

HB 2551 A STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Kyle Easton, Economist

Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 4/29, 5/20, 5/24

WHAT THE MEASURE DOES:

Extends sunset, from January 1, 2022 to January 1, 2028, of tax year in which tax credit for donations made to a fiduciary organization for distribution to individual development accounts is available. Allows credit to be claimed for a donation made not later than April 15 following December 31 of the tax year for which the credit is allowed. Requires donations to be made prior to April 15, 2028. Makes programmatic changes to Individual Development Account program including changes to definition of net worth, modification of account holder's withdrawals due to financial hardship, and increase in maximum annual matching funds accrued for account holders.

ISSUES DISCUSSED:

- Overview and background of credit for contributions made to support individual development account (IDA) program
- Background on IDA program
- Examples of participants in the IDA program and the outcomes for such participants resulting from the IDA program
- Individual experiences of IDA program participants
- Amount of the match received by program participants
- Ability to use savings for education use, individual participant experience with IDA and Project Youth+
- Income eligibility of IDA program, basis of income eligibility and applicable thresholds, rationale for why limits are set at current amounts
- Recent changes in how Neighborhood Partnerships promotes and solicits donations for IDA program
- IDA program income qualification limits.

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Individuals or businesses donating to the state-selected fiduciary agency (currently the Neighborhood Partnership Fund) for individual development accounts (IDAs) are allowed a tax credit equal to a percentage of the amount donated. The credit percentage is determined by the fiduciary agency but may not exceed 90 percent of the amount donated. The total credits allowed to all taxpayers in any tax year are limited to \$7.5 million and the credit is set to sunset on January 1, 2022. The purpose of the credit is predominately to function as a funding source for the IDA program.

The Oregon IDA program was created in 1999 and is overseen by the Oregon Housing and Community Services Department (OHCS). While OHCS oversees the program, Neighborhood Partnerships is the fiduciary organization that manages the program and further partners with other nonprofit organizations to execute the IDA program. The IDA program is in essence a matched savings program available to lower income households of modest wealth. Participants establish IDA accounts and contribute savings of their own to be used for allowed specified purposes. Primary uses of IDA savings include: home purchase, education, microenterprise, and vehicle purchase. Program participants receive financial education, financial counseling, and training crafted to their specific goals. Once a participant's specific goals for the program have been met, they are considered 'graduates'. Upon

HB 2551 A STAFF MEASURE SUMMARY

completion of their savings goals and other requirements, the participant's savings are matched according to a formula established by the fiduciary organization. Tax credit associated contributions to Neighborhood Partnerships provides the primary funding source for matching participant savings.

PRELIMINARY