

SB 758 STAFF MEASURE SUMMARY

Senate Committee On Education

Prepared By: Lisa Gezelter, LPRO Analyst

Sub-Referral To: Joint Committee On Tax Credits

Meeting Dates: 4/4, 4/11

WHAT THE MEASURE DOES:

Establishes refundable tax credit for contributions to higher education savings network accounts. Establishes tax credit for corporations that contribute to higher education savings network accounts for their employees. Allows taxpayers to subtract set amounts from their taxable income per beneficiary of a higher education savings network account or an account set up under the provisions of the Achieving a Better Life Experience (ABLE) Act. Extends tax credits to S corporations for contributions to higher education savings accounts. Effective 91 days after the Legislative Assembly adjourns sine die.

ISSUES DISCUSSED:

- Benefits to families of higher education savings accounts
- Demographics and statistics related to higher education savings accounts
- Completion rates for students who start higher education with savings accounts in place

EFFECT OF AMENDMENT:

BACKGROUND:

The Oregon College Savings Plan was created to help Oregon taxpayers save for the cost of higher education. The plan is administered by the Oregon 529 College Savings Board and managed by TIAA-CREF. An account can be opened by any Oregon taxpayer over the age of 18. Account owners must designate a beneficiary. Contributions can be made via one-time electronic funds transfer, recurring automatic funds transfer, automatic payroll deduction, rollover from another state's 529 plan, personal check, or a cashier or teller's check. Qualified withdrawals include any withdrawals used for qualifying higher education expenses for the student at an eligible educational institution. Qualifying expenses include tuition, room and board, fees, books, supplies, and equipment. Although contributions are not deductible on federal tax returns, investment earnings are tax-deferred, and distributions to pay for qualifying expenses are tax-free. Contributions are currently deductible for Oregon tax at a set rate per taxpayer. Senate Bill 758 changes this provision to make contributions deductible at a set rate per beneficiary, allowing taxpayers to deduct contributions to multiple accounts up to a certain limit. Earnings from 529 accounts are not included in Oregon taxable income.

Accounts set up under the provisions of the Achieving a Better Life Experience (ABLE) Act are tax-advantaged savings accounts for individuals with disabilities. These accounts do not affect individuals' eligibility for social security, Medicaid, or other public benefits. Eligibility is limited to individuals with significant disabilities before age 26. Funds can be withdrawn from these accounts for qualified disability expenses, including education, housing, transportation, employment training and support, assistive technology, personal support services, health care expenses, and other expenses related to living with disabilities.