

HB 2387 -2 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 2/18, 5/21

WHAT THE MEASURE DOES:

Creates refundable personal income tax credit for contributions to a 529 higher education savings network account or an ABLE account. Specifies framework for credit amount as a function of taxpayer's adjusted gross income and amount contributed. Specifies credit is available in tax years 2020 through 2025. Requires taxpayer to forfeit past credit amount tax relief when withdrawal does not meet specified withdrawal parameters. Limits subtraction for contributions, to a 529 higher education savings network account or an ABLE account, to contributions made in tax years beginning before January 1, 2020 and allows unused subtracted amounts to be carried forward only to tax years beginning before January 1, 2025. Beginning with tax year 2020, eliminates requirement to add to taxable income amount of 529 subtraction related to account withdrawals not meeting specified standards.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-2 Limits credit maximum to \$300 if reported on a joint return or \$150 for all other return types. Modifies framework for credit amount determined as a function of taxpayer's adjusted gross income and amount contributed. Indexes maximum amount of credit to inflation and adjusts credit maximum in \$20 or \$10 increments. Modifies requirements of taxpayer to report forfeited credit amount. Requires Department of Revenue to collect, including penalties and interest, unreported taxes not paid by taxpayer as a result of forfeited credit.

BACKGROUND:

ORS 316.699 allows a subtraction from taxable income for contributions made to an Oregon 529 College Savings Network account for higher education or an ABLE account. An inflation adjusted limit exists on the amount of contributions that may be annually subtracted. The 2018 subtraction limits were \$4,750 for a joint return and \$2,375 on all other returns. Contributions above the subtraction limit can be carried forward and subtracted in up to four succeeding tax years. In tax year 2016, about 44,000 returns claimed the Oregon 529 subtraction with the average subtraction amount being about \$2,900.