

HB 4007 -1, -2, -5 STAFF MEASURE SUMMARY

House Committee On Human Services and Housing

Prepared By: Cassandra Soucy, LPRO Analyst

Sub-Referral To: House Committee On Revenue

Meeting Dates: 2/6, 2/13

WHAT THE MEASURE DOES:

Permits individual to create first-time home buyer savings account within financial institution and increases the document recording fee from \$25 to \$75.

Allows individual to create a first-time home buyer savings account within a financial institution to pay or reimburse eligible costs to purchase a single family residence up to a total of \$50,000 during the 10-year period. Establishes limitations on subtractions and exemptions from taxable income. Applies to tax years beginning on or after January 2019 and before January 2025.

Increases the document recording fee for certain real property documents from \$25 to \$75 to be used for housing-related programs at the Housing and Community Services Departments. Changes income definition for the Home Ownership Assistance Account to income not more than 100 percent of median family income. Effective on the 91st day following sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Changes the limits applicable to a subtraction from federal taxable income specified by annual gross income and filing status. Allows Department of Revenue to adjust limits based on the percentage change in the U.S. City Average Consumer Price Index.

Includes the Oregon Housing Stability Council in determining supply of homeownership for families and individuals who have income not more than 100 percent of median family income. Changes effective date to July 1, 2018.

-2 Changes definition of 'first-time home buyer savings account' to mean an account established by written agreement between an account holder and financial institution and the account holder designates the account as a first-time home buyer savings account on their Oregon income tax return. Establishes ability for individual to enter into first-time home buyer savings account agreements with a financial institution. Specifies no financial institute is required to offer first-time home buyer savings accounts to customers. Removes exemption from taxation for provision allowing money to be withdrawn from a first-time home buyer savings account to pay or reimburse account holder's eligible costs related to purchase of single family residence. Requires certain funds to be added to federal taxable income if used for purposes other than eligible costs, those funds were subtracted or exempt in the current or previous tax year, and the funds were not deposited into another first-time home buyer savings account held by another taxpayer.

-5 Removes exemption from taxation for provision allowing money to be withdrawn from a first-time home buyer savings account to pay or reimburse account holder's eligible costs related to purchase of single family residence.

BACKGROUND:

Currently, there are five states in the country that have implemented a first-time home buyer savings account programs. These states are Montana, Virginia, Colorado, New York, and Mississippi. All of these programs have similar requirements to use the funds for costs associated with first-time home purchases. Oregon Housing and

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Community Services provides homeownership programs assisting first-time homebuyers through securing loans, accessing homeownership education, and homeownership counseling.

Document recording is a duty of county clerks required under Oregon law for certain real property records including but not limited to deeds, mortgages, and contracts affecting the title to real property. Currently, the document recording fee for affordable housing is set at \$20. Funds from the document recording fee are dispersed to Oregon Housing and Community Services (OHCS) to implement three housing programs – the General Housing Account Program (76 percent), Home Ownership Assistance Program (14 percent), and Emergency Housing Account (10 percent). Within each program, 25 percent of the funds deposited are dedicated to fund veteran’s housing assistance. In 2017, OHCS received and distributed over \$15 million through these programs.

The measure allows individuals to create a first-time home buyer savings account and increases the document recording fee from \$25 to \$75.