

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
82nd Oregon Legislative Assembly
2023 Regular Session
Legislative Revenue Office

Bill Number: SB 825 - 4
Revenue Area: Personal Income Tax
Economist: Kyle Easton
Date: 5/31/2023

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Modifies provisions governing first-time home buyer savings accounts. Allows funds to be withdrawn without penalty from a first-time homebuyer savings account if funds are used for a qualified purpose of a designated qualified beneficiary. Defines terms. Eliminates requirement of financial institutions to provide account certificate beginning with 2024 calendar year. Specifies financial institutions are not required to designate accounts as first-time home buyer savings account. Applies to first-time home buyer savings accounts created on or after January 1, 2024.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2023-24	2024-25	2023-25	2025-27	2027-29
General Fund		-\$0.6	-\$0.6	-\$1.7	-\$0.3

Impact Explanation:

Oregon provides a personal income tax subtraction available to first-time homebuyers utilizing a first-time homebuyer savings account. Taxpayers may annually subtract up to \$5,000 (single) or \$10,000 (joint) from taxable income, cash contributed to a first-time homebuyer savings account along with earnings on deposits in the account. First-time homebuyer is defined as an Oregon resident who has not owned or purchased a single-family residence within three years of purchasing the single-family residence to which the first-time homebuyer’s savings account funds were used.

Changes provided in measure regarding first-time home buyer savings accounts are expected to increase the use of such accounts causing a corresponding increase in use of the accompanying tax subtraction. Including qualified beneficiaries allows taxpayers to utilize a first-time home buyer savings account and tax subtraction for amounts contributed for use by the qualifying beneficiary, allowing a greater use of such accounts by individuals that are not themselves first-time home buyers. Lessening administrative requirements of financial institutions relating to first-time home buyer savings accounts is expected to increase the availability of such accounts as account designation is made the responsibility of the individual.

Revenue estimate was made through an analysis of historic use of the tax subtraction in relation to home purchases by first time home buyers in Oregon. Estimate reflects existing law tax subtraction sunset which requires first-time home buyer savings accounts to be opened before January 1, 2027. As most use of such accounts is for a single year, revenue impact from subtraction is expected to decrease in the 2027-29 biennium.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is to encourage more Oregonians to take advantage of first-time home buyer savings accounts.