

HB 2819 A STAFF MEASURE SUMMARY

Joint Committee On Tax Expenditures

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Meeting Dates: 6/10, 6/11

WHAT THE MEASURE DOES:

Allows otherwise qualified resident or nonresident individual to claim earned income tax credit using Individual Taxpayer Identification Number in lieu of Social Security Number. Specifies credit amount to be amount the individual would otherwise be eligible to claim but for section 32(m) of the Internal Revenue Code, multiplied by nine percent, or 12 percent for taxpayers with a dependent under the age of three at close of tax year. Applies to tax years beginning on or after January 1, 2022 and before January 1, 2026.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The federal earned income tax credit (EITC) is a refundable tax credit available to eligible individuals of comparatively low earnings. As the credit is refundable, the credit first reduces an individual's tax liability, potentially to zero. If additional credit amount is available after reducing tax liability to zero, the remaining credit amount is paid directly to the taxpayer as a tax refund. Oregon's earned income tax credit is a percentage of the federal credit and is equal to 9% of federal credit amount or 12% for taxpayers with a dependent under the age of three at the close of the tax year. As Oregon's credit is a percentage of the federal credit, Oregon's credit inherently reflects the design of the federal EITC.

An Individual Taxpayer Identification Number (ITIN) is a tax processing number issued by the Internal Revenue Service (IRS). The IRS issues ITINs to individuals who are required to have a U.S. taxpayer identification number but who do not have, and are not eligible to obtain, a Social Security Number (SSN).

To qualify for the earned income tax credit, taxpayers must meet a number of requirements including filing an income tax return, having earned income, having limited or no investment income, meeting child relationship requirements and providing Social Security numbers for specified individuals reported on the tax return. ITINs cannot be used to qualify for the federal EITC and as Oregon's EITC is a percentage of the federal credit, taxpayers using an ITIN do not presently qualify for the Oregon EITC.