

## **SB 101 STAFF MEASURE SUMMARY**

### **Senate Committee On Finance and Revenue**

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**Meeting Dates:** 2/3, 3/5

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#### **WHAT THE MEASURE DOES:**

Extends sunset of the first-time home buyer personal income tax subtraction and exemption from January 1, 2037 to January 1, 2042. Extends deadline by which an account holder must open a first-time home buyer savings account from January 1, 2027 to January 1, 2032.

#### **ISSUES DISCUSSED:**

- Background on first-time home buyer savings accounts and personal income tax subtraction
- Modifications made to accounts and subtraction in 2024 legislative session
- Experience of financial institutions with the accounts
- Public awareness of the savings account and related tax subtraction
- Potential revenue loss from sunset extension of subtraction
- General impact(s) of home ownership.

#### **EFFECT OF AMENDMENT:**

No amendment.

#### **BACKGROUND:**

In 2018, Oregon created a personal income tax subtraction available to first-time home buyers utilizing a first-time home buyer savings account. Modifications made in 2024 allow taxpayers to utilize the tax subtraction while saving for a first-time home purchase of a designated beneficiary rather than only for their own qualified home purchase. 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home buyer savings account along with earnings on deposits in the account, though earnings are subject to taxation when withdrawn.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 was initially limited to \$5,000 for individually filing taxpayers (single) and \$10,000 for joint filers, though amounts are annually adjusted to inflation and are \$5,935 and \$11,865 respectively for tax year 2024. 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 Account withdrawals must be used for home purchase within ten years of account opening and any amounts withdrawn for an unqualified purpose must be added back to income at time of withdrawal and are subject to a five percent penalty.