

# Individual Development Account (IDA) Donation Tax Credit

Senate Committee on Finance & Revenue | 4/23/2025



# Overview of Presentation – Focused on the Credit

- What is the tax credit
- How the credit works
- Historic cost of the credit
- Timing of credit donations
- Who's claiming the credit & in what amounts
- Appendices
  - Donations and capital gains
  - History of credit changes

# What is the Tax Credit?

- Tax credit for individuals or businesses making donations to a fiduciary organization for distribution to individual development accounts (IDAs)

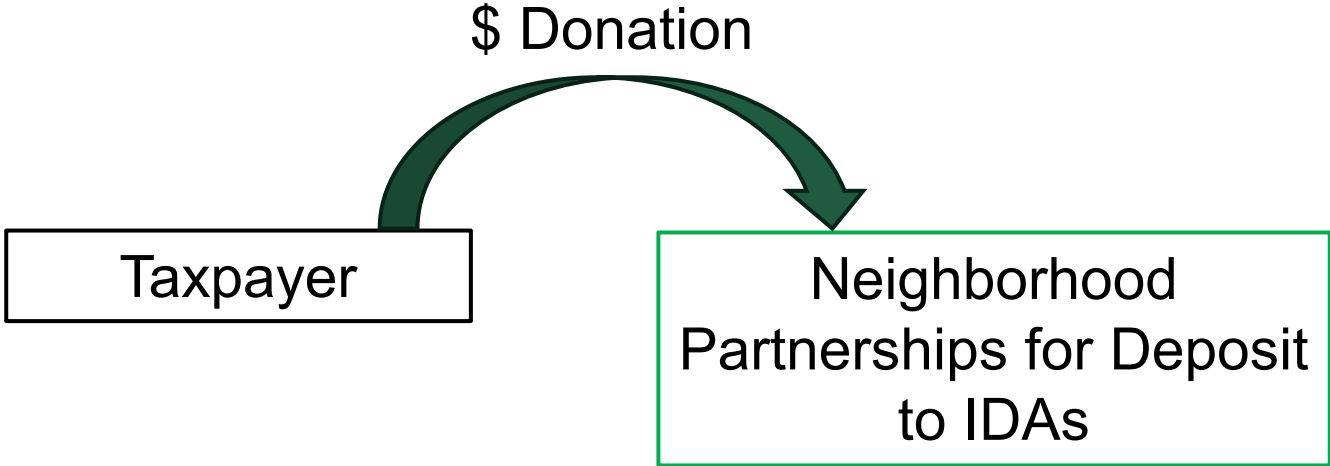
$$\textit{Credit} = 90\% * \textit{amount donated}$$

- Donation(s) made no later than April 15<sup>th</sup> following the tax year of credit
- Example: Donation for credit claimed on 2024 tax return must be made by April 15, 2025
- Credit is non-refundable, unused credits carried forward for up to three years
- Maximum annual credits of \$7.5 million
- Maximum individual credit of \$500,000 per year
- Credit sunsets as of 1/1/2030, final year is tax year 2029 (with statutory fix)

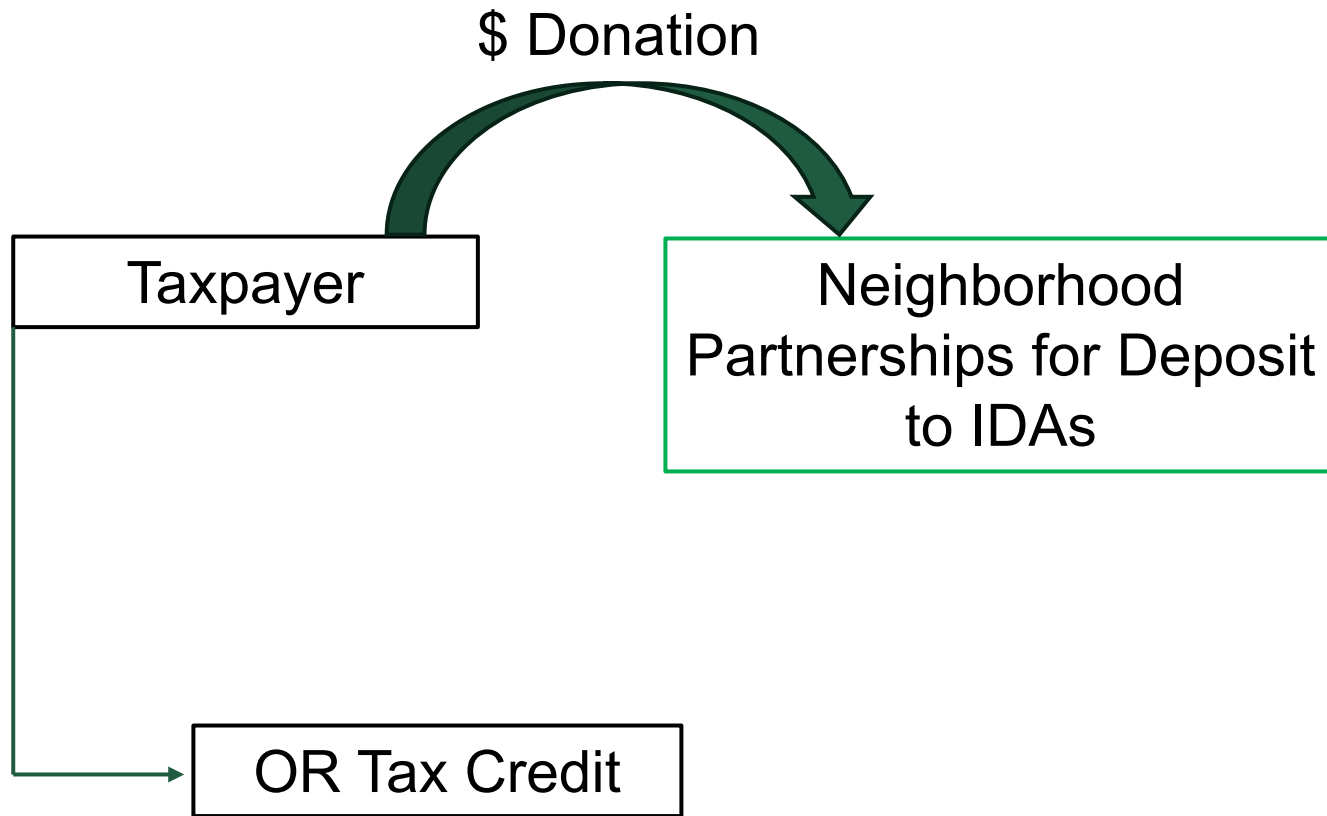
# How the Credit Works

Taxpayer

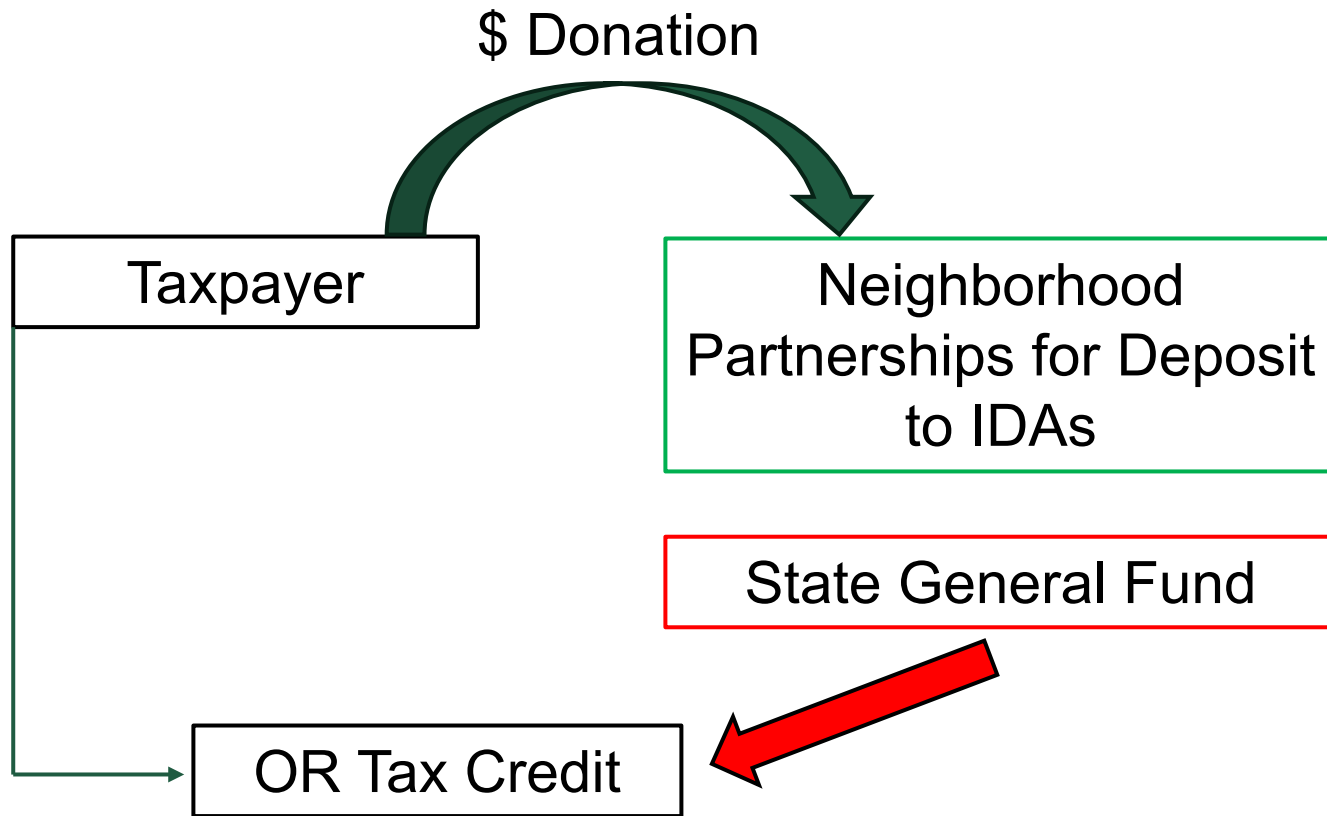
# How the Credit Works



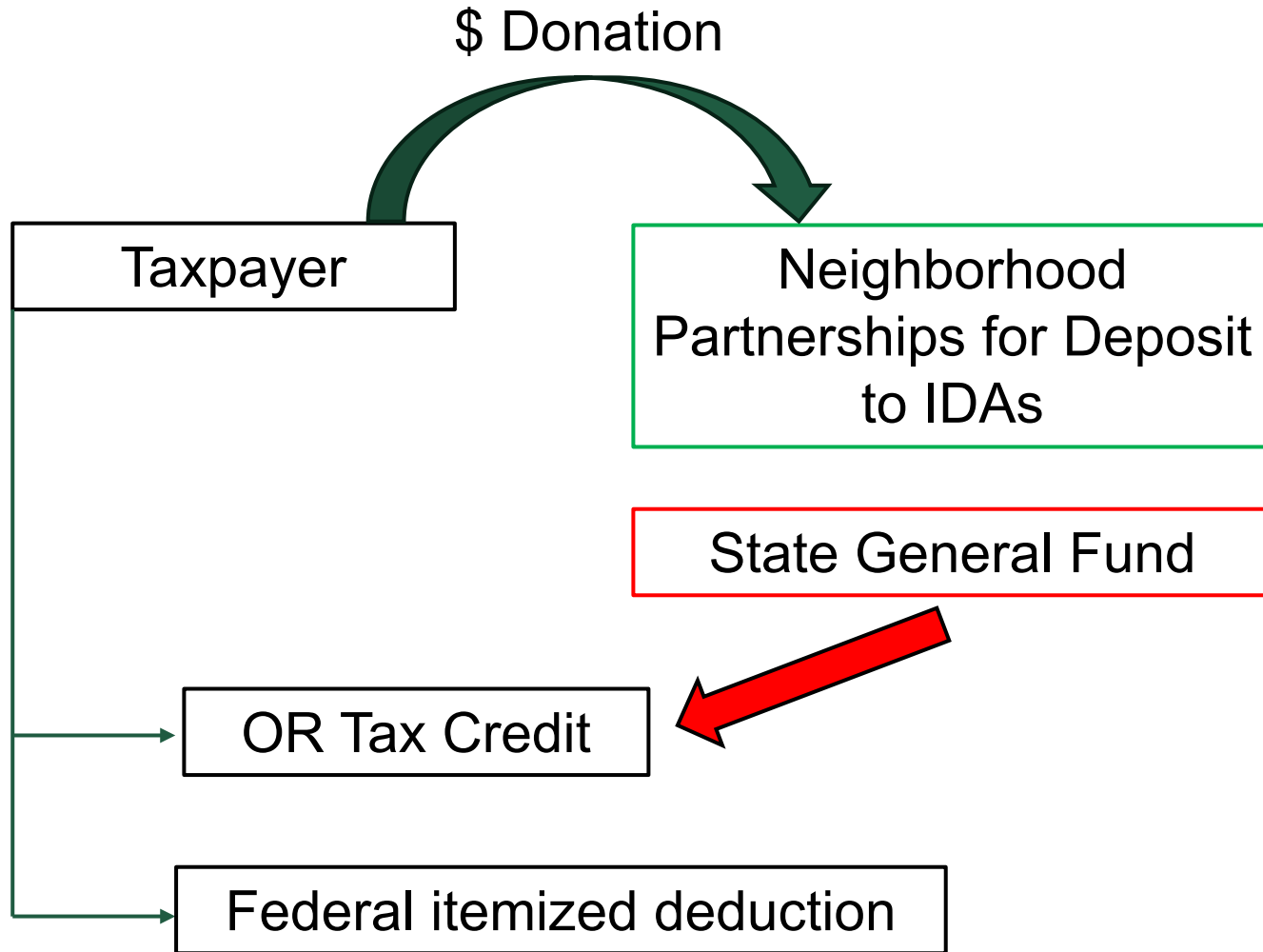
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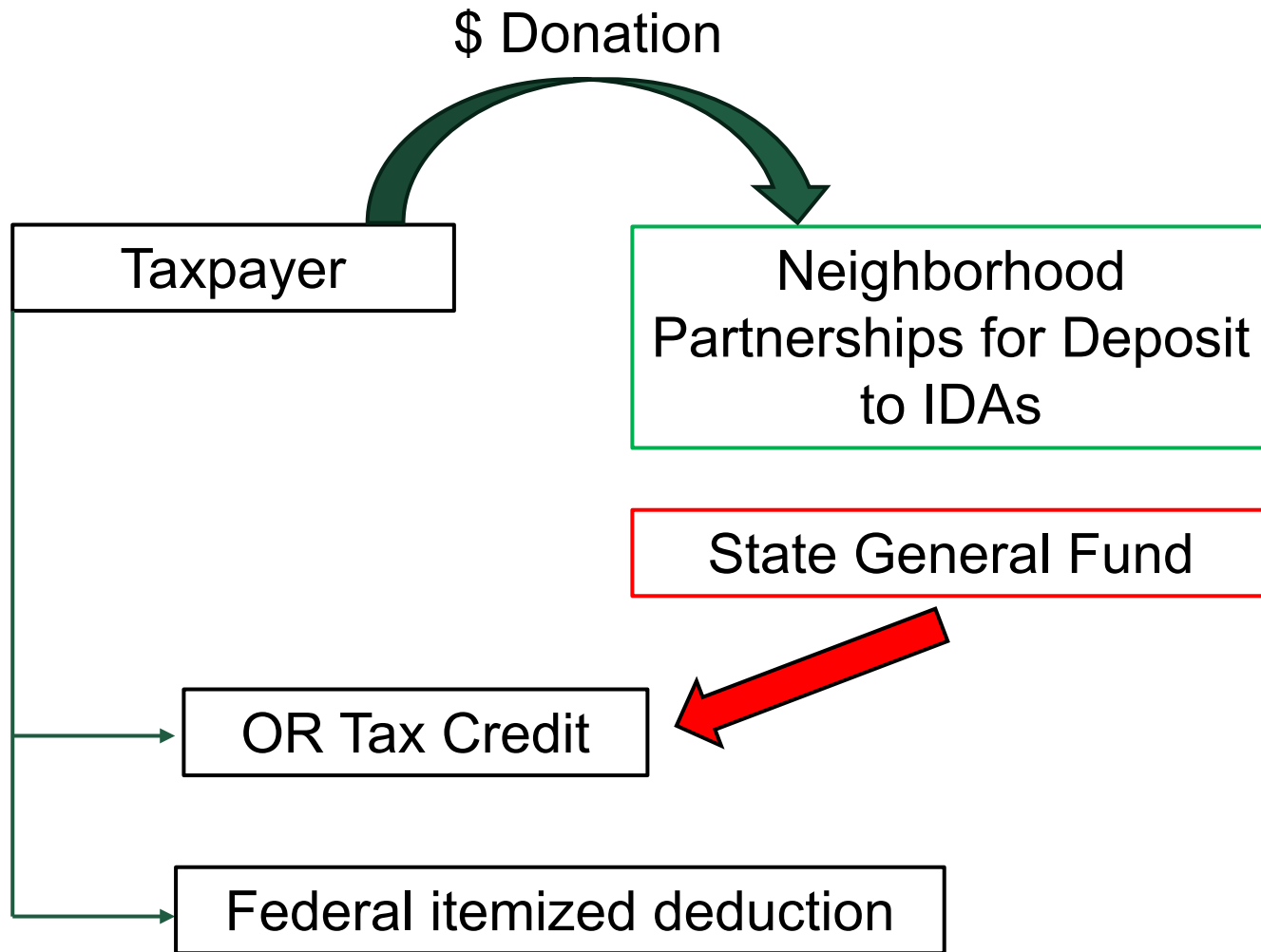


# How the Credit Works





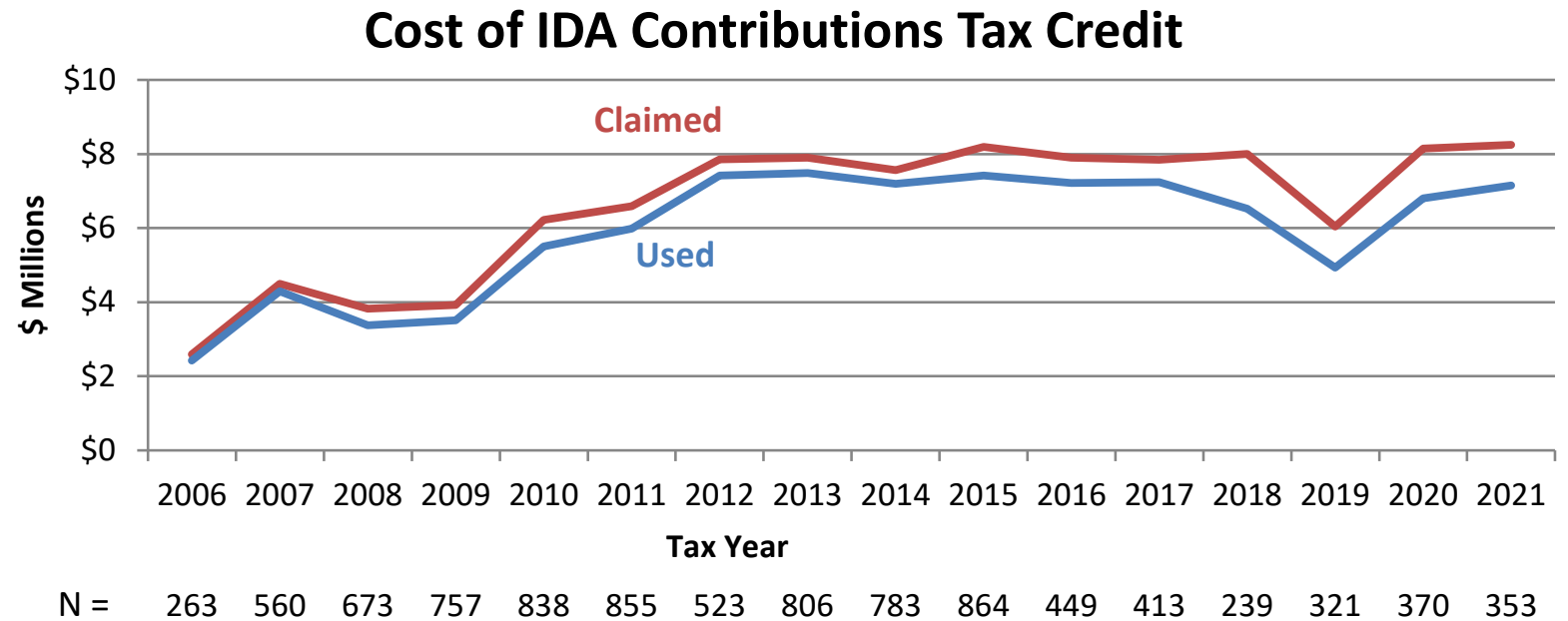
# How the Credit Works



Illustrative Example	
Contribution	\$10,000
Oregon Credit	\$9,000
Oregon Deduction	\$0
Federal Deduction	\$320
<b>Total "cost" to Taxpayer</b>	<b>\$680</b>
<b>Net IDA &amp; State GF</b>	<b>\$1,000</b>
IDA Program	\$10,000
State General Fund (GF)	-\$9,000

# Cost of the Credit

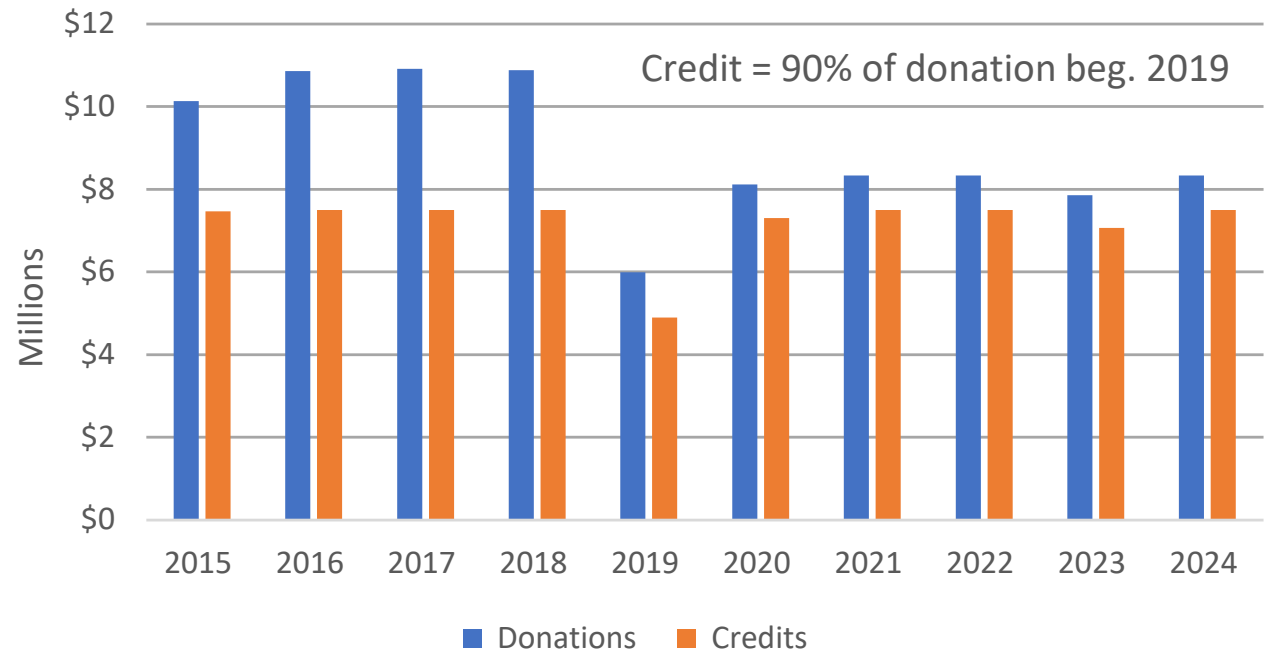
- Initially OR Housing & Community Services limited donations to:
  - 2006: \$4M
  - 2007: \$6M
  - 2008: \$8M
  - 2009: \$10M



# Cost of the Tax Credit

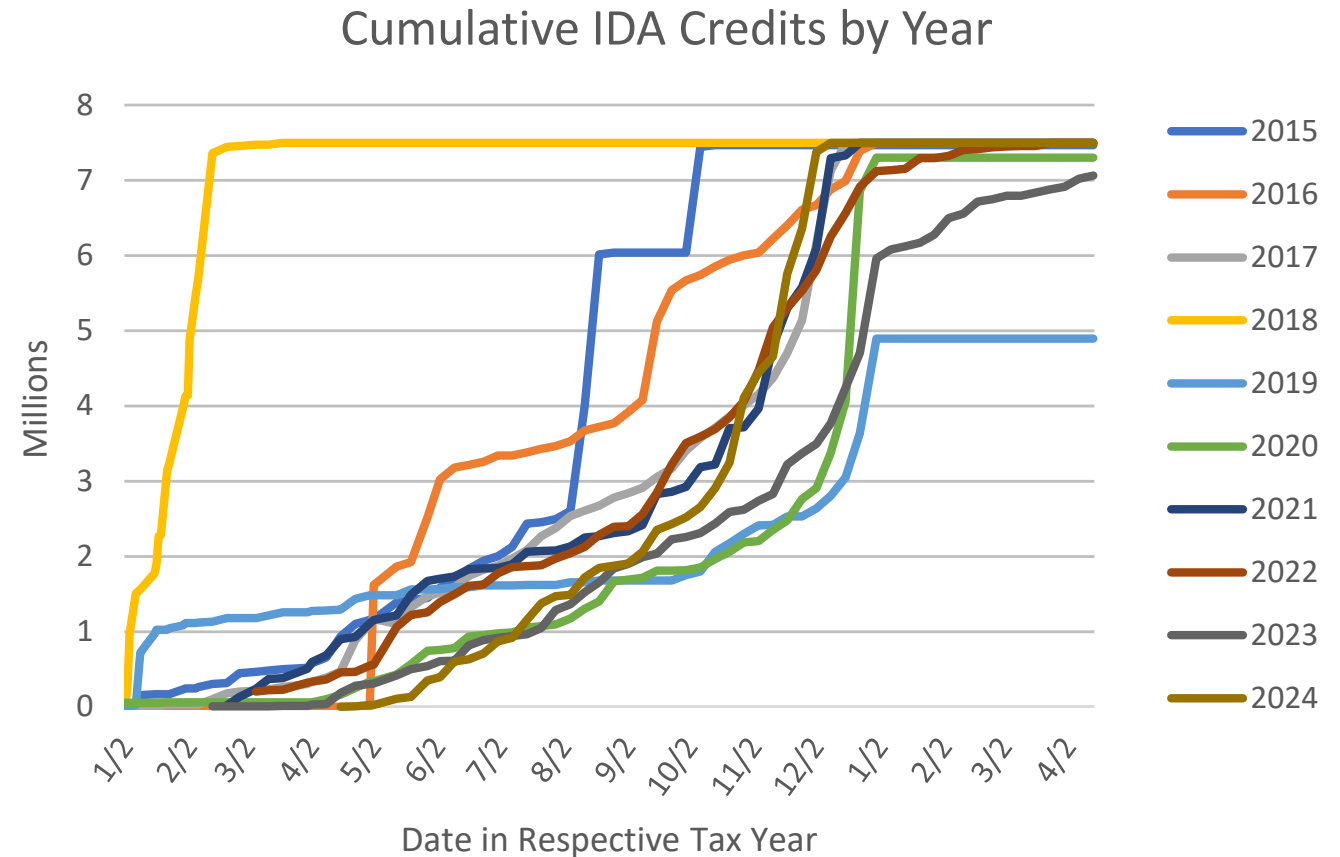
- Since 2015, annual credit max = \$7.5M
- Beginning with tax year 2019, credit = 90% of donation amount (up from 70%)
- Changes to federal tax policy by Tax Cuts and Jobs Act (TCJA), effect on donation deductibility beginning tax year 2019
- Nearly all donations made by individuals

IDA Donations & Credits Awarded by Tax Year



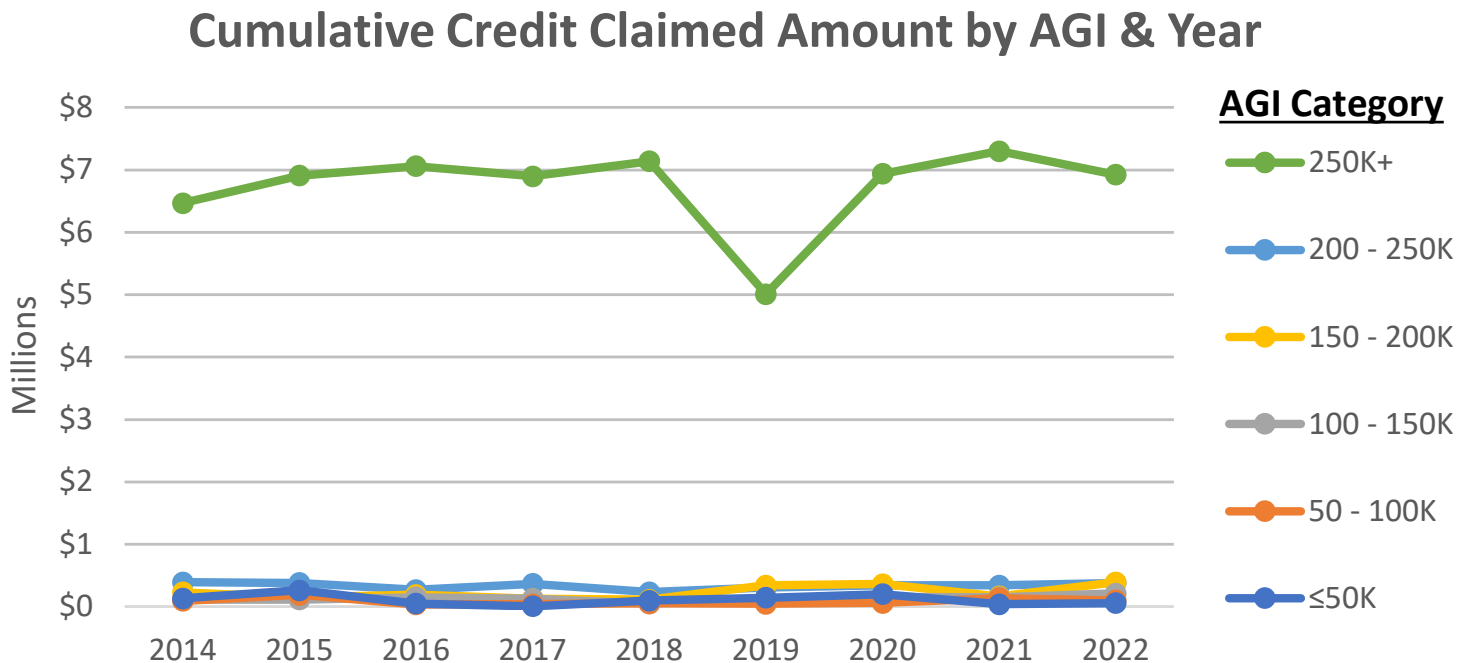
# Timing of Donations

- Generally, donations made in latter part of the calendar year
- Beginning tax year 2022, donations can be made up to April 15<sup>th</sup>, following the applicable tax year



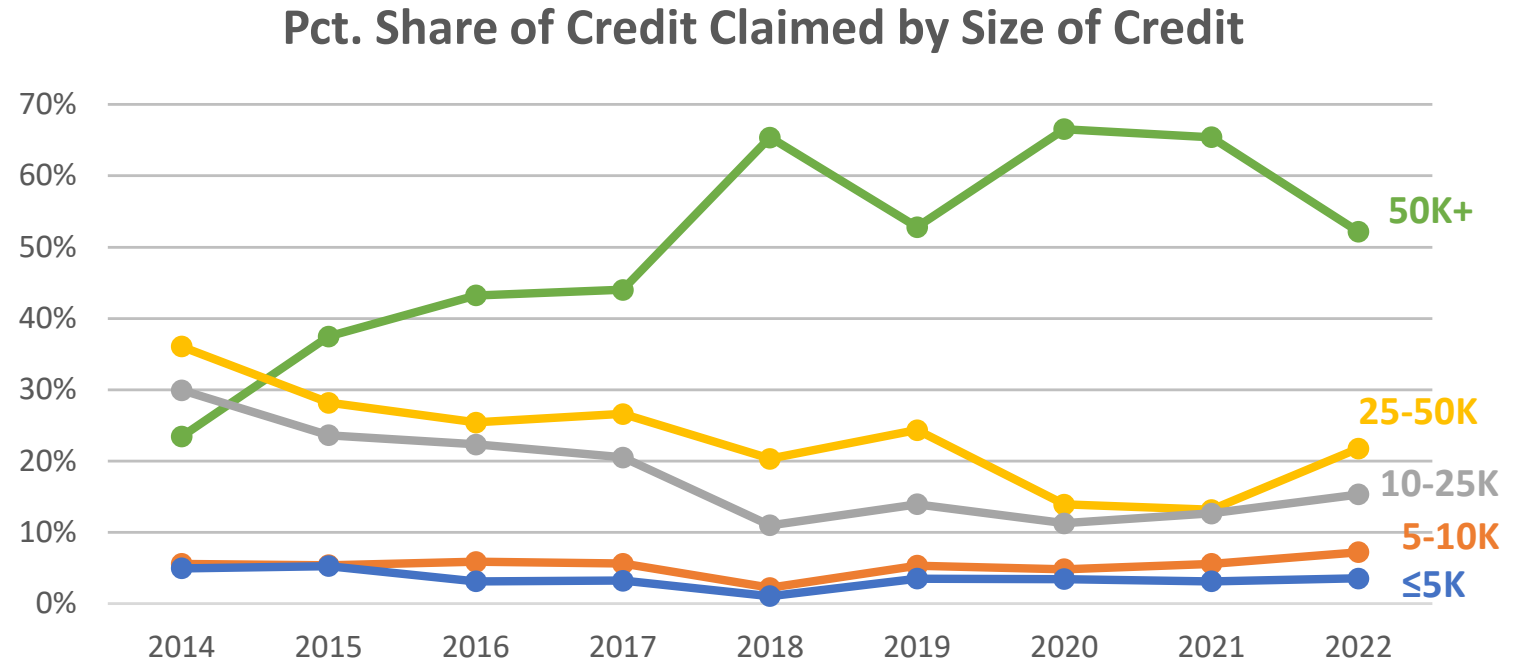
# Taxpayers Claiming the Credit

- Predominately high-income taxpayers are making most of the donations & claiming associated credits



# Size of Donations

- Size of donations has varied
- In recent years,
  - Donations > \$50K represent over half of all donations



# Appendix A: Contributions of Capital Gain Property

- Depending on taxpayer's circumstances, donation of capital gain property may yield net after-tax benefit to taxpayer
- Greater appreciation in value can lead to after-tax benefit from donation (i.e., larger capital gain)

Illustrative Example of Capital Gain Property Charitable Donation				
		Column A	Column B	Column C
Capital Gain Property (E.G. - stock)				
	Basis	\$10,000	\$7,270	\$5,000
	Fair Market Value	\$10,000	\$10,000	\$10,000
	Cap Gain Income	\$0	\$2,730	\$5,000
Stock not donated to charity	Federal Tax	\$0	\$410	\$750
	Oregon Tax	\$0	\$270	\$495
	Total Tax	\$0	\$680	\$1,245
	<b>Net to taxpayer</b>	<b>\$10,000</b>	<b>\$9,320</b>	<b>\$8,755</b>
	Stock Donation	\$10,000	\$10,000	\$10,000
Stock donated to charity	OR Credit	\$9,000	\$9,000	\$9,000
	Fed. Deduction	\$320	\$320	\$320
	Tax	\$0	\$0	\$0
	<b>Net to taxpayer</b>	<b>\$9,320</b>	<b>\$9,320</b>	<b>\$9,320</b>
	<b>Net difference to taxpayer</b>	<b>-\$680</b>	<b>\$0</b>	<b>\$565</b>

Note: Example is intended for illustrative purposes only. Actual amounts will vary depending on individual circumstances of taxpayer and donation.

# Appendix B: History of Credit

## 315.271 1.423 Individual Development Account Contributions

Year	Bill	Chapter	Section(s)	Policy
1999	HB 3600	1000	12	Enacting legislation   Credit equal to lesser of: 25% of donation, \$25,000
2001	HB 3391	648	1	Modified credit equal to lesser of: 75% of donation or \$75,000
2007	HB 2094	765	1,98	Add sunset of 1/2/2016   Refined definitions   IRC update
2009	HB 2067	913	48	Extend donation sunset to 1/1/2016
2015	HB 2171	701	7-8	Modified credit equal to percentage of donation as determined by fiduciary organization, not to exceed 70%   Limited total credits per tax year to \$7.5 million   Extend sunset to 1/1/2022
2016	SB 1507	29	2	Total credit to a taxpayer per tax year limited to \$500,000
2019	HB 2164	579	49a,49b	Credit donation percentage limited to 90%, applicable beginning with TY 2019
2021	HB 2433	525	6,7	Sunset extended to 1/1/2028   Allows credit for donations made after close of tax year but prior to April 15 (beg. TY 2022)
2023	HB 2071	490	16	Sunset extended to 1/1/2030



# Legislative Revenue Office

<https://www.oregonlegislature.gov/lro>

503-986-1266

