

PUBLIC HEARING HB 2046, 2378, 2388

TAPES 60-61, A-B

HOUSE REVENUE COMMITTEE

MARCH 1, 2005 1:00 PM STATE CAPITOL BUILDING

Members Present: Rep. Tom Butler, Chair
 Rep. Vicki Berger, Vice-Chair
 Rep. Mark Hass, Vice-Chair
 Rep. Brian Boquist
 Rep. Sal Esquivel
 Rep. Larry Galizio
 Rep. Betty Komp
 Rep. Andy Olson
 Rep. Chuck Riley

Witnesses Present: Rep. Diane Rosenbaum, District 42
 Rep. Debi Farr, District 14
 Rep. Donna Nelson, District 24
 Robert Castagna, Oregon Catholic Conference
 Debra Buchanan, Dept. of Revenue

Staff Present: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist

Kristi Bowman, Committee Assistant

TAPE 60, SIDE A

002 Chair Butler Opens meeting at 1:08 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 2046

005 Lizbeth Martin-Mahar Gives overview of HB 2046 (Exhibit 1). The bill concerns a change of percentage of the federal earned income credit. The credit would be allowable as a credit against Oregon personal income tax, making the earned income tax credit refundable. Refers to Table C on page 9 of the research report on the Impact of 1997 Legislation – Earned Income and Working Family Child Care Tax Credits in Oregon (Exhibit 2).

040 Rep. Rosenbaum Testifies in support of HB 2046 because it helps those who are working and trying to escape poverty by returning more of their tax money to them for food and shelter. It will also help local economies by providing an economic stimulus. Submits written testimony (Exhibit 3).

096 Rep. Farr Testifies in support of HB 2046 because of the bill contains language proposing a tax refund for working families with incomes below poverty level.

- 126 Rep. Nelson Testifies in support of HB 2046 because “it is the right thing to do.” Supports the bill on behalf of the Hunger Task Force.
- 140 Robert Castagna Provides background information and legislative history of the earned income credit. Testifies in support of HB 2046 because it supports two goals: 1) to eliminate a tax obligation for those under the poverty income level; 2) to move the working poor out of poverty. Discusses handout “A Hand Up – How State Earned Income Tax Credits Help Working Families Escape Poverty in 2004” (Exhibit 4). Refers to the table on page 4 of the handout pertaining to other state programs. States that the Earned Income Tax Credit (EITC) is a tax policy that “seeks tax justice.” Would leave the percentage change of federal credit to the discretion of the committee members.
- 309 Rep. Hass Discusses with Mr. Castagna possible percentage changes to consider.
- 320 Rep. Berger Asks about whether the Temporary Assistance to Needy Families (TANF) Block Grant would work in Oregon.
- 323 Castagna Responds that he is not aware of the grant amount already distributed through the Dept. of Human Services budget, and he does not know the amount of block grant money available to use for the EITC.
- 339 Rep. Hass Asks if an analysis could be done for the EITC credit to determine if it is efficient in helping those in need.

360 Castagna Responds that a key element of the EITC credit is that the taxpayer must be working to qualify for this credit as opposed to only satisfying a residency requirement. States that he would be willing to examine the issue of residency.

377 Debra Buchanan Makes comments about the administrative processes for the payment of interest on refunds as stated in the bill that could involve additional costs to the Dept. of Revenue.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2046

410 Chair Butler Asks the staff of Legislative Revenue Office to prepare a report regarding the minimum costs involved on HB 2046 and HB 2378.

TAPE 61, SIDE A

025 Rep. Komp Asks about the current refundable status of the state EITC.

030 Chair Butler Responds that currently EITC refunds are only made for federal returns, starting in the late 1990's.

OPENS PUBLIC HEARING FOR HOUSE BILLS 2378 AND 2388

059 Rep. Nelson

Reads from written testimony (Exhibit 5) in support of HB 2378. States that this bill shifts the EITC from parents to grandparents who are providing the child care. Suggests an amendment pertaining to section 152 of IRS tax code in order to be consistent with other pertinent legislation.

- 094 Martin-Mahar Clarifies definition of “qualifying child” with Rep. Nelson before giving background of HB 2378. Gives background of bill (Exhibit 6). Discusses consideration of an amendment to define specific relationships between the caregiver and child. Grandparent must be working in order to claim the working family tax credit, and that meets the requirements of the current law.
- 144 Rep. Berger Asks if the reconnect bill (HB 2542) will take care of some of the definition issues.
- 148 Chair Butler Responds that the reconnect bill does contain the child-caregiver language.
- 155 Rep. Riley Asks to clarify which line in HB 2378 is different than the reconnect bill language.
- 157 Martin-Mahar Responds that line 10 of HB 2378 adds the word “grandparent” as a caregiver. HB 2542 does not include this language to encompass all qualifying relatives, but HB 2542 can be expanded to match line 10 in HB 2378.

- 170 Martin-Mahar Additional questions and discussion with Rep. Riley regarding HB 2378 and HB 2542 statute language. Discusses options of proposed legislation.
- 190 Rep. Riley Asks about working grandparents and child care issues.
- 200 Martin-Mahar Responds that under current law, a working grandparent can claim the tax credit. A working grandparent can pay for a grandchild's care at a day care center, for instance, and can claim the working family child care tax credit. They do not need to be the legal guardian.
- 235 Rep. Hass Asks how many taxpayers this could affect.
- 240 Martin-Mahar Responds that the Dept. of Revenue did an audit on working family child care tax credits for tax year 2003. The Dept. found 401 tax returns of grandparents who had erroneously claimed the credit for child care—not a significant impact on revenue.
- 260 Rep. Nelson Additional comments about grandparents who provide a significant amount of financial responsibility pertaining to child care.
- 290 Rep. Boquist Asks Martin-Mahar about the revenue impact of new taxpayers who will become eligible with this legislation (Exhibit 7).
- 300 Martin-Mahar

Responds that it would take additional analysis of the senior population and percentages of those who care for children.

- 331 Rep. Hass Asks about the limiting language in the bill specifying only grandparents and not including other relatives who “provide” child care.
- 351 Rep. Nelson Comments that the term “legal guardian” language in the bill does cause confusion. Discusses anecdotal information.
- 380 Rep. Komp Asks about the potential of “double-dipping” taxpayers. For example, a grandparent who provides most of the financial support of a child, but the parent also claims a tax credit—is there a check-and-balance system to prevent that from happening?
- 382 Martin-Mahar Responds that a caregiver must provide proof of daycare expenses in order to claim the working family child care tax credit.
- 385 Chair Butler Adds that the social security number of the child is checked for appearing on more than one return.
- 390 Martin-Mahar Gives overview of HB 2388 (Exhibit 8). The bill changes the 5% tax rate to 0% for taxable income not over \$2,000. Refers to the Revenue Impact Statement (Exhibit 9) and Distributional Breakdown table (Exhibit 10).

- 030 Rep. Nelson Reads from written testimony in support of HB 2388 (Exhibit 11). Supports the bill because it will help low income families keep more of their earnings.
- 062 Rep. Riley Comments about the maximum income threshold stated in bill.
- 082 Rep. Nelson Responds that she would be willing to consider an amendment to change the maximum threshold language.
- 093 Chair Butler Discusses with Martin-Mahar the distribution amounts as stated in her table titled "Distributional Breakdown by Income Groups" (Exhibit 10).
- 118 Rep. Boquist Comments that he would like to see the distribution breakdown table include the number of returns that are reflected in the bill's tax bracket table.
- 130 Martin-Mahar Responds that the figures in the bill are indexed to inflation, so the minimum and maximum dollar amounts for each rate bracket go up each year.
- 155 Chair Butler In response to Rep. Boquist's question, the Chair comments that Debra Buchanan from the Dept. of Revenue would probably be able to provide the information that Rep. Boquist requests

161 Rep. Berger Asks rhetorically if there is any way to separate a college student who earns no income from a truly poverty level income and is not necessarily eligible for the percentage change stated in HB 2388. Comments that some people will apply for this credit under that circumstance.

187 Rep. Hass Voices his concerns over how these proposed bills would be paid for. Further discussion with Rep. Nelson regarding that issue.

CLOSES PUBLIC HEARING FOR HOUSE BILLS 2378 AND 2388

253 Chair Butler Adjourns meeting at 2:21 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. HB 2046, Staff Measure Summary, Martin-Mahar, 1 pg., 02/28/05
2. 2. HB 2046, Research Report, Impact of 1997 Legislation – Earned Income and Working Family Child Care Tax Credits in Oregon, LRO, 9 pp., 12/04

3. 3. HB 2046, Testimony, Rep. Rosenbaum, 1 pg., 03/01/05
4. 4. HB 2046, Handout: A Hand Up, Castagna, 7 pp., 05/14/04
5. 5. HB 2378, Testimony, Rep. Nelson, 1 pg., 03/01/05
6. 6. HB 2378, Staff Measure Summary, Martin-Mahar, 1 pg., 02/28/05
7. 7. HB 2378, Revenue Impact Statement, Martin-Mahar, 1 pg., 03/01/05
8. 8. HB 2388, Staff Measure Summary, Martin-Mahar, 1 pg., 03/01/05
9. 9. HB 2388, Revenue Impact Statement, Martin-Mahar, 1 pg., 03/01/05
10. 10. HB 2388, Handout: Distributional Breakdown, Martin-Mahar, 1 pg., 02/28/05
11. 11. HB 2388, Testimony, Rep. Nelson, 1 pg., 03/01/05