

HB 2929 A STAFF MEASURE SUMMARY

House Committee On Higher Education and Workforce Development

Action Date: 04/18/17

Action: Do pass with amendments
and be referred to Revenue by prior reference. (Printed A-Eng.)

Vote: 6-3-0-0

Yeas: 6 - Alonso Leon, Bynum, Clem, Heard, Reardon, Sollman

Nays: 3 - Johnson, Reschke, Whisnant

Fiscal: Has minimal fiscal impact

Revenue: Revenue impact issued

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WHAT THE MEASURE DOES:

Establishes refundable credit against personal income taxes for contributions to higher education savings network account. Establishes tax credit for amounts contributed to higher education savings network accounts owned by employees of taxpayer. Increases limitation on subtraction for contribution to Achieving A Better Life Experience (ABLE) account or higher education savings network account to amount per designated beneficiary. Exempts payments into, and assets of, account established for higher education expenses in eligibility determination for state benefits. Establishes subtraction from personal income taxes for amounts that taxpayer paid in student loan interest and specifies amount of, and eligibility for, subtraction. Applies credits and subtractions to tax years beginning on or after January 1, 2017 and before January 1, 2023. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- High student loan debt impacts individual choices related to family planning, homeownership and retirement saving
- Need for collaboration and alignment among legislative members working on similar student debt relief measures
- Rationale for means testing thresholds; sideboards are preliminary and adjustable
- Prioritization of incentivized early savings programs that have demonstrated positive impacts on likelihood of post-secondary engagement
- Subtractions on amount paid in loan interest help individuals participate in economy
- Importance of financial literacy, debt counseling and providing information to graduates on how to reduce debt through employment choices and programs
- Appropriateness of simplifying and prioritizing provisions of measure prior to referring it to House Committee on Revenue

EFFECT OF AMENDMENT:

Deletes student loan refinancing guarantee pilot program, educational loan counseling program and tax credit to employers that provide education loan repayment assistance to employees.

BACKGROUND:

Student loan debt has doubled over the past seven years and now totals approximately \$1.3 trillion nationally. In the United States, 68 percent of four-year institution graduates emerge with student loan debt, with median loan amounts totaling \$30,100 for undergraduate education. In Oregon, the Higher Education Coordinating Commission reports that 63 percent of Oregon's four-year graduates exit with student loans and that those median loan amounts total \$27,697.

Many individuals are struggling with loan repayment. Nationally, 39.4 percent of graduates have paid no money toward their loan principal three years after leaving school, while rates are significantly higher (59.6 percent) for

This Summary has not been adopted or officially endorsed by action of the committee.

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students who did not complete their degree. Federal student loan repayment is also less likely for students from lower income backgrounds who were Pell Grant recipients. There is bipartisan consensus that student loan debt has negative impacts on Oregon's local economies through decreases in individual spending and investment.