

Testimony of Janet Byrd, Executive Director
House Revenue
February 26, 2020
SB 1531A

Chair Nathanson, Vice-Chair Marsh, Vice-Chair Reschke, members of the Committee

Neighborhood Partnerships is the administrator on behalf of Oregon Housing and Community Services of the Oregon Individual Development Account Initiative. As you know, the Oregon IDA Initiative helps Oregonians with low incomes across the state achieve their financial dreams by offering matched savings coupled with coaching and support to manage the complexity of buying a home, making an investment in education, starting a business, or reaching another goal.

Since its inception in 1999, the Oregon IDA Initiative has been funded by a state income tax credit. Since that time, the tax credit mechanism allowed us to leverage state resources effectively – with a high of 2018, when we sold \$7.5 million of tax credits for \$10.8 million. Because donors typically claimed both a state tax credit and a federal charitable deduction, we were able to raise \$1.44 of resources for the Initiative with each tax dollar foregone.

After the 2017 federal Tax Cut and Jobs Act limited state and local tax deductions, several states issued new tax credits. In reaction, in August of 2018, an IRS regulation was issued which stated that money received in return for state tax credits could not be deducted as a charitable contribution on federal taxes. That rule, temporary on August 18, 2018 and made permanent in June 2019, has made the Oregon IDA tax credit a dramatically less viable funding mechanism to achieve state goals.

We are grateful for the time and energy that this Committee and the Senate Finance and Revenue Committee spent in 2019 discussing the IDA Initiative and possible structural changes. We appreciate the effort made in HB 2164 to adjust the value of the tax credit to improve marketability. As a reminder, you changed the percentage value of the IDA credit from a maximum of 70% to a maximum of 90%, leaving the tax credit authority capped at \$7.5 million. We hoped that this would allow us to raise at least \$8.3 million for the Initiative.

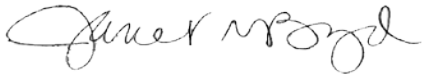
In 2019, Neighborhood Partnerships was unable to sell our full allocation of state tax credits. We ended the year with \$2.6 million of tax credits unsold, in spite of aggressive marketing, impeccable customer service, and accepting appreciated stock as contributions. Our experiences in 2019 lead us to believe that the credit is not viable when offered at 90 cents of state tax credit per dollar received.

We see two paths forward to keep the Initiative doing important work in our communities. We could make the credit value 100%, and extend the marketing calendar. Or, we can repeal the credit and ask that we be converted to a General Fund program.

In consultation with our partners across the state, we have decided on the second path. We asked in the Senate that SB 1531 be amended to sunset the IDA tax credit. We will not open tax credit

marketing in 2020, and we will work within the Ways and Means process to secure the resources we need to ensure the Oregon IDA Initiative continues to serve Oregonians with low incomes across our state. This will involve both a one-time General Fund request, and a conversion of unsold tax credit authority to General Fund.

Once again, I want to say that all of us in the Initiative appreciate the work that has gone in to helping the Initiative be successful, and ask for your support in repealing this credit. Thank you for helping us take this next critical step.

A handwritten signature in black ink, appearing to read "Janet Byrd". The signature is fluid and cursive, with the first name being more prominent.

Janet Byrd
Executive Director, Neighborhood Partnerships