

Individual Development Account (IDA) Donation Tax Credit

House Committee on Revenue | 4/29/2025



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)

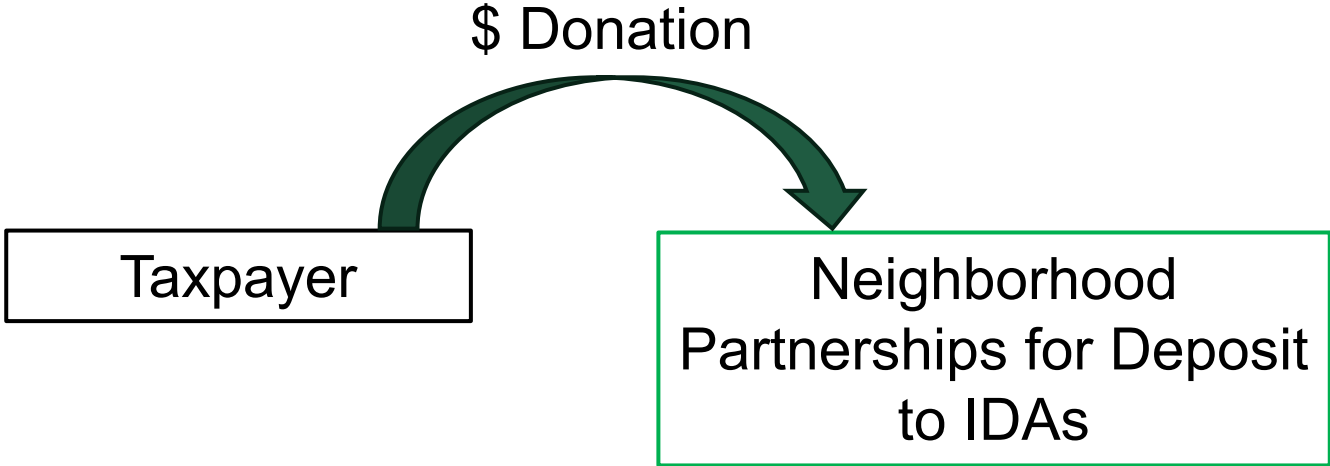
$$\textit{Credit} = 90\% * \textit{amount donated}$$

- Donation(s) made no later than April 15th 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)

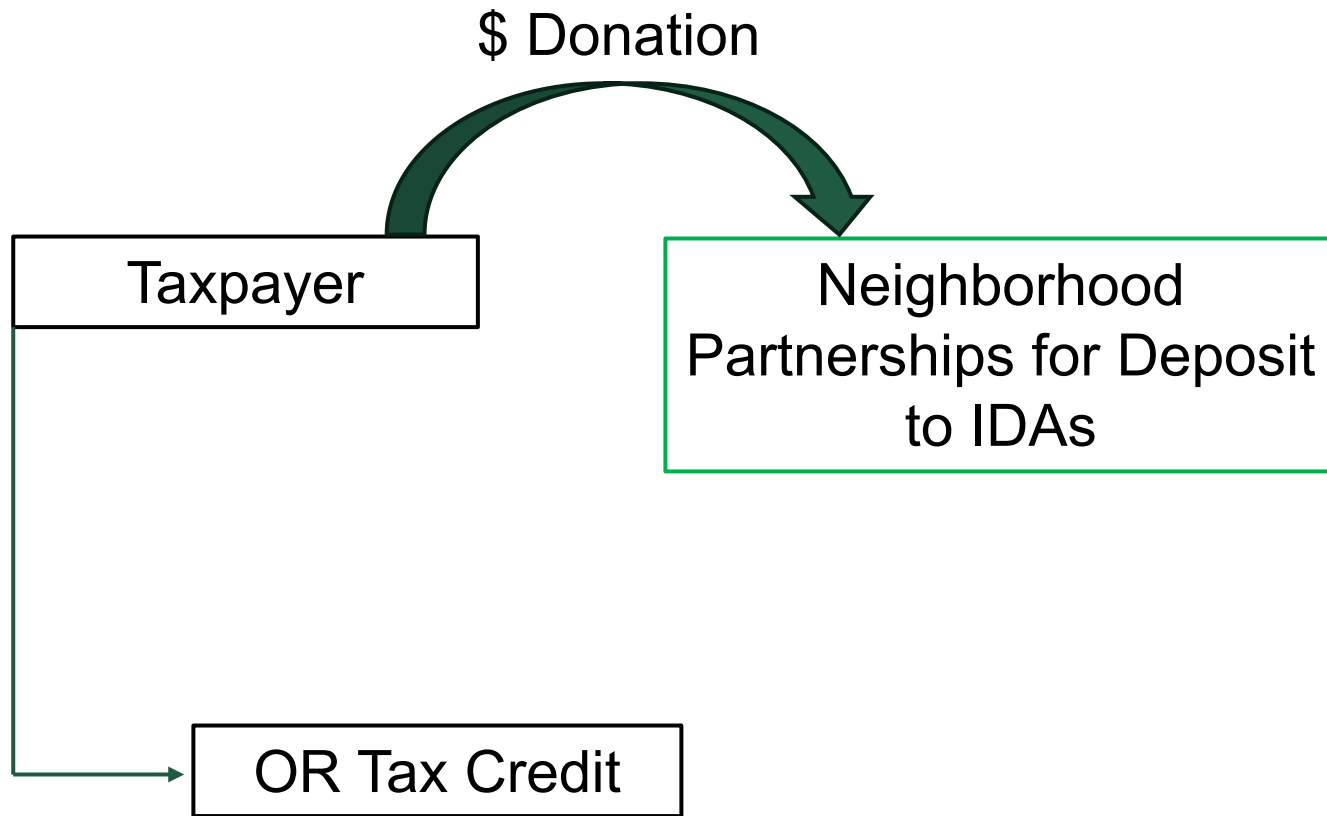
How the Credit Works

Taxpayer

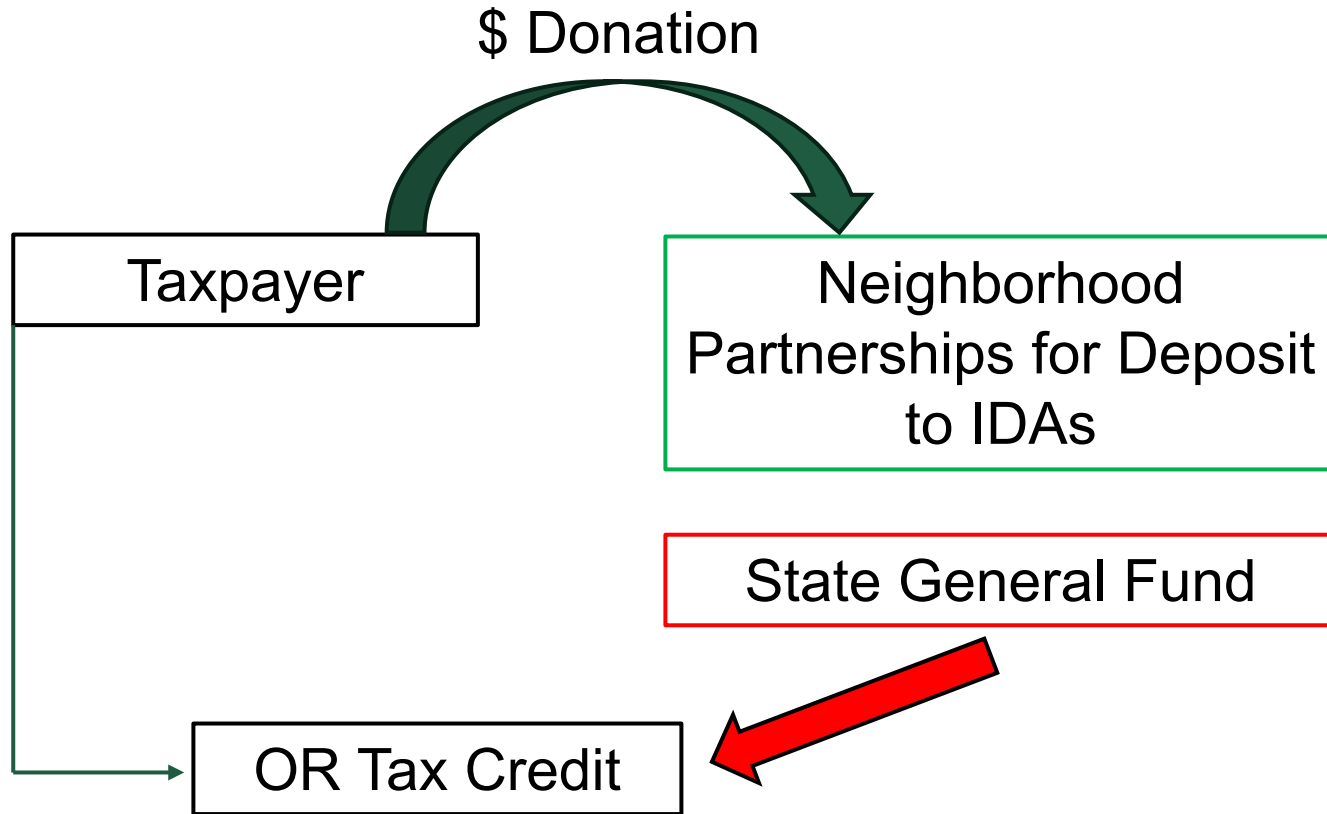
How the Credit Works



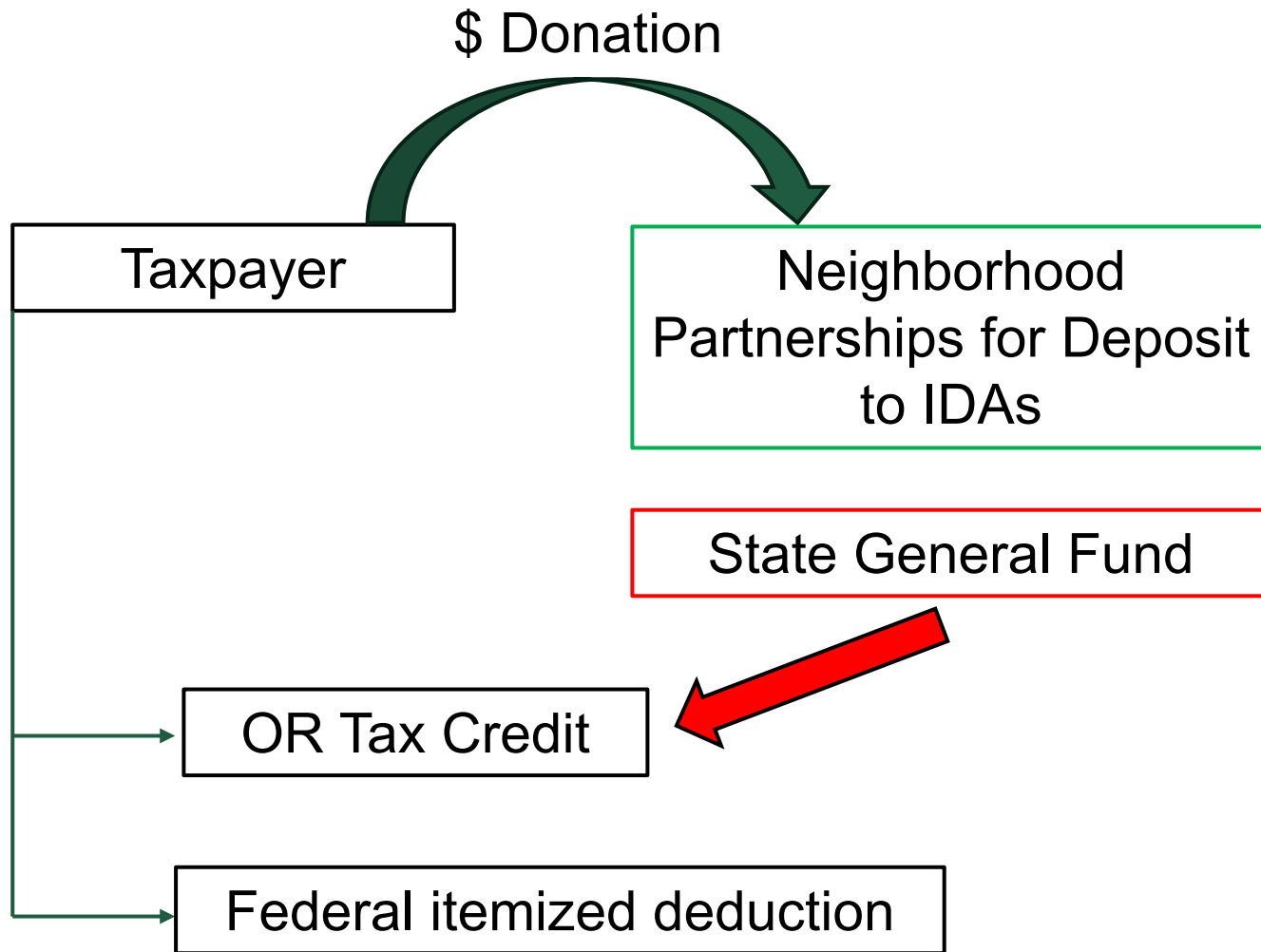
How the Credit Works



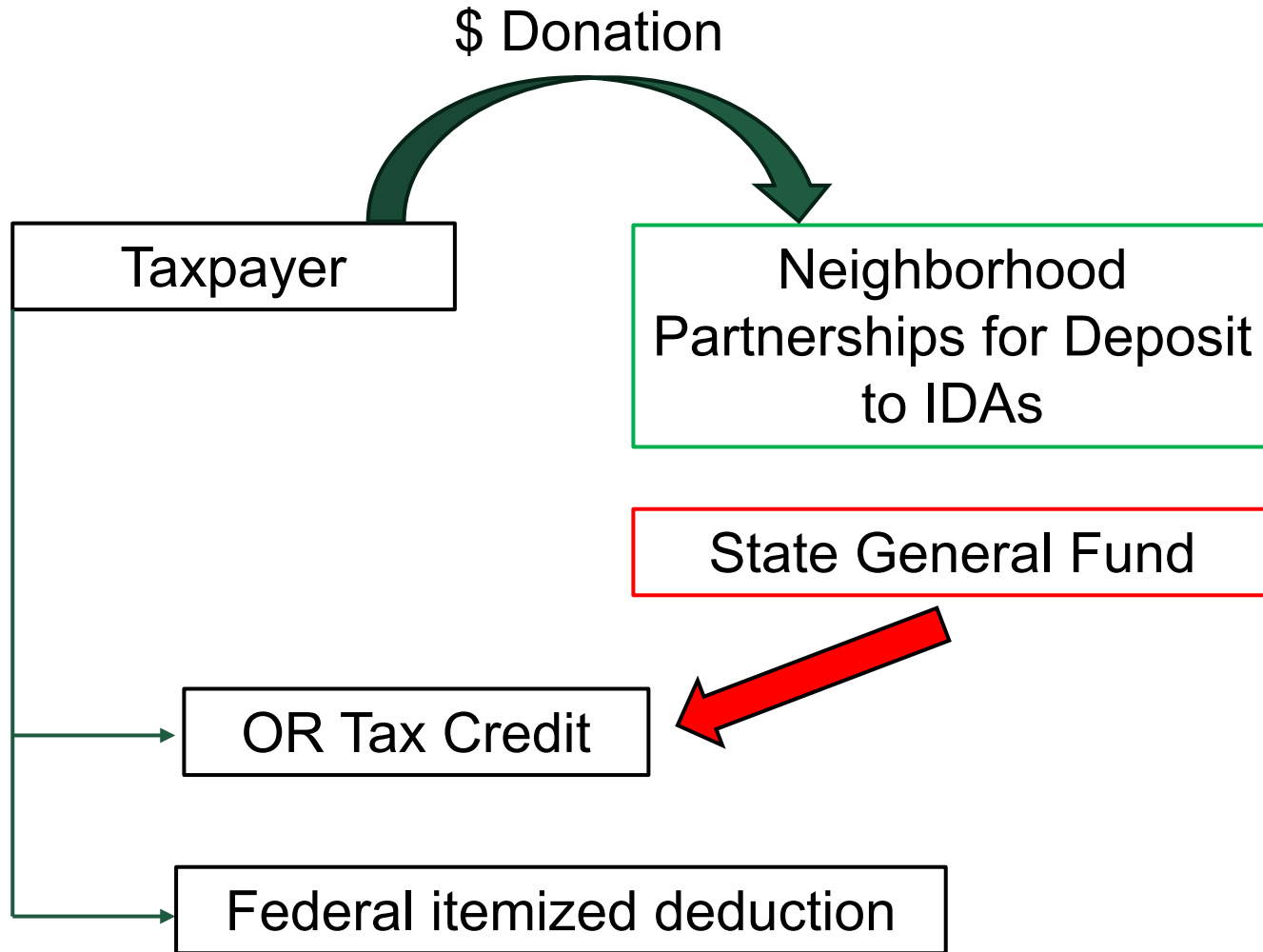
How the Credit Works



How the Credit Works



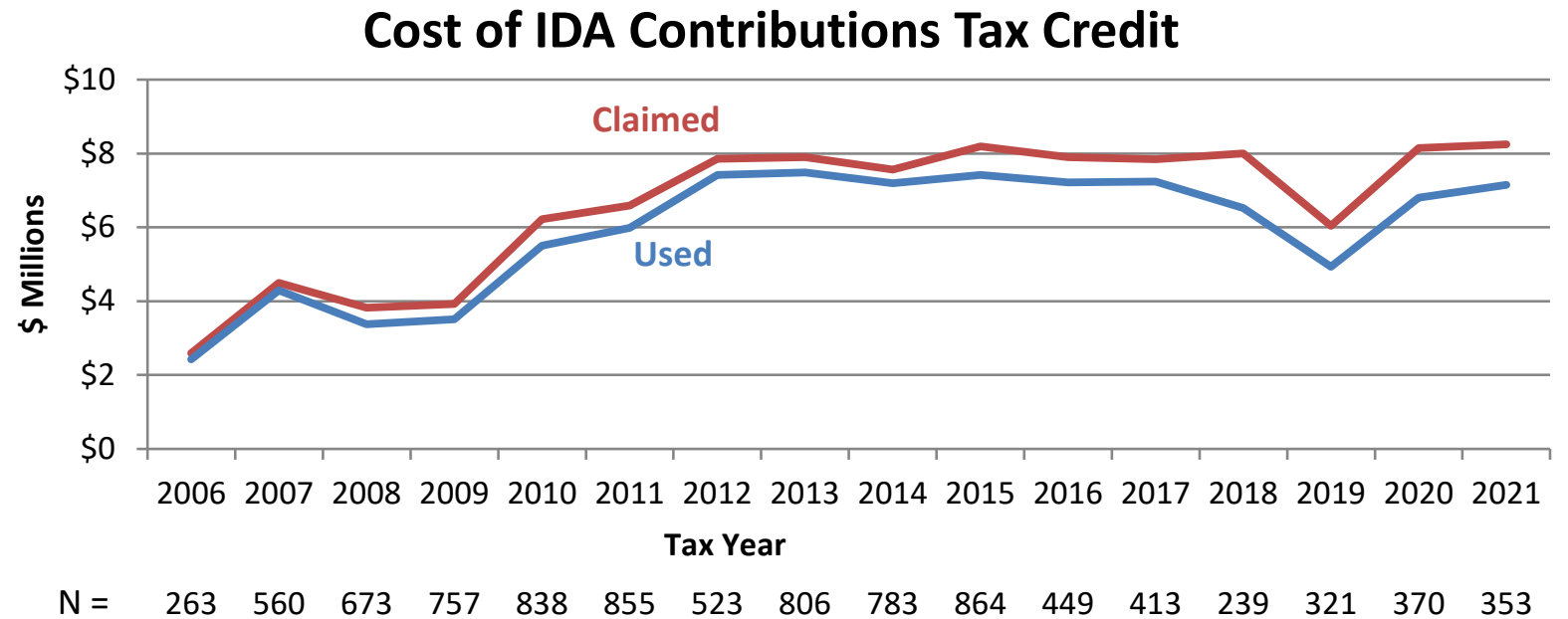
How the Credit Works



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

Cost of the Credit

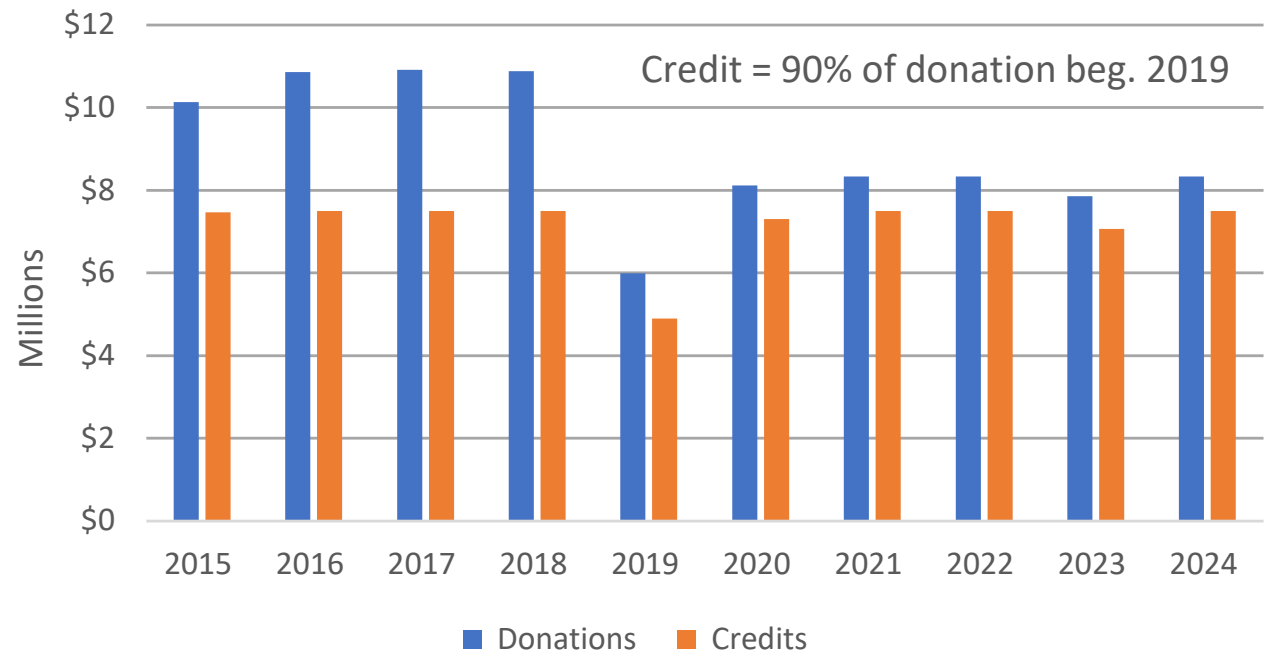
- Initially OR Housing & Community Services limited donations to:
 - 2006: \$4M
 - 2007: \$6M
 - 2008: \$8M
 - 2009: \$10M



Cost of the Tax Credit

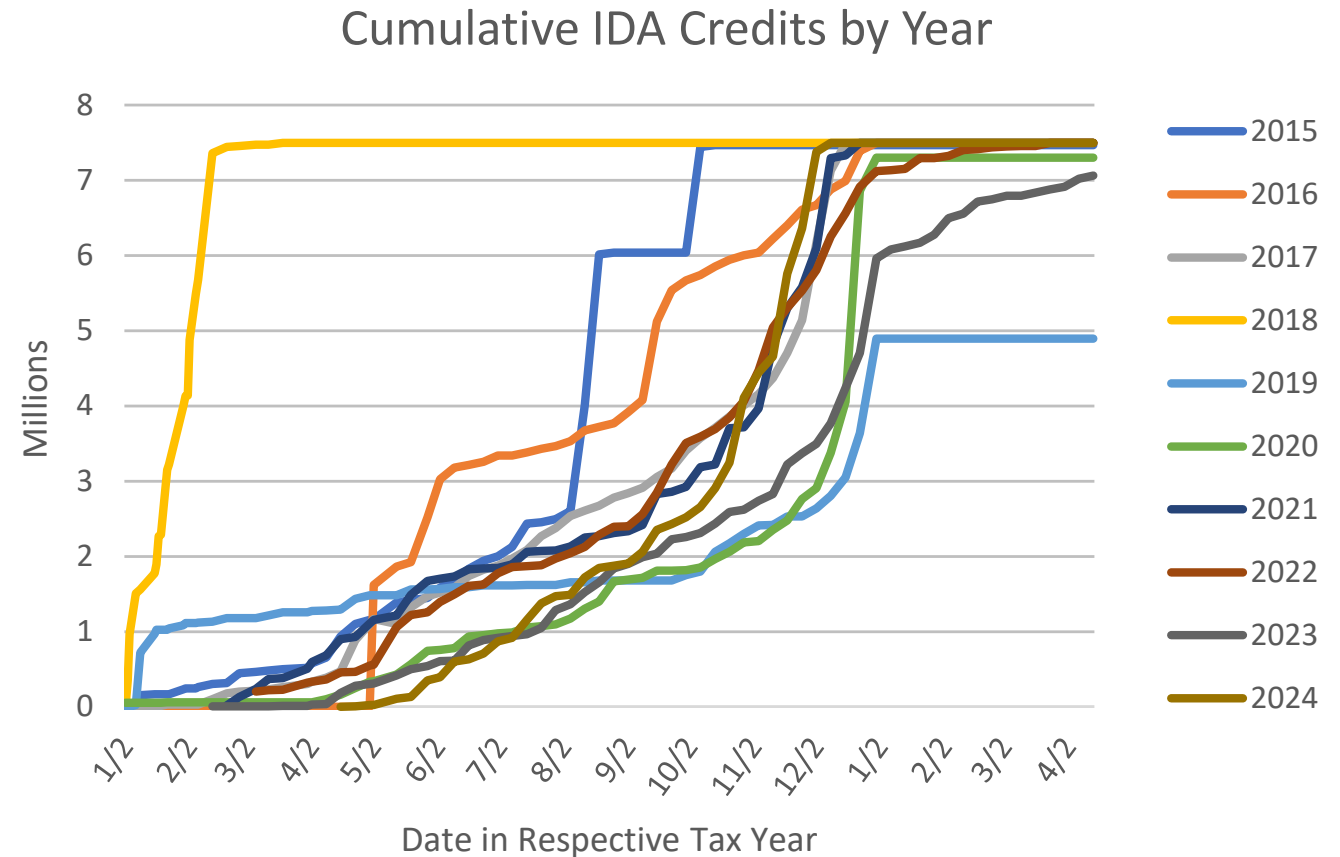
- Since 2015, annual credit max = \$7.5M
- Beginning with tax year 2019, credit = 90% of donation amount (up from 70%)
- Changes to federal tax policy by Tax Cuts and Jobs Act (TCJA), effect on donation deductibility beginning tax year 2019
- Nearly all donations made by individuals

IDA Donations & Credits Awarded by Tax Year



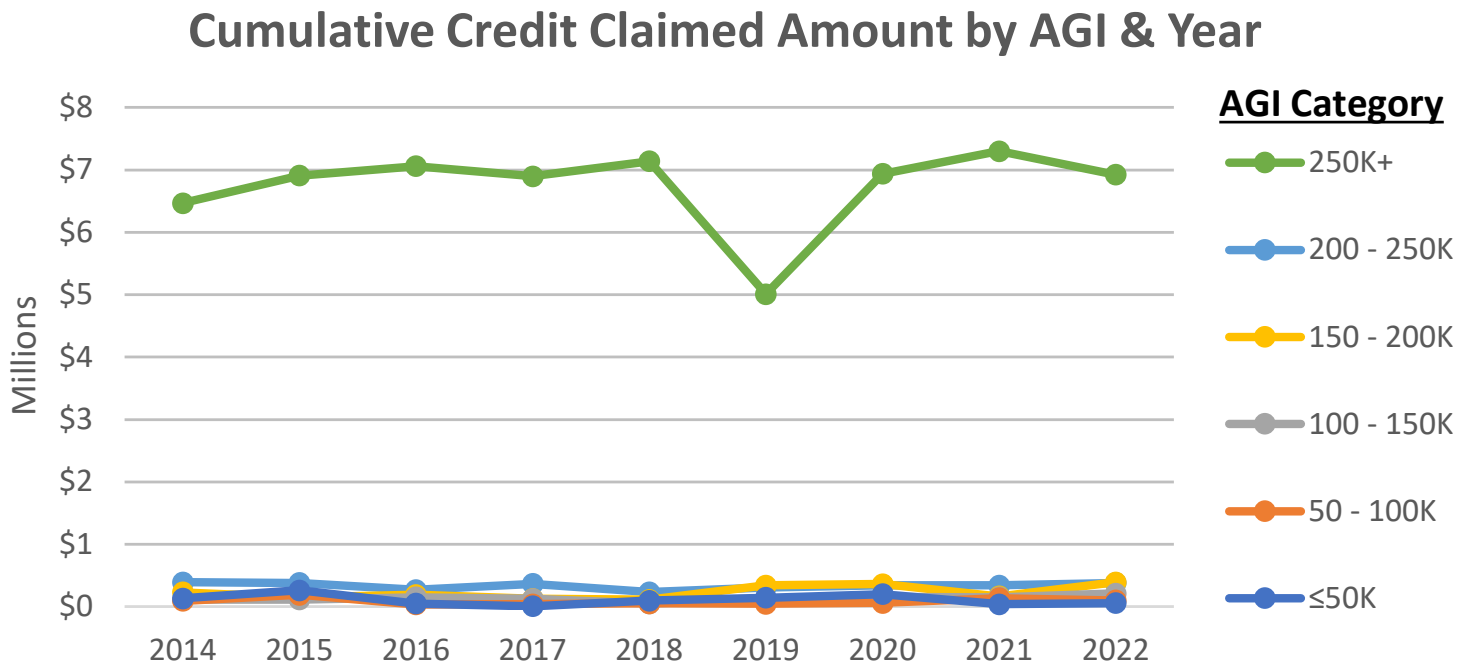
Timing of Donations

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



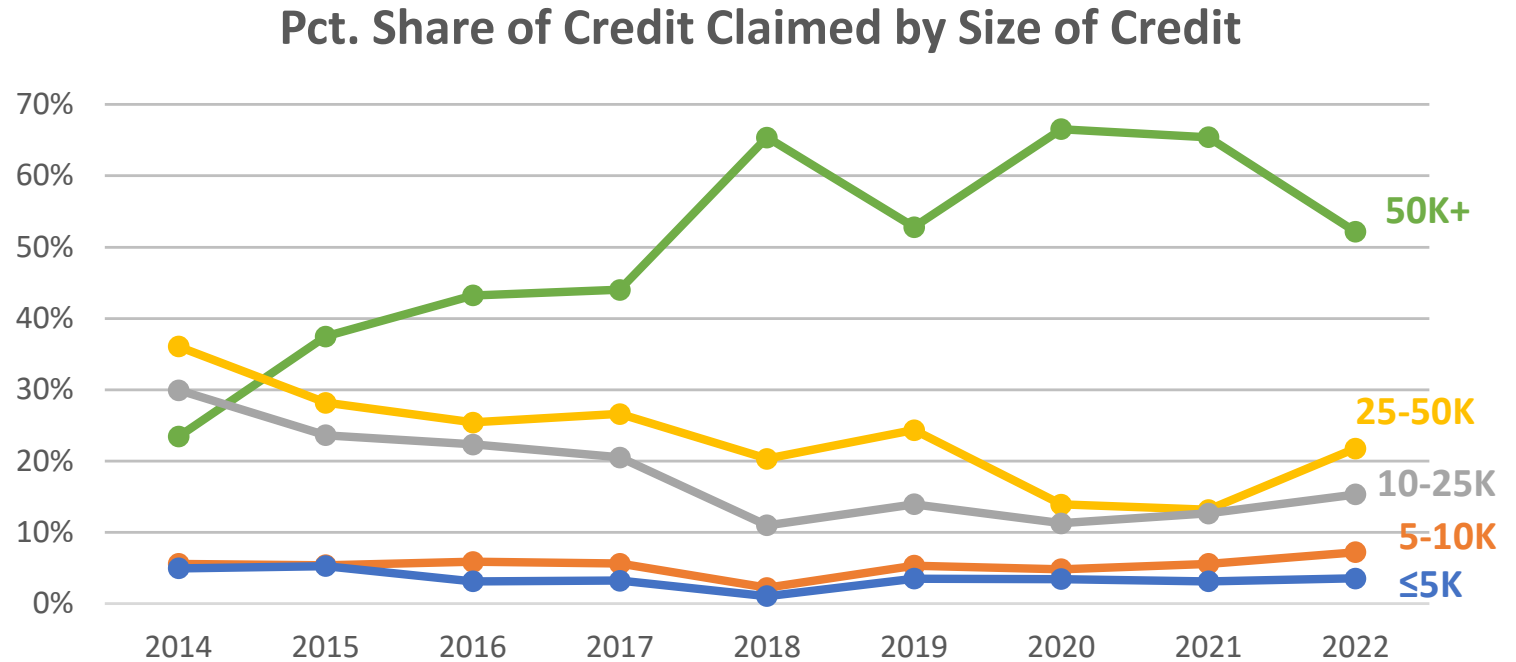
Taxpayers Claiming the Credit

- 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
	Net to taxpayer	\$10,000	\$9,320	\$8,755
	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
	Net to taxpayer	\$9,320	\$9,320	\$9,320
	Net difference to taxpayer	-\$680	\$0	\$565

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

