78th OREGON LEGISLATIVE ASSEMBLY – 2015 Regular Session **MEASURE: SB 50**

PRELIMINARY STAFF MEASURE SUMMARY **CARRIER:**

Senate Committee on Human Services and Early Childhood

REVENUE: May have revenue impact, statement not yet issued
FISCAL: May have fiscal impact, statement not yet issued
SUBSEQUENT REFERRAL TO: Tax Credits

Action:
Vote:
Yeas:
Nays:
Exc.:
Prepared By: Cheyenne Ross, Administrator
Meeting Dates: 3/5

WHAT THE MEASURE DOES: Extends tax credit for donations to individual development accounts.

ISSUES DISCUSSED:

- Comparison to House Bill 2441 (referred to Higher Education), which renews credit but also expands program
- Comparison to House Bill 2011 (referred to Higher Education), which renews credit and expands program more than House Bill 2441
- Success of program
- Importance of assistance to achieve financial independence
- Number of individuals on waiting lists
- Making program available to youth close to leaving care

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Individual Development Accounts (IDAs) are designed to promote responsible personal financial management by encouraging low-income individuals to save and invest their own money as part of a financial education program that offers participants the potential to receive matching funds. Oregon's IDA program was created in 1999 and has grown consistently over time. Eligible participants receive financial education, counseling, and training tailored to specific goals; once their goals have been met, they "graduate." Goals include things like saving money to buy a house (32 percent), or for education (37 percent), or to start a business (27 percent). Between 2008 and 2013, the number of participants grew from 916 to 4,210, and during that time, roughly $13.1 million in matching funds have been provided to 2,524 program graduates who saved roughly $4.6 million. The program graduates saved an average of $1,849 over 23 months and benefited from an average match of $5,205.

Oregon offers two tax credits related to its IDA program. The primary tax credit is the credit for account donations that fund the program. In addition to the state tax credit, donations are likely also deductible as charitable gifts. Donations are collected by Neighborhood Partnerships, the nonprofit managing entity for the IDA Initiative. The tax credit for donations is equal to the lesser of $75,000 or 75 percent of the amount donated. Contributions are applied toward matching IDA account holder savings and program-related expenses. (The second tax credit, also up for renewal via companion Senate Bill 51, is for qualified withdrawals from an IDA: account holders are allowed a tax credit of up to $2,000 for withdrawals used to pay closing costs on the purchase of a primary residence.)

From 2005 to 2012 (except for 2008 and 2009) the amount claimed for this tax credit has consistently grown, from $1.0 to $7.9 million. The average annual growth rate was 33 percent and the usage rate was 92 percent.

(The tax credit is mainly claimed by individuals.) Administrative costs are borne primarily by Neighborhood Partnerships, with some General Fund assistance (about $13,000 for the 2013-15 biennium). (*2016 Expiring Tax Credits*, Research Report No. 2-15, Legislative Revenue Office, February 2015.)

Senate Bill 50 extends the tax credit for donations to individual development accounts from 2016 to 2022.