: Brookings Institution analysis of IRS data for tax year 2005.

**Expanding the EIC in 2009**

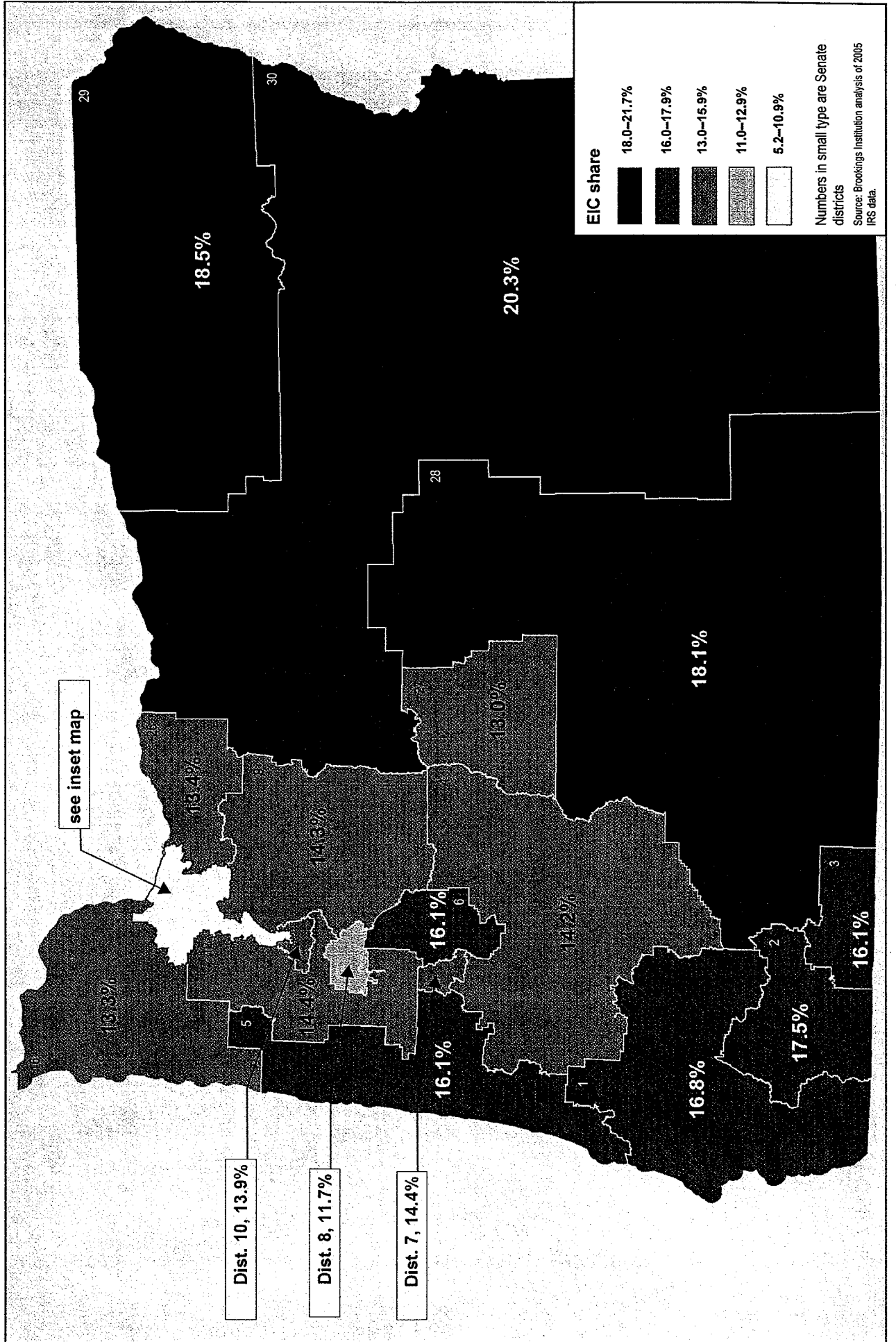
Federal Earned Income Credit by State House District, 2005					
House district	# returns	# EIC returns	EIC share	EIC \$	Share rank
1	25,509	4,307	16.9%	\$7,269,139	14
2	25,569	4,256	16.6%	\$7,507,896	16
3	25,373	4,722	18.6%	\$8,205,509	8
4	27,473	4,516	16.4%	\$7,764,156	20
5	27,673	4,563	16.5%	\$7,383,671	19
6	27,262	4,294	15.8%	\$7,597,840	22
7	24,367	4,088	16.8%	\$7,037,821	15
8	25,769	3,042	11.8%	\$4,346,313	47
9	24,775	4,114	16.6%	\$6,909,914	17
10	25,832	4,050	15.7%	\$6,578,655	23
11	25,441	3,393	13.3%	\$5,502,519	39
12	24,509	4,631	18.9%	\$8,107,373	6
13	28,396	3,535	12.4%	\$5,204,049	44
14	26,206	4,325	16.5%	\$7,100,749	18
15	26,665	3,710	13.9%	\$6,317,554	34
16	25,126	2,325	9.3%	\$3,187,508	53
17	24,476	3,737	15.3%	\$6,660,449	24
18	25,165	3,342	13.3%	\$6,192,500	40
19	25,063	3,665	14.6%	\$6,629,400	27
20	25,510	3,361	13.2%	\$6,016,977	41
21	27,206	4,994	18.4%	\$9,408,041	9
22	21,071	4,123	19.6%	\$8,355,386	2
23	25,512	3,566	14.0%	\$6,235,891	32
24	25,072	3,721	14.8%	\$6,915,928	26
25	23,432	3,483	14.9%	\$6,569,365	25
26	28,554	2,548	8.9%	\$4,335,785	55
27	27,816	2,564	9.2%	\$4,139,353	54
28	27,806	2,997	10.8%	\$5,172,484	50
29	24,091	3,267	13.6%	\$6,071,618	37
30	30,462	3,113	10.2%	\$5,535,440	52
31	26,504	3,357	12.7%	\$5,649,341	43
32	26,285	3,663	13.9%	\$6,237,571	33
33	34,557	2,358	6.8%	\$2,630,092	59
34	29,044	3,124	10.8%	\$5,279,831	51
35	29,135	2,519	8.6%	\$3,991,734	56
36	29,692	2,070	7.0%	\$2,008,907	57
37	28,342	1,971	7.0%	\$3,054,825	58
38	27,551	1,443	5.2%	\$1,873,253	60
39	26,808	2,918	10.9%	\$5,082,539	49
40	26,269	3,177	12.1%	\$5,285,337	45
41	26,313	3,687	14.0%	\$5,480,184	31
42	30,222	3,522	11.7%	\$3,733,707	48
43	27,532	3,959	14.4%	\$5,682,484	28

**Federal Earned Income Credit by State House District, 2005**

House district	# returns	# EIC returns	EIC share	EIC \$	Share rank
44	25,226	4,548	18.0%	\$7,659,936	11
45	25,856	3,468	13.4%	\$5,671,646	38
46	25,692	3,647	14.2%	\$5,570,106	29
47	23,926	4,676	19.5%	\$8,977,596	3
48	29,574	5,250	17.8%	\$9,869,339	12
49	26,596	4,196	15.8%	\$7,806,583	21
50	24,922	3,451	13.8%	\$6,361,665	35
51	25,564	3,482	13.6%	\$6,154,830	36
52	26,572	3,485	13.1%	\$6,082,932	42
53	32,215	4,516	14.0%	\$7,719,683	30
54	34,451	4,132	12.0%	\$6,672,698	46
55	26,093	4,534	17.4%	\$7,868,485	13
56	24,362	4,590	18.8%	\$8,300,474	7
57	23,422	4,234	18.1%	\$7,621,728	10
58	22,669	4,289	18.9%	\$8,039,129	5
59	24,306	4,624	19.0%	\$8,314,941	4
60	20,378	4,431	21.7%	\$8,495,803	1
<b>House average</b>	<b>26,454</b>	<b>3,695</b>	<b>14.0%</b>	<b>\$6,290,611</b>	<b>--</b>

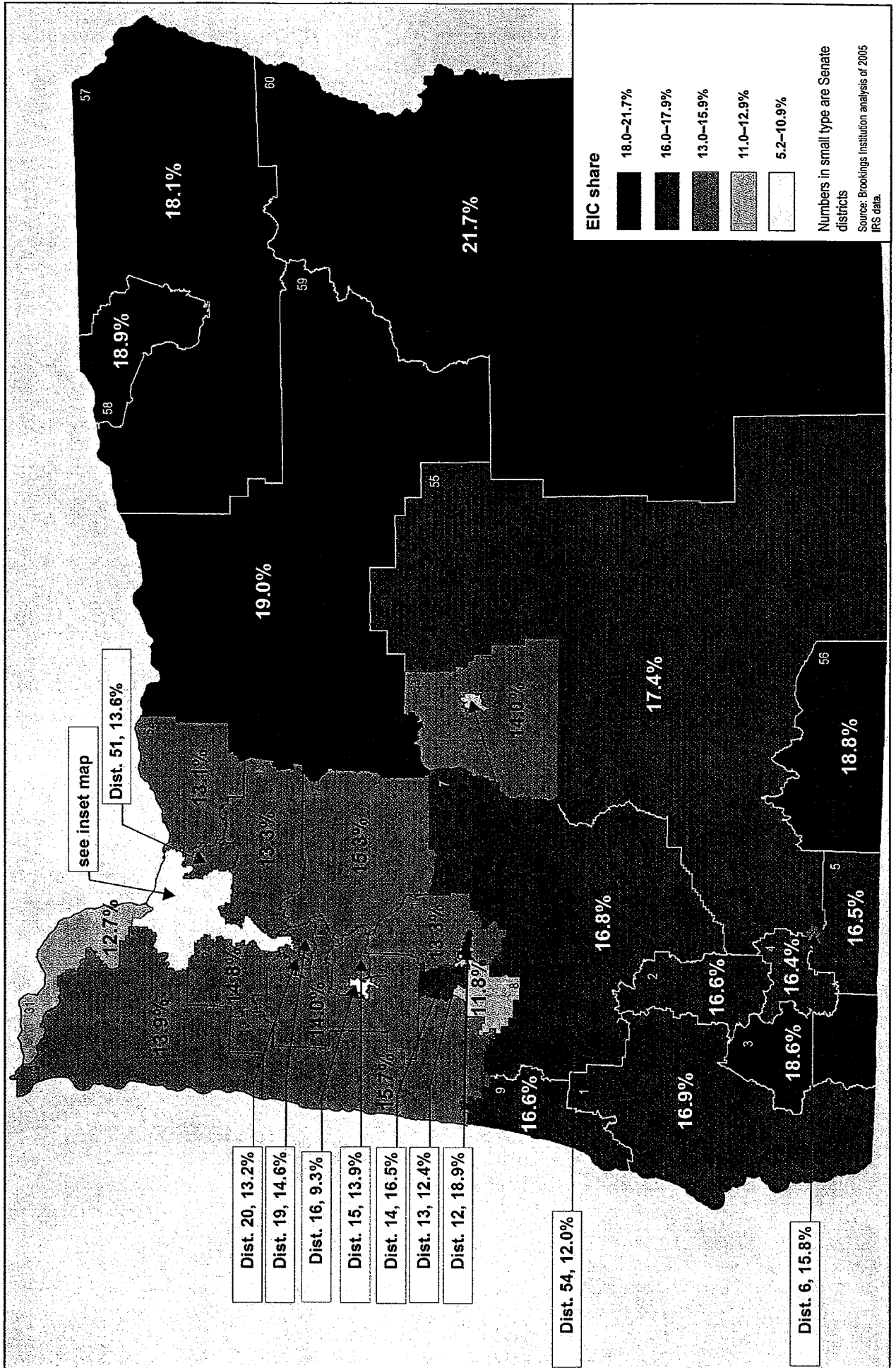
Source: Brookings Institution analysis of IRS data for tax year 2005.

# EIC returns as a share of all tax returns, by Senate district 2005 tax year

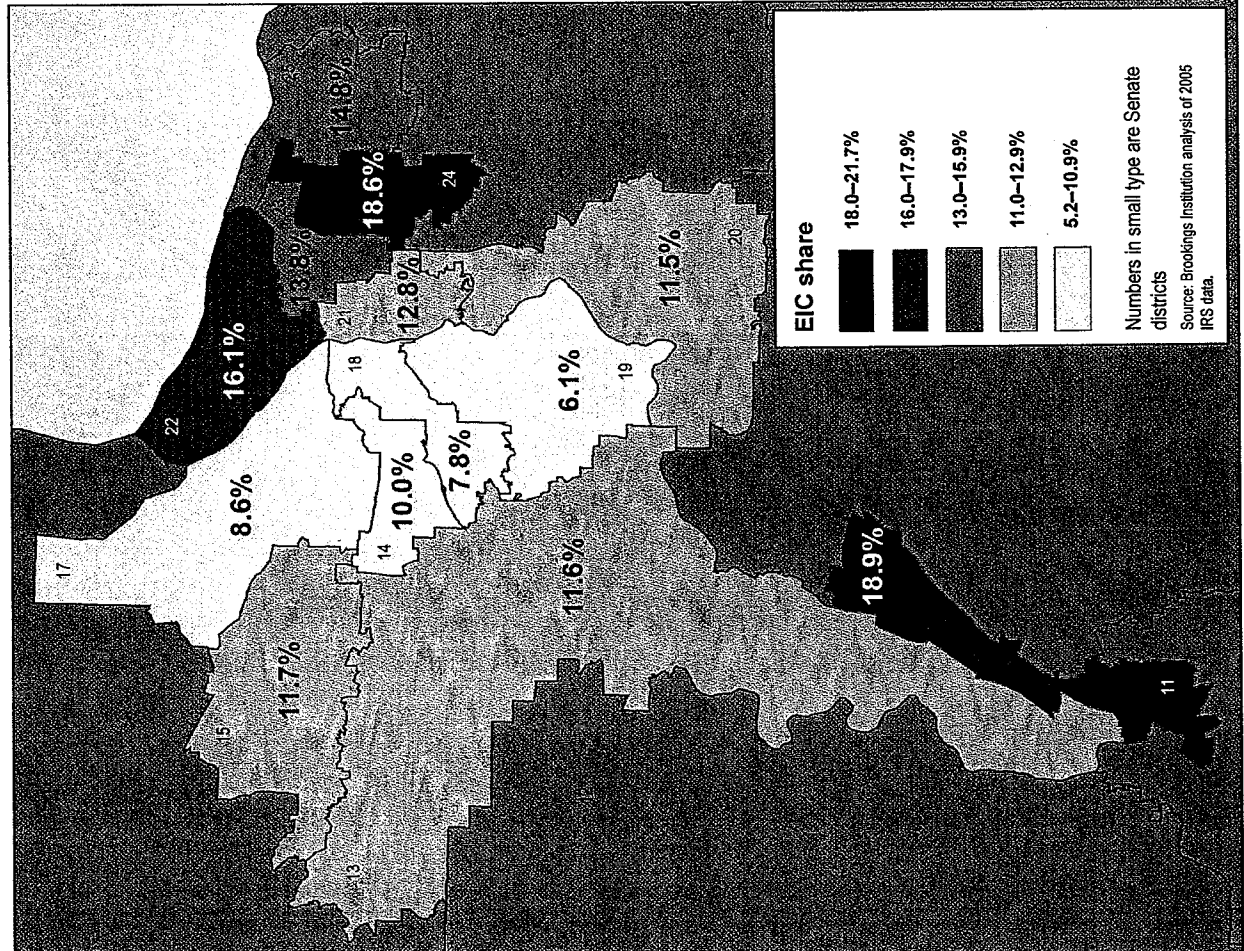


# EIC returns as a share of all tax returns, by House district

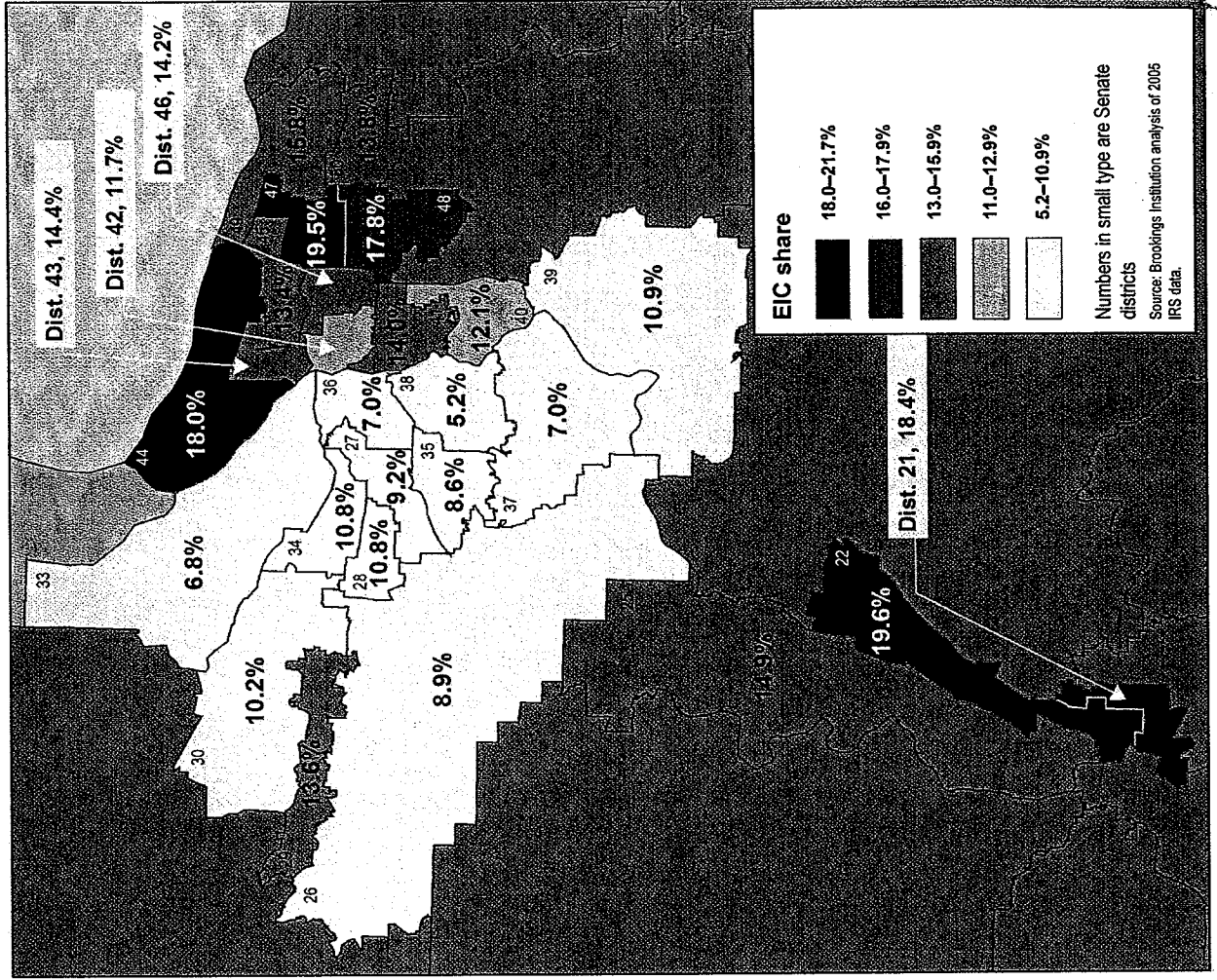
2005 tax year



# Senate district inset



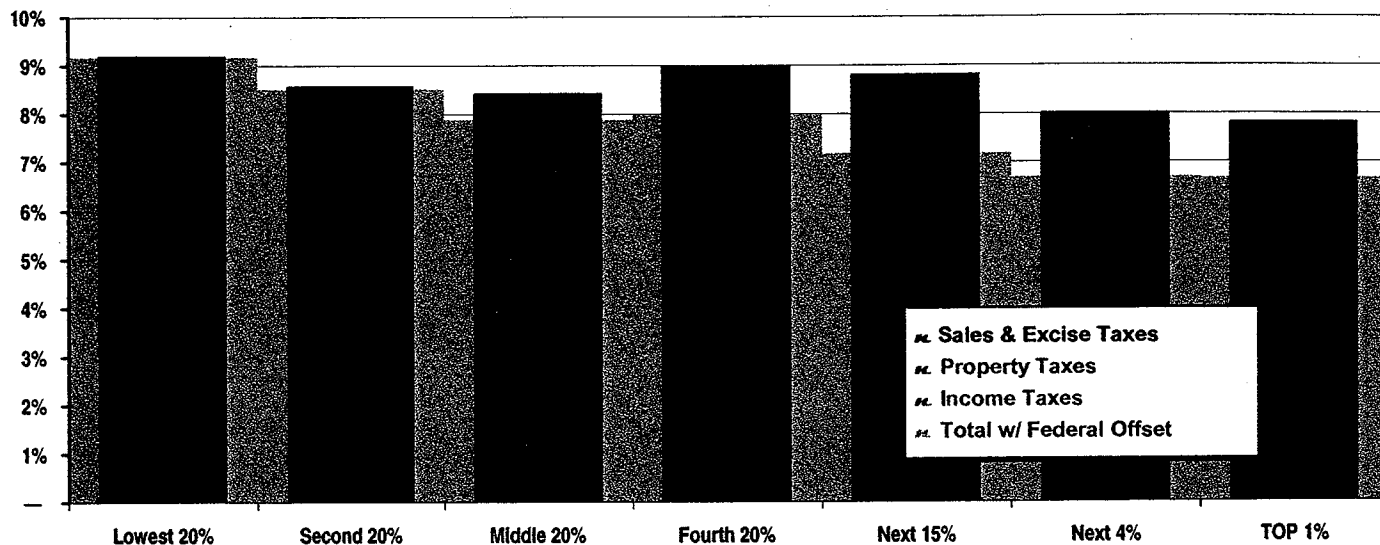
# House district inset



# Oregon

## State & Local Taxes in 2006

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$31,000	\$31,000 – \$49,000	\$49,000 – \$82,000	\$82,000 – \$155,000	\$155,000 – \$378,000	\$378,000 or more
Average Income in Group	\$9,900	\$22,500	\$39,600	\$62,700	\$105,300	\$216,800	\$898,500
<b>Sales &amp; Excise Taxes</b>	<b>2.2%</b>	<b>1.4%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>0.5%</b>	<b>0.2%</b>	<b>0.1%</b>
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	1.9%	1.2%	0.8%	0.7%	0.4%	0.2%	0.1%
Sales & Excise on Business	0.2%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%
<b>Property Taxes</b>	<b>4.6%</b>	<b>3.6%</b>	<b>2.6%</b>	<b>3.0%</b>	<b>2.7%</b>	<b>2.2%</b>	<b>1.2%</b>
Property Taxes on Families	4.5%	3.6%	2.6%	3.0%	2.5%	2.0%	0.8%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.4%
<b>Income Taxes</b>	<b>2.4%</b>	<b>3.5%</b>	<b>4.8%</b>	<b>5.1%</b>	<b>5.6%</b>	<b>5.6%</b>	<b>6.5%</b>
Personal Income Tax	2.4%	3.5%	4.8%	5.1%	5.6%	5.5%	6.3%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>9.2%</b>	<b>8.6%</b>	<b>8.4%</b>	<b>9.0%</b>	<b>8.8%</b>	<b>8.0%</b>	<b>7.8%</b>
Federal Deduction Offset	—	-0.0%	-0.5%	-1.0%	-1.6%	-1.3%	-1.1%
<b>TOTAL AFTER OFFSET</b>	<b>9.2%</b>	<b>8.5%</b>	<b>7.9%</b>	<b>8.0%</b>	<b>7.2%</b>	<b>6.7%</b>	<b>6.7%</b>

Note: Table shows 2008 tax law at 2006 income levels.

Source: Institute on Taxation and Economic Policy