78th OREGON LEGISLATIVE ASSEMBLY – 2015 Regular Session **MEASURE: SB 51**

PRELIMINARY STAFF MEASURE SUMMARY **CARRIER:**

Senate Committee on Human Services and Early Childhood

REVENUE: May have revenue impact, statement not yet issued
FISCAL: May have fiscal impact, statement not yet issued
SUBSEQUENT REFERRAL TO: Tax Credits

Action:
Vote:
Yeas:
Nays:
Exc.:
Prepared By: Cheyenne Ross, Administrator
Meeting Dates: 3/5

WHAT THE MEASURE DOES: Extends tax credit for qualified withdrawals from independent development accounts.

ISSUES DISCUSSED:

EFFECT OF COMMITTEE AMENDMENT:

BACKGROUND: Individual Development Accounts (IDAs) are designed to promote responsible personal financial management by encouraging low-income individuals to save and invest their own money as part of a financial education program that offers participants the potential to receive matching funds. Oregon's IDA program was created in 1999 and has grown consistently over time. Eligible participants receive financial education, counseling, and training tailored to specific goals; once their goals have been met, they "graduate." Goals include things like saving money to buy a house (32 percent), education (37 percent), or start a business (27 percent). Between 2008 and 2013, the number of participants grew from 916 to 4,210, and during that time, roughly $13.1 million in matching funds have been provided to 2,524 program graduates who had saved roughly $4.6 million. The program graduates saved an average of $1,849 over 23 months and benefited from an average match of $5,205.

Oregon offers two tax credits related to IDA programs. The primary tax credit is the credit for account donations that fund the program (scheduled for review via companion Senate Bill 50). The second tax credit is for qualified withdrawals from an IDA: account holders are allowed a tax credit of up to $2,000 for withdrawals used to pay closing costs on the purchase of a primary residence, thereby potentially improving the opportunity for home ownership among low-income Oregonians. (*2016 Expiring Tax Credits*, Research Report No. 2-15, Legislative Revenue Office, February 2015.)

Senate Bill 50 extends the tax credit for donations to individual development accounts from 2016 to 2022.