HB 2551: Instead, end the IDA tax credit and start the IDA Fund

Testimony for House Revenue – Jody Wiser – 4.29.2021

The IDA program's goal is to help disadvantaged Oregonians build wealth. But this program should stop being funded with 90% tax credits for "donations" and instead be funded with a General Fund allocation. **Tax credits for donations is a wrong-headed idea that allows taxpayers (usually wealthy ones) to direct where their tax dollars go. Further, the tax credit mechanism avoids the Ways and Means process for the program itself.**

We have long advocated that tax credits of this type be replaced with direct funding. Thus, our first recommendation is that you drop the sunset extension and advise IDA advocates to come back next year with <u>only</u> a direct funding bill.

Assuming the legislature retains the tax credit, the program itself need careful consideration.

This bill would expand the program in two ways:
1) The match cap is expanded from $3000 to $6000 per year per participant, with up to three participants per household, and
2) There is an expansion is the resources participants can already have.

Further, there remains no limit on the costs of administration and financial education.

The original design of the IDA program, based on former funding by Congress, was that citizens would receive financial education coupled with matched savings. According to Investopedia, though the federal funding has evaporated, there are still hundreds of IDA programs across the country, providing financial education and usually a 2:1 or 1:1 match, funded by charitable donations and state funding. But in Oregon our current match is generally 3:1, and the bill increases it to up to 6:1.

Participation is already open to Oregonians who appear to know how to manage money, yet the bill also allows an expanded amount of owned assets.

<u>Maximum Amount of Owned Assets for Participation</u>

	Current	HB 2551
Equity in one residential home	unlimited	unlimited
Equity in one car	unlimited	unlimited
Pension accounts valued at less than	$60,000	**$120,000**
Savings or other assets, after debts	$20,000	$ 20,000
Public money match per 12 months	$ 3,000	**$ 6,000**

A family can have three accounts, and each individual can participate for two years. Employees or family members of the 12 participating organizations that administer the IDA accounts can participate, though at a partner organization.

There are income limits as determined by the Housing and Community Services Department. The current limits for two sample counties:

	I-person household	3-person household
Washington County	$51,600	$66,320
Harney County	$34,400	$44,240

Income eligibility requirements for each county and various family sizes are availability here.

According to LRO's *Tax Credit Review: 2021 Session,* on average 1450 participants have enrolled in the IDA program each year since 2015. **With an annual budget of $8.25 million, that is $5,690 per participant, a hefty amount. And with the current limit on the match of state funds of $3000 per participant, apparently a lot of overhead.**

We get it that the mortgage interest deduction gives wealthy homeowners tax savings of up to three thousand dollars a year. The MID is an unjust allocation of tax revenue toward the rich. But we wonder whether Oregonians who can own a home, a car, a retirement account and additional assets of $20,000, or even any two of these should receive so much taxpayer largess.

Another bill, SB 148, headed to Joint Tax Expenditures, extends the tax credit sunset but does not include the changes in HB 2551. A better bill would change the tax credit funding mechanism into a Ways and Means ask.