

BUILDING OUT EARNED INCOME TAX CREDIT UPTAKE

A Business Plan Priority for 2022

Why Build Out Tax Credit Uptake?

Oregon has persistently ranked last or close to last in access to the Earned Income Tax Credit (EITC)— a credit that gives a helpful income boost to low-income Oregonians and their families. Governor Brown recognized low EITC participation as a critical problem and launched a work group focused on modernizing and improving EITC access and uptake rates. Internal research within Metropolitan Family Service (MFS) showed that barriers around geography, language, and trust limited Oregonians' ability to file their tax returns. As a result of such barriers, \$137 million in Oregon EITC benefits go unclaimed annually. Now, with the presence of Covid-19 – where many families have lost jobs, continue to be under-employed, or have less face-to-face access to tax preparers – these barriers are even greater.

For the month of April 2020 alone, a third of Americans were unable to pay rent in the economic fallout of the coronavirus pandemic and nearly 270,000 Oregonians filed for unemployment insurance benefits. We anticipate economic hardships like this will continue over the next several years as we recover from the economic crisis resulting from COVID-19.

Now is a critical time to help individuals and families stabilize their family budgets. Access to tax refunds provides resources for increased housing stability and funds to pay utility bills and buy food and other essential supplies. For example, our clients include a single mother with three children and an Adjusted Gross Income of \$15,511, who took home a \$9,400 refund: \$6,557 of Earned Income Tax Credit, \$1,952 of Child Tax Credit and \$1,576 of Oregon refund which included \$721 in state Earned Tax Credit. With her tax return funds, this mother was able to buy beds for her children who had been sleeping on the floor.

With the higher federal standard deduction and impact of Covid-19, the take-up rate (i.e., percent of families accessing benefits) for programs like EITC is likely to erode if no action is taken. This means less support for taxpayers who are personally facing dire circumstances for themselves and their families. Having access to cash at this time can make the difference for many taxpayers, offering a financial bridge to sustain households, and provide food and healthcare for themselves and their families.

The Need for an Equitable and Sustainable Tax Support System

If Oregon were to increase its EITC take-up rate from its current 73.1 percent to the national average of 78.6 percent, low-income families would have access to \$27 million in EITC funds and \$5 million in Child Tax Credit (CTC) funds annually. With a long-term strategy in place to reach 85 percent take-up, low-income families would have access to \$73 million in EITC funds annually.

The Opportunity

The tax code is increasingly being used not just for revenue collection, but also to provide critical benefits for low-income earners. Given the growth of this policy tool for social mobility, it is critically important that low-income Oregonians file taxes in order to gain valuable benefits. This proposal builds from the findings from the [Governor's Increasing EITC Participation Workgroup report](#) and the Oregon Department of Human Services (ODHS)'s pilot with MFS CASH Oregon to improve EITC uptake. The

ODHS pilot specifically looked at barriers tax filers face including cultural, language, and geographic barriers experienced by ODHS Self Sufficiency Program clients when accessing tax support services.

A \$4 million investment in the legislative short session could provide immediate tax assistance to many low income Oregonians and support a longer term, holistic and person centered prosperity system that can help meet other critical needs and support a thriving Oregon for everyone. The following outlines a series of steps and strategies to scale-up tax preparation for low-income filers who are not availing themselves of these benefits in a time of great need.

1. *Strengthen current programs filling this need.*

- This would mean expanding resources for current providers including Metropolitan Family Services Cash Oregon tax support network (TSN), Neighborworks Umqua, AARP, VITA, and other community-based organizations working to maintain and grow capacity. Former providers will also be considered for funds to resume operations. Services will be provided to overcome barriers in language and trust.

2. *Significantly boost recruitment and retention of qualified tax preparers.*

- Fund statewide staffing to professionalize volunteer recruitment and training efforts, and provide administrative support to the network of volunteers. (Recommended by Governor's workgroup report). Recruit new preparers by considering nonprofit volunteers, scholarship arrangements for students, partnerships with higher education, extension offices, and other organizations.
- Develop and maintain a comprehensive and streamlined online training for volunteer tax preparers.

3. *Increase statewide tax preparation and service hubs and engage navigation partners.*

- As recommended by the [Governor's workgroup report](#), work with culturally specific and responsive organizations such as Navigation Partners to create awareness of these benefits for tax filers and connect to the appropriate tax preparers.
- Also as recommended by the Governor's workgroup, create statewide hubs to oversee regional outreach and connect to tax preparers; explore integrating with existing resources such as early childhood hubs, food banks, culturally specific and responsive CBO, Community Action Agencies, ODHS offices, and community colleges and universities.

Transition to Equitable, Sustainable, Taxpayer Assistance Infrastructure

We are proposing a \$4 million Short Session ask through the ODHS Self Sufficiency Program. As envisioned in the Governor's 2020 [Increasing Participation Working Group](#), this proposal includes a role for ODHS to transition Oregon to an equitable, sustainable taxpayer assistance structure. In the same way ODHS in 2007 - 2009 hosted the Oregon Health Fund Board in completing the details of a comprehensive health coverage plan and creation of the Oregon Health Authority, ODHS would again host a diverse group of stakeholders to define the implementation details of an equitable and adequate taxpayer assistance structure. The group would build on the knowledge from the Governor's workgroup; the pilot work OHDS has already done with one of its provider partners; and leverage the knowledge of current and past providers, and other advocacy stakeholders. This technical and fiscal blueprint is necessary for a successful transition to an equitable, adequate, and durable structure.