



SB 758: Augmenting 529 college savings is a great idea

SECTION 2: Great idea, if you have the money SECTION 7: A sunset is needed

There were 36,440 full year filers who contributed to the 529 College Savings Program in 2014.

2014 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$13,300	390	\$1,836	\$0.7	<\$0.1	<1%
\$13,300 - \$27,600	530	\$1,726	\$0.9	<\$0.1	<1%
\$27,600 - \$49,300	1,400	\$1,702	\$2.4	\$0.2	2%
\$49,300 - \$87,500	5,660	\$1,942	\$11.0	\$0.9	10%
Above \$87,500	28,460	\$3,141	\$89.4	\$8.2	87%
All Full-Year Filers	36,440	\$2,865	\$104.4	\$9.4	100%
Part-Year and Nonresident Filers	1,050	\$2,786	\$2.9	\$0.2	

*Each income group contains 20 percent of the full-year filers (approximately 336,000)

Unfortunately, the program has not been attracting savings from low income Oregonians. Only 7980 households participating in the program were in the bottom 80% of households for taxable income in 2014. Some of those lower-income contributors were likely grandparents whose social security income isn't included as taxable income in Oregon, making their incomes appear smaller than they really are.

529 Program description:

In Oregon, all contributors get a tax break on their contributions, both coming in and going out. This coming biennium, the cost to the General Fund is expected to be \$28.5 million for contributions and \$12.2 million on withdrawals.

While programs vary significantly from state to state, a good number of states only provide tax breaks as the money is withdrawn only (California is an example) or provide no tax breaks for college savings at all (as in Washington State).

This year, in Oregon the 529 amount deductible from income is \$2310 for single filers and \$4620 for joint. For each household contributing these amounts or more, the state is essentially contributing approximately \$215/\$430 (single/joint filers), as that is the cost to the General Fund.

SB 758's attempt to entice participation by taxpayers with income below \$25,000 (single)/\$50,000 (joint) is a good idea – to try. This should be our target population. However, careful statistics should be gathered on these tax credit eligible contributors, including how many: contribute only \$100 to get the 1:1 tax credit, how many contribute various amounts, how many who are income-eligible seniors with subtractions for social security, and how many become regular participants. Further, which outreach efforts are most successful in reaching which populations (e.g. minority communities, parents of really young children, grandparents).

The sunset in SECTION 7 is important, so that we return to the issue after a sufficient amount of data is collected to consider whether this expenditure is working and what else might be done to expand the reach of this college savings plan to families whose children will most likely face college debt upon graduation. The bottom 80% of taxpayers should be our target population.

Current statistics indicate that most participants come from families whose children would likely be among the 30% of college graduates who graduate without debt, and would do so with or without the 529 program. Many parents were covering these college expenses before 1999 when the 529 program began augmenting college savings with tax breaks from the state now costing \$40 m/biennium. The entire 529 program needs a sunset which it doesn't currently have.

ALL CONTRIBUTORS BELOW \$100,000

Lower income* of range	Upper income* of range	Number	Amount contributed
\$0	\$87,500	7980	\$15,000,000
\$87,500	\$100,000	2556	\$7,896,302
		10,536	\$22,896,302

SINGLE CONTRIBUTORS ABOVE \$100,000

Lower income* of range	Upper income* of range	Number	Amount contributed
\$100,000	\$120,000	310	\$547,692
\$120,000	\$140,000	216	\$405,791
\$140,000	\$160,000	129	\$250,197
\$160,000	\$180,000	86	\$168,949
\$180,000	\$200,000	68	\$132,652
\$200,000	\$250,000	125	\$249,168
\$250,000	\$300,000	59	\$123,054
\$300,000	\$350,000	35	\$66,128
\$350,000		117	\$249,055
TOTAL		1145	\$2,192,686

JOINT CONTRIBUTORS ABOVE \$100,000

Lower income* of range	Upper income* of range	Number	Amount contributed
\$100,000	\$120,000	3988	\$9,980,594
\$120,000	\$140,000	3628	\$10,006,733
\$140,000	\$160,000	2996	\$9,015,296
\$160,000	\$180,000	2448	\$7,772,887
\$180,000	\$200,000	1873	\$6,373,914
\$200,000	\$250,000	3203	\$11,655,208
\$250,000	\$300,000	1906	\$7,368,723
\$300,000	\$350,000	1256	\$5,016,804
\$350,000		3461	\$14,313,539
TOTAL		24759	\$81,503,698