

## HB 2414 STAFF MEASURE SUMMARY

### House Committee On Higher Education and Workforce Development

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**Sub-Referral To:** House Committee On Revenue

**Meeting Dates:** 2/21

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#### WHAT THE MEASURE DOES:

Creates subtraction from federal taxable income for payment of annual interest on education loans used to obtain degree from Oregon educational institution, and disbursed on or after December 31, 2007. Requires subtraction be reduced by any amount previously deducted. Creates credit against personal income taxes for payment of annual interest on education loans used to attend a college or university located in Oregon if taxpayer obtains associate's or higher degree in science, technology, engineering or mathematics (STEM), engages in STEM-related employment and participates in STEM-related volunteer service for minimum of 15 hours per month. Requires STEM Investment Council to establish by rule procedures and policies for certifying taxpayer credit eligibility, and for determination of qualifying criteria for STEM-related degree, employment or volunteer service. Requires Higher Education Coordinating Commission (HECC) to provide written certification of eligibility to taxpayer. Requires taxpayer to provide Department of Revenue certificate of eligibility issued by the HECC. Establishes credit amount as five percent of interest paid on education loan during tax year for each \$10,000, not to exceed 50 percent of interest paid. Prohibits credit for taxpayers whose federal taxable income is \$170,000 or greater. Prohibits credit from exceeding tax liability of taxpayer, and prevents credit from being carried forward to a later tax year. Allows nonresident and part-year resident taxpayers, and taxpayers with changes to tax year status, to access credit by prorated computation. Applies to tax years beginning on or after January 1, 2018, and before January 1, 2028. Becomes effective 91st day following adjournment sine die.

*REVENUE: May have revenue impact, but no statement yet issued*

*FISCAL: May have fiscal impact, but no statement yet issued*

#### ISSUES DISCUSSED:

##### EFFECT OF AMENDMENT:

##### BACKGROUND:

At the federal level, the Internal Revenue Service (IRS) offers two tax credits and one deduction to help offset education costs for tuition-paying students and parents. Families can only claim one of the three options each tax year.

The **American Opportunity Credit** (re-named and expanded "Hope Credit") offers a maximum annual credit of \$2,500 per student for higher education expenses including tuition, fees, books, supplies and equipment for the first four years of college. Eligibility requirements include enrollment in a post-secondary program leading toward a degree, certificate, or recognized credential, enrollment in the first four years of higher education, at least one academic term of at least half-time enrollment, no felony drug offense conviction, and a taxpayer modified adjusted gross income of \$90,000 or less (\$180,000 or less for joint filers).

The **Lifetime Learning Credit** provides up to \$2,000 per tax return for tuition for undergraduate, graduate and professional degree courses, regardless of the number of years in the program. Eligibility requirements include enrollment in a post-secondary program leading to a degree, certificate, or recognized credential, or taking courses to improve job skills, enrollment for at least one academic term, and a taxpayer modified adjusted gross income of

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\$65,000 or less (\$131,000 or less for joint filers).

A **Tuition and fees deduction** provides up to \$4,000 taxable income reduction per tax return for tuition, fees, books, supplies and equipment. The deduction is available to students enrolled at least half-time in a program leading to a degree, certificate, or other educational credential for at least one academic term, and a taxpayer modified adjusted gross income of \$80,000 or less (\$160,000 or less for joint filers).

The State of Oregon does not currently have state-funded tax credits or deductions for higher education expenses.