

HB 2735 A -A3 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 4/22, 4/29, 5/22

WHAT THE MEASURE DOES:

Increases from \$7.5 million to \$16.5 million, aggregate annual limit on amount of tax credits allowed to all taxpayers in any tax year for donations made to the state-selected fiduciary agency for use in providing funding to Individual Development Accounts (IDA). Applies to tax years beginning on or after January 1, 2025.

ISSUES DISCUSSED:

- History of annual limit on tax credits available via donation
- Purpose of savings associated with Individual Development Accounts (IDAs) increasing in cost (e.g., home purchase, higher education, business startup)
- Background on IDA participants and what they are saving for
- Outcomes of IDA savers.

EFFECT OF AMENDMENT:

-A3 Aligns deadline for making credit qualifying donations for distribution to Individual Development Accounts (IDA) with the underlying sunset of the tax credit.

BACKGROUND:

Individuals or businesses donating to the state-selected fiduciary agency (currently the Neighborhood Partnership Fund) for individual development accounts (IDAs) are allowed a tax credit equal to a percentage of the amount donated. The credit percentage is determined by the fiduciary agency but may not exceed 90 percent of the amount donated. The total credits allowed to all taxpayers in any tax year are limited to \$7.5 million and the credit is set to sunset on January 1, 2030. The purpose of the credit is to function as a funding source for the IDA program.

The Oregon IDA program was created in 1999 and is overseen by the Oregon Housing and Community Services Department (OHCS). While OHCS oversees the program, Neighborhood Partnerships is the fiduciary organization that manages the program and further partners with other nonprofit organizations to execute the IDA program. The IDA program is in essence a matched savings program available to lower income households of modest wealth. Participants establish IDA accounts and contribute savings of their own to be used for allowed specified purposes. Primary uses of IDA savings include: home purchase, education, microenterprise, and vehicle purchase. Program participants receive financial education, financial counseling, and training crafted to their specific goals. Once a participant's specific goals for the program have been met, they are considered 'graduates'. Upon completion of their savings goals and other requirements, the participant's savings are matched according to a formula established by the fiduciary organization. Tax credit associated contributions to Neighborhood Partnerships provide the primary funding source for matching participant savings.