

**A-Engrossed**  
**House Bill 2929**

Ordered by the House April 24  
Including House Amendments dated April 24

Sponsored by Representatives RAYFIELD, POWER, HERNANDEZ, ALONSO LEON, FAHEY; Representatives HOLVEY, MCKEOWN, NOSSE, WILLIAMSON

**SUMMARY**

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

*[Directs State Treasurer to establish student loan refinancing guarantee pilot program. Permits State Treasurer to enter into contracts with financial institutions under which State Treasurer creates loss reserve account for financial institution to reimburse financial institution for losses incurred in connection with refinancing loan. Specifies contributions to loss reserve account from financial institution, borrower and State Treasurer. Specifies procedures under which financial institution may claim reimbursement. Establishes Student Loan Refinancing Guarantee Program Fund from which State Treasurer pays moneys into loss reserve account. Sunsets pilot program on December 31, 2019.]*

*[Directs Higher Education Coordinating Commission to establish supplemental education loan counseling program for residents of this state. Specifies elements of program.]*

*[Provides credit to employers that provide education loan repayment assistance to employees. Specifies amounts of and eligibility for credit.]*

Establishes subtraction from personal income taxes for amounts that taxpayers pay in student loan interest. Specifies amount of and eligibility for subtraction.

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 ABLE account or higher education savings network account to amount per designated beneficiary.

Applies credits and subtractions to tax years beginning on or after January 1, 2017, and before January 1, 2023.

Specifies that amount in account established for higher education expenses is disregarded for purposes of determining account owner's financial eligibility to receive assistance or benefit authorized by law, to extent permitted under federal law.

Applies to eligibility determinations made on or after January 1, 2018.

Takes effect on 91st day following adjournment sine die.

**A BILL FOR AN ACT**

1  
2 Relating to student loan debt; creating new provisions; amending ORS 314.752, 316.699 and 318.031;  
3 and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Sections 2 and 3 of this 2017 Act are added to and made a part of ORS**  
6 **chapter 315.**

7 **SECTION 2. (1) A credit against taxes otherwise imposed under ORS chapter 316 is al-**  
8 **lowed for amounts contributed during the tax year to a savings network account for higher**  
9 **education established under ORS 178.300 to 178.355. The amount of the credit allowed under**  
10 **this section must equal the amount contributed, but may not exceed \$100.**

11 **(2) A taxpayer is allowed a credit under this section only if the taxpayer has an adjusted**  
12 **gross income that does not exceed \$50,000 on a joint return, or \$25,000 on any other type of**  
13 **return.**

14 **(3) A taxpayer may not claim both the credit allowed under this section and the sub-**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 traction allowed in ORS 316.699 (1)(a) for the tax year.

2 (4) If the amount allowable as a credit under this section, when added to the sum of the  
3 amounts allowable as payment of tax under ORS 316.187 (withholding), ORS 316.583 (esti-  
4 mated tax), other tax prepayment amounts and other refundable credit amounts, exceeds the  
5 taxes imposed by ORS chapters 314 and 316 for the tax year (reduced by any nonrefundable  
6 credits allowable for purposes of ORS chapter 316 for the tax year), the amount of the excess  
7 must be refunded to the taxpayer as provided in ORS 316.502.

8 (5) The credit must be claimed on a form prescribed by the Department of Revenue that  
9 contains the information required by the department.

10 (6) In the case of a credit allowed under this section:

11 (a) A nonresident is allowed the credit in the proportion provided in ORS 316.117.

12 (b) If a change in the status of the taxpayer from resident to nonresident or from non-  
13 resident to resident occurs, the credit must be determined in a manner consistent with ORS  
14 316.117.

15 (c) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,  
16 or if the department terminates the taxpayer's taxable year under ORS 314.440, the credit  
17 must be prorated or computed in a manner consistent with ORS 314.085.

18 **SECTION 3.** (1) As used in this section, "employee" means a person who is subject to the  
19 provisions of ORS 316.162 to 316.221 and who has completed a withholding exemptions cer-  
20 tificate required by the provisions of ORS 316.162 to 316.221.

21 (2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-  
22 payer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer for amounts  
23 contributed during the tax year to savings network accounts for higher education established  
24 under ORS 178.300 to 178.355 for which employees of the taxpayer are the account owners.  
25 The amount of the credit allowed under this section must equal the total amount contrib-  
26 uted, but may not exceed \$100 per account owner to whose account contributions are made.

27 (3) The credit allowed under this section may not exceed the tax liability of the taxpayer  
28 for the tax year.

29 (4) Any tax credit otherwise allowable under this section that is not used by the taxpayer  
30 in a particular year may be carried forward and offset against the taxpayer's tax liability for  
31 the next succeeding tax year. Any credit remaining unused in such next succeeding tax year  
32 may be carried forward and used in the second succeeding tax year, and likewise, any credit  
33 not used in that second succeeding tax year may be carried forward and used in the third  
34 succeeding tax year, but may not be carried forward for any tax year thereafter.

35 (5) The credit must be claimed on a form prescribed by the Department of Revenue that  
36 contains the information required by the department.

37 (6) A nonresident is allowed the credit under this section in the same manner and subject  
38 to the same limitations as a resident. However, the credit must be prorated using the pro-  
39 portion provided in ORS 316.117.

40 (7) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,  
41 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,  
42 the credit allowed by this section must be prorated or computed in a manner consistent with  
43 ORS 314.085.

44 **SECTION 4.** Section 5 of this 2017 Act is added to and made a part of ORS chapter 316.

45 **SECTION 5.** (1) As used in this section:

1 (a) "Modified adjusted gross income" means federal adjusted gross income as modified  
2 by this chapter and other laws of the state that apply to personal income taxation.

3 (b) "Qualified education loan" has the meaning given that term in 26 U.S.C. 221.

4 (2) In addition to the other modifications to federal taxable income contained in this  
5 chapter, there is subtracted from federal taxable income the amount a taxpayer paid during  
6 the taxable year as interest on a qualified education loan. The amount of the subtraction  
7 under this section must equal the amount of interest the taxpayer paid on the qualified ed-  
8 ucation loan, but may not exceed \$2,500. The subtraction allowed under this subsection is not  
9 available to a taxpayer with a modified adjusted gross income that exceeds \$80,000, or  
10 \$160,000 for a taxpayer who is married and files jointly.

11 (3) If a taxpayer's modified adjusted gross income exceeds \$65,000, or \$130,000 for a tax-  
12 payer who is married and files jointly, the amount that is allowable as a subtraction under  
13 this section must be reduced, but not below zero. To calculate the reduced amount of the  
14 subtraction:

15 (a) Subtract \$65,000, or \$130,000 if the taxpayer is married and files jointly, from the  
16 taxpayer's adjusted gross income;

17 (b) Divide the result of the calculation in paragraph (a) of this subsection by \$15,000, or  
18 \$30,000 if the taxpayer is married and files jointly;

19 (c) Multiply the fraction that results from the calculation in paragraph (b) of this sub-  
20 section by the lesser of the amount of interest the taxpayer paid on a qualified education  
21 loan during the taxable year, or \$2,500; and

22 (d) Subtract the result of the calculation in paragraph (c) of this subsection from the  
23 lesser of the amount of interest the taxpayer paid on a qualified education loan during the  
24 taxable year, or \$2,500.

25 (4) A subtraction under this section is not available in a taxable year to a taxpayer who  
26 is a dependent of a taxpayer who claims a subtraction under this section in the same taxable  
27 year.

28 (5) A subtraction under this section is not available to a taxpayer who has claimed a  
29 credit under another provision of this chapter for interest the taxpayer paid on a qualified  
30 education loan.

31 (6) A taxpayer must claim a subtraction under this section on a form prescribed by the  
32 Department of Revenue that contains the information the department requires.

33 (7) A nonresident is allowed a subtraction under this section in the same manner and  
34 subject to the same limitations as a resident, except that the subtraction must be prorated  
35 using the proportion provided in ORS 316.117.

36 **SECTION 6.** Section 7 of this 2017 Act is added to and made a part of ORS 178.300 to  
37 178.355.

38 **SECTION 7.** Notwithstanding any provision of state law that requires consideration of  
39 one or more financial circumstances of an individual for the purpose of determining the el-  
40 igibility to receive, or the amount of, any assistance or benefit authorized by law to be pro-  
41 vided to or for the benefit of the individual, and to the extent permitted under federal law,  
42 any amount in an account established for higher education expenses of which the individual  
43 is an owner, including earnings on the account, any contributions to the account and any  
44 distribution for qualified higher education expenses, must be disregarded for such purpose  
45 with respect to any period during which the individual maintains, makes contributions to or

1 **receives distributions from the account.**

2 **SECTION 8.** ORS 316.699 is amended to read:

3 316.699. (1) There shall be subtracted from federal taxable income the amount contributed to:

4 (a) A savings network account for higher education established under ORS 178.300 to 178.355;  
5 or

6 (b) An ABLE account established under ORS 178.380 and rules adopted by the Oregon 529  
7 Savings Board, when the contribution is made before the designated beneficiary of the account at-  
8 tains 21 years of age.

9 (2) Notwithstanding subsection (1) of this section, a subtraction under this section may not ex-  
10 ceed the lesser of:

11 (a) \$4,000 **per designated beneficiary** for the tax year if the taxpayer files a joint return, or  
12 \$2,000 **per designated beneficiary** for the tax year if the taxpayer files a return other than a joint  
13 return; and

14 (b) If an amount is carried forward to a succeeding tax year under subsection (4) of this section,  
15 the balance in the savings network account for higher education or ABLE account at the close of  
16 the tax year for which the subtraction is being made.

17 (3)(a) The Department of Revenue shall annually adjust the maximum subtraction allowable un-  
18 der this section according to the cost-of-living adjustment for the calendar year. The department  
19 shall make this adjustment by multiplying the amount in subsection (2) of this section by the per-  
20 centage (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12  
21 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged U.S.  
22 City Average Consumer Price Index for the 12 consecutive months ending August 31, 2007.

23 (b) As used in this subsection, "U.S. City Average Consumer Price Index" means the U.S. City  
24 Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of  
25 Labor Statistics of the United States Department of Labor.

26 (4) Any amounts contributed to a savings network account for higher education or an ABLE  
27 account that are not subtracted from federal taxable income because of the monetary limitations  
28 imposed by subsection (2) of this section may be carried forward for four succeeding tax years and  
29 subtracted from federal taxable income in any of those succeeding tax years in an amount that does  
30 not exceed the monetary limitations imposed by subsection (2) of this section.

31 (5) The amount contributed to a savings network account for higher education or an ABLE ac-  
32 count may be subtracted from a preceding tax year if the contribution is made before the taxpayer  
33 files a return or before the 15th day of the fourth month following the closing of the taxpayer's tax  
34 year, whichever is earlier.

35 (6) A subtraction is not allowed under this section for any amount that has been transferred into  
36 a savings network account for higher education from an individual development account, through a  
37 rollover, as provided in ORS 458.685 (4)(a)(A).

38 **SECTION 9.** ORS 314.752 is amended to read:

39 314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits allowed or allowable to a  
40 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The  
41 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are  
42 allowable to the shareholders of the S corporation.

43 (2) In determining the tax imposed under ORS chapter 316, as provided under ORS 314.734, on  
44 income of the shareholder of an S corporation, there shall be taken into account the shareholder's  
45 pro rata share of business tax credit (or item thereof) that would be allowed to the corporation (but

1 for subsection (1) of this section) or recapture or recovery thereof. The credit (or item thereof), re-  
 2 capture or recovery shall be passed through to shareholders in pro rata shares as determined in the  
 3 manner prescribed under section 1377(a) of the Internal Revenue Code.

4 (3) The character of any item included in a shareholder's pro rata share under subsection (2)  
 5 of this section shall be determined as if such item were realized directly from the source from which  
 6 realized by the corporation, or incurred in the same manner as incurred by the corporation.

7 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax  
 8 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS  
 9 316.117, then that provision shall apply to the nonresident shareholder.

10 (5) As used in this section, "business tax credit" means a tax credit granted to personal income  
 11 taxpayers to encourage certain investment, to create employment, economic opportunity or incentive  
 12 or for charitable, educational, scientific, literary or public purposes that is listed under this sub-  
 13 section as a business tax credit or is designated as a business tax credit by law or by the Depart-  
 14 ment of Revenue by rule and includes but is not limited to the following credits: ORS 285C.309  
 15 (tribal taxes on reservation enterprise zones and reservation partnership zones), ORS 315.104 (fore-  
 16 station and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141  
 17 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture  
 18 workforce housing), ORS 315.204 (dependent care assistance), ORS 315.208 (dependent care facili-  
 19 ties), ORS 315.213 (contributions for child care), ORS 315.304 (pollution control facility), ORS 315.326  
 20 (renewable energy development contributions), ORS 315.331 (energy conservation projects), ORS  
 21 315.336 (transportation projects), ORS 315.341 (renewable energy resource equipment manufacturing  
 22 facilities), ORS 315.354 and 469B.151 (energy conservation facilities), ORS 315.507 (electronic com-  
 23 merce) and ORS 315.533 (low income community jobs initiative) **and section 2 of this 2017 Act**  
 24 **(higher education savings accounts).**

25 **SECTION 10.** ORS 318.031 is amended to read:

26 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter  
 27 317 shall be administered as uniformly as possible (allowance being made for the difference in im-  
 28 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-  
 29 corporated into and made a part of this chapter: ORS 285C.309, 315.104, 315.141, 315.156, 315.204,  
 30 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.507 and 315.533 **and section 2 of this 2017**  
 31 **Act** (all only to the extent applicable to a corporation) and ORS chapter 317.

32 **SECTION 11.** **Sections 2, 3 and 5 of this 2017 Act and the amendments to ORS 314.752,**  
 33 **316.699 and 318.031 by sections 8 to 10 of this 2017 Act apply to tax years beginning on or after**  
 34 **January 1, 2017, and before January 1, 2023.**

35 **SECTION 12.** **Section 7 of this 2017 Act applies to eligibility determinations made on or**  
 36 **after January 1, 2018.**

37 **SECTION 13.** **This 2017 Act takes effect on the 91st day after the date on which the 2017**  
 38 **regular session of the Seventy-ninth Legislative Assembly adjourns sine die.**