

Reform child-care tax credit

Workers on the lowest rungs of the wage ladder face many obstacles as they struggle to keep their families out of poverty.

House Bill 2716, the Working Family Child Care Tax Credit, would refund some of the cost of child care to Oregon's neediest families. This is not a new government program, but a modest step that the Legislature can take to provide assistance to those hard-working Oregonians who need it the most.

Currently, low-income Oregonians can deduct some of their child-care expenses from their income taxes. Not only does the existing program help Oregon's working families, but it also helps Oregon's employers retain trained employees.

According to the Employment Department, the existing credit has been very successful in its first two years in assisting low-income families with their child-care expenses. Low-income working parents who pay for child care receive financial assistance to ensure that they can join and stay in the work force. Employers who hire these working parents may benefit from a more dependable work force.

However, the existing credit has a significant shortcoming. Many low-income families do not earn sufficient income to have a tax liability equal to the

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40 percent of child-care expenses that the current credit covers. The average qualifying family receives only half the value of the full credit. Families that need the credit the most — ones with small incomes in relation to their child-care expenses — are the least able to take advantage of the full credit. According to the Oregon Hunger Relief Task Force, a family earning \$15.50 per hour receives 28 times the tax relief that a family earning minimum wage receives.

For a single parent spending \$8,400 to keep her children in child care so that she can work full time at a minimum wage job, a refundable credit would return about \$280 per month to her family. Currently, her family receives about \$5 per month as a result of the credit. The Employment Department acknowledges the credit could be more successful if it were refundable.

Making the credit refundable

will restore some balance to Oregon's tax code, which places a disproportionate burden on the working poor. Last fall, voters approved a tax cut under Measure 88 which largely affects middle- and upper-income earners. It is a fundamental matter of fairness that we now extend relief to low-income Oregonians as well.

The bill enjoys broad support. The state's leading advocates for the poor, including Ecumenical Ministries, the Oregon Catholic Conference, the Oregon Food Bank Statewide Network, the Oregon Hunger Relief Task Force and the Oregon Law Center are all backing this legislation. In addition, groups from Children First to the Oregon Childcare Commission to the Rose Community Development Corporation to Stand for Children have expressed support for the legislation.

A responsible and responsive government has a duty to extend a helping hand to those who are working to earn economic independence. We can extend that hand this session by passing the House Bill 2716.

Rep. Diane Rosenbaum, D-Portland, can be reached at (503) 986-1414 or rosenbaum.rep@state.or.us. Rep. Lane Shetterly, R-Dallas, can be reached at (503) 986-1434 or shetterly.rep@state.or.us.

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