

2015 JOINT COMMITTEE ON TAX CREDITS
78th Legislative Assembly

Individual Development Account (IDA) Tax Credits
Tax Expenditures 1.426 & 1.427
2016 Expiring Tax Credits: pages 76-82

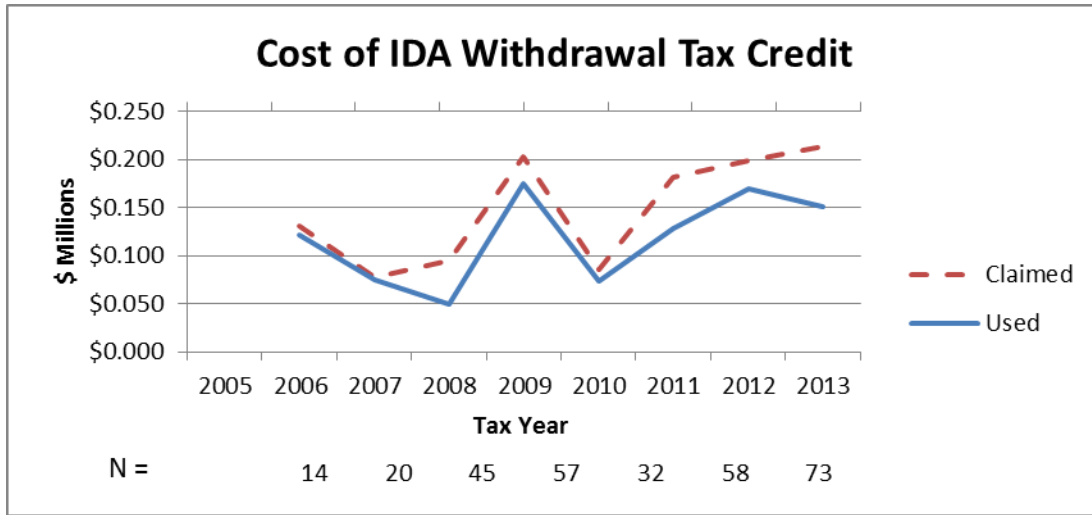
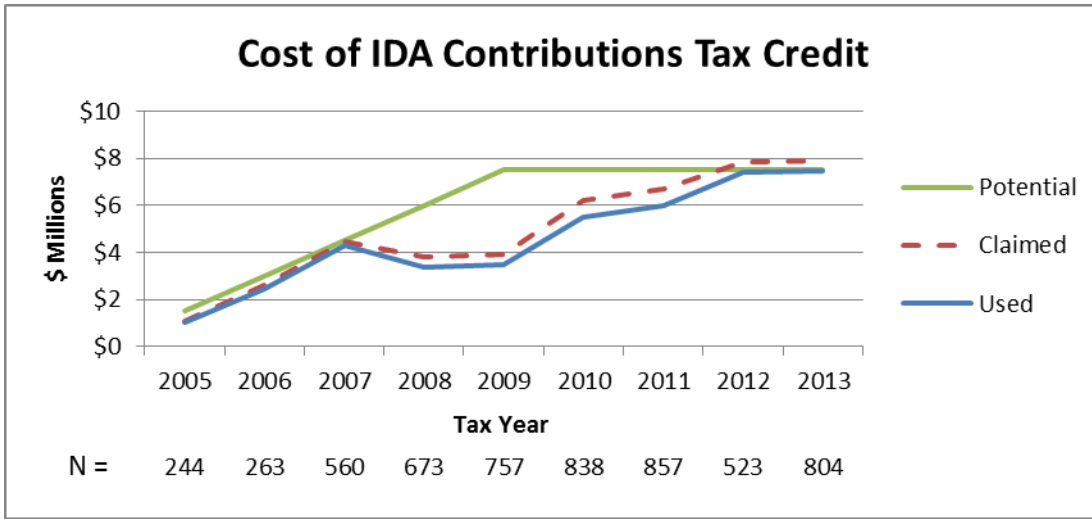
Current Law

1. Taxpayers who contribute to a state-sponsored nonprofit (currently Neighborhood Partnerships) for Individual Development Accounts (IDAs) are allowed a tax credit equal to the lesser of \$75,000 or 75% of the contribution.
2. Taxpayers who make a withdrawal from an IDA to pay for closing costs for the purchase of a primary residence are allowed a tax credit equal to the least of the withdrawal, usual and reasonable closing costs, or \$2,000.

Proposed Changes

1. Extend the contributions tax credit through tax year 2021.
2. Extend the withdrawal tax credit through tax year 2021.
3. Modifications to existing allowable purposes
 - a. Adds manufactured homes to the list of exceptions to the 3-year period of not owning a home prior to using IDA funds to purchase a home
 - b. Facilitate the rollover of funds from an IDA account to a 529 account
4. Expansion of allowable purposes
 - a. Eligible rental housing expenses such as security deposit, first/last month's rent, application fees
 - b. Hire employees upon capitalization of a business
 - c. Purchase or repair a vehicle
 - d. Saving funds for retirement
 - e. Payment of debts owed for educational or medical purposes
 - f. Improved credit by obtaining a secured loan or similar financial product
 - g. Replace a primary residence under certain circumstances

Historical Use and Revenue Impact



Policy	Bill Number	Revenue Impact \$M		
		2015-17	2017-19	2019-21
Contribution Extension	SB 50, HB 2011	-\$6.6	-\$13.6	-\$13.8
Withdrawal Extension	SB 51, HB 2011	-\$0.1	-\$0.3	-\$0.3
Increase Program Cap		-\$8.3	-\$13.8	-\$19.3
Total		-\$15.0	-\$27.7	-\$33.4

Technical Considerations

1. Disallow the subtraction for 529 contributions?
2. Create addback for federal deduction for regular IRA? Roth IRA?