

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
80th Oregon Legislative Assembly  
2019 Regular Session  
Legislative Revenue Office

**Bill Number:** HB 2387 - 2  
**Revenue Area:** Personal Income Taxes  
**Economist:** Kyle Easton  
**Date:** 5/20/2019

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

**Measure Description:**

Creates refundable personal income tax credit for contributions to a 529 higher education savings network account or an ABLÉ account. Limits credit to \$300 if reported by taxpayer on a joint return or \$150 if reported on any other type of return. 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. Limits existing law 529 subtraction 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.

**Revenue Impact (in \$Millions):**

	Fiscal Year		Biennium		
	2019-20	2020-21	2019-21	2021-23	2023-25
<b>General Fund</b>		0.3	0.3	0.9	-0.9

**Impact Explanation:**

Analysis of historical 529 subtraction data indicates that taxpayers with adjusted gross incomes (AGI) less than \$70,000 will receive, on average, greater tax benefit under the proposed refundable credit than the existing law income tax subtraction. As taxpayer AGI increases above \$100,000, the expected tax benefit from the credit becomes, on average, less than existing law subtraction tax benefit. Changing the 529 tax subtraction to a refundable credit is expected to incentivize an additional 3,500 taxpayers to contribute and receive a 529 tax benefit. The additional number of taxpayers that will receive a tax benefit is expected to occur over multiple years reflective of increased taxpayer awareness of the credit.

Revenue impact estimate reflects replacement of 529 education subtraction with refundable credit. Estimate also reflects replacement of 529 ABLÉ subtraction, which is scheduled to sunset following tax year 2021, with credit scheduled to sunset following tax year 2025. Estimate was made through an examination of historical tax returns claiming the 529 income tax subtraction and through an analysis of relevant census data. Additionally, estimate parameters were informed by conversations with other states regarding their experiences following changes to their 529 tax incentive programs.

**Creates, Extends, or Expands Tax Expenditure:** Yes  No

## **Policy Purposes**

### **Higher education**

The policy purpose of this measure is to provide families and individuals a tool in which to begin saving for higher education expenses thereby encouraging individuals to commit to continuing their education beyond high school. Policy intent of restructuring tax subtraction as a refundable credit is to make tax incentive more available to families and individuals of more modest means.

### **ABLE**

The policy purpose of this measure is to help people with disabilities to save money for necessary expenses to meet the challenges of life.