

SB 1527 -1 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Kyle Easton, Senior Economist

Meeting Dates: 2/6, 2/12

WHAT THE MEASURE DOES:

Modifies provisions governing first-time home buyer savings accounts. Specifies records taxpayer is required to maintain and furnish upon request to Department of Revenue. Provides administrative rulemaking authority to Department of Revenue and specifies limits on such rules. Defines qualified beneficiary. Allows funds to be withdrawn without penalty from a first-time home buyer savings account if funds are used for qualified purpose of account holder or a designated qualified beneficiary. Eliminates requirement of financial institutions to provide account certificate beginning with 2025 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, 2025. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Down payment assistance
- Size of down payment necessary for home purchase, challenges for first-time home buyers
- Limited availability of first-time home buyer savings accounts offered by financial institutions
- Income qualification limits of existing tax subtraction
- Ability to be qualified beneficiary on multiple accounts
- Measure is reintroduction of 2023 legislation (SB 825).

EFFECT OF AMENDMENT:

-1 During any calendar year, limits an individual to being either an owner of one first-time home buyer savings account or the qualified beneficiary on one account.

BACKGROUND:

Measure makes two prominent modifications to first-time home buyer savings accounts created on or after January 1, 2025. First, measure allows funds to be withdrawn from accounts for use by a designated qualified beneficiary, which allows taxpayers to utilize the tax subtraction while saving for a first-time home purchase of a designated beneficiary rather than for only their own single family residence purchase. Second, measure removes requirement of financial institutions to designate accounts as first-time home buyer savings accounts and instead requires taxpayer to designate an account.

In 2018, Oregon created a personal income tax subtraction available to first-time home buyers utilizing a first-time home buyer savings account. Taxpayers may annually subtract from taxable income cash contributed to a first-time home buyer savings account along with earnings on deposits in the account, though earnings are subject to taxation when withdrawn. The subtraction is limited annually to \$5,000 for individually filing taxpayers (single) and \$10,000 for joint filers. First-time home buyer 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 home buyer savings account funds were used. The subtraction may be claimed each year for up to ten years and the combined principal and earnings that may be subtracted is limited to \$50,000. The respective annual subtraction limits are phased out beginning at \$104,000 in adjusted gross income (AGI) for single filers and \$149,000 for joint filers. Account withdrawals must be used for home purchase within ten years of account opening and any amounts withdrawn for an unqualified purpose must be added back to income at time of withdrawal and are subject to a five percent penalty.