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.

[Establishes Individual Development Account Fund. Continuously appropriates moneys in fund to Housing and Community Services Department to support fiduciary organizations' development of individual development accounts. Modifies individual development account program and decouples program from sunset tax credit program.]

[Appropriates moneys to the fund.]

Extends and modifies tax credits for donations for individual development accounts. Applies to tax years beginning on or after January 1, 2022, and before January 1, 2028. Modifies individual development account program.

A BILL FOR AN ACT


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

SECTION 1. ORS 315.271 is amended to read:

315.271. (1) A credit against taxes otherwise due under ORS chapter 316, 317 or 318 shall be allowed for donations to a fiduciary organization for distribution to individual development accounts established under ORS 458.685. The credit shall equal a percentage of the taxpayer's donation amount, as determined by the fiduciary organization, but not to exceed 90 percent of any donation amount. A credit may be claimed for a donation made not later than April 15 following December 31 of the tax year for which the credit is allowed. To qualify for a credit under this section, donations to a fiduciary organization must be made prior to [January 1, 2022] April 15, 2028.

(2) If a credit allowed under this section is claimed, the amount upon which the credit is based that is allowed or allowable as a deduction from federal taxable income under section 170 of the Internal Revenue Code shall be added to federal taxable income in determining Oregon taxable income. As used in this subsection, the amount upon which a credit is based is the allowed credit divided by the applicable percentage, as determined by the fiduciary organization.

(3) The allowable tax credit that may be used in any one tax year shall not exceed the tax liability of the taxpayer.

(4) Any tax credit otherwise allowable under this section that is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any tax credit remaining unused in the next succeeding tax year may be carried forward and used in the second succeeding tax year. Any tax credit not used in the second

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.

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succeeding tax year may be carried forward and used in the third succeeding tax year, but may not be carried forward for any tax year thereafter.

(5) The total credits allowed to all taxpayers in any tax year under this section and ORS 458.690 may not exceed $7.5 million. The total credit allowed to a taxpayer in any tax year under this section and ORS 458.690 may not exceed $500,000.

SECTION 2. Section 9, chapter 765, Oregon Laws 2007, as amended by section 7, chapter 701, Oregon Laws 2015, is amended to read:

Sec. 9. A credit may not be claimed under ORS 315.271 and 458.690 for tax years beginning on or after January 1, 2022.

SECTION 3. ORS 458.670 is amended to read:

458.670. As used in this section and ORS 458.675 to 458.700, unless the context requires otherwise:

(1) “Account holder” means a resident of this state who:

(a) Is 12 years of age or older;

(b) Is a member of a lower income household; and

(c) Has established an individual development account with a fiduciary organization.

(2) “Fiduciary organization” means an organization selected under ORS 458.695 to administer state moneys directed to individual development accounts and that is:

(a) A nonprofit, fund raising organization that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code as amended and in effect on December 31, 2018; or

(b) A federally recognized Oregon Indian tribe that is located, to a significant degree, within the boundaries of this state.

(3) “Financial institution” means:

(a) An organization regulated under ORS chapters 706 to 716 or 723; or

(b) In the case of individual development accounts established for the purpose described in ORS 458.685 (1)(c), a financial institution as defined in ORS 178.300.

(4) “Individual development account” means a contract between an account holder and a fiduciary organization, for the deposit of funds into a financial institution by the account holder[,] and the deposit of matching funds into [the financial institution] a designated account by the fiduciary organization, to allow the account holder to accumulate assets for use toward achieving a specific purpose approved by the fiduciary organization.

(5) “Lower income household” means a household having an income equal to or less than the greater of the following:

(a) 80 percent of the median household income for the area as determined by the Housing and Community Services Department. In making the determination, the department shall give consideration to any data on area household income published by the United States Department of Housing and Urban Development.

(b) 200 percent of the poverty guidelines as determined by the Housing and Community Services Department. In making the determination, the department shall give consideration to poverty guidelines published by the United States Department of Health and Human Services and may consider other income data periodically published by other federal or Oregon agencies.

(6)(a) “Net worth” means a calculation based on the net value of assets of a household established by rule by the Housing and Community Services Department.

(b) “Net worth” does not include:

(A) Equity in one residence and in one vehicle.
(B) Holdings in pension accounts valued at less than $120,000.

SECTION 4. ORS 458.675 is amended to read:

ORS 458.675. The Legislative Assembly finds that:

(1) The problem of poverty will not be solved solely by government programs and income subsidies.

(2) Family economic well-being does not come solely from income, spending or consumption, but instead requires savings, investment and the accumulation of assets.

(3) It is appropriate for the state to institute an asset-based antipoverty strategy.

(4) The state has an opportunity to take advantage of private and federal resources by making the transition to an asset-based antipoverty strategy. Those resources may include, but are not limited to, the Assets for Independence Act (42 U.S.C. 604) and the Workforce Innovation and Opportunity Act (29 U.S.C. 3101 et seq.).

(5) Investment through an individual development account system will help lower income households obtain the assets they need to succeed. Communities and this state will experience resultant economic and social benefits accruing from the promotion of job training and higher education, home ownership and small business development, the financial stability and resilience of lower income households.

SECTION 5. ORS 458.680 is amended to read:

ORS 458.680. (1) A person who qualifies to become an account holder may enter into an agreement with a fiduciary organization for the establishment of an individual development account.

(2) To become an account holder a person must, in addition to meeting any other qualifications, be a member of a lower income household that has a net worth of less than $20,000. As used in this subsection, “net worth” means the value of all assets owned in whole or part by household members, excluding equity in a residence and in one vehicle, and excluding holdings in pension accounts, as defined by the Housing and Community Services Department by rule, that are valued at less than $60,000, minus the total debts and obligations of household members, all as measured at the time that the person applies to establish the account.

(3) Every account holder, with support from the fiduciary organization, shall develop a personal development plan to advance account holder self-reliance. The personal development plan must include appropriate coaching, mentorship, social support, financial adequacy training and asset-specific training designed to increase the independence of the person and the person’s household through achievement of the account’s approved purpose.

(4) Notwithstanding subsection (1) of this section, a fiduciary organization may refuse to allow a qualified person to establish an account if establishment of the account would result in the members of a lower income household having more than one account. Notwithstanding subsection (1) of this section, a fiduciary organization shall refuse to allow a qualified person to establish an account if establishment of the account would result in the members of a lower income household having more than two accounts.

SECTION 6. ORS 458.685, as amended by section 36, chapter 12, Oregon Laws 2020 (first special
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458.685. (1) A person may establish an individual development account only for a purpose approved by a fiduciary organization. Purposes that the fiduciary organization may approve are:

(a) The acquisition of post-secondary education or job training.

(b) If the account holder has established the account for the benefit of a household member who is under the age of 18 years, the payment of extracurricular nontuition expenses designed to prepare the member for post-secondary education or job training.

(c) If the account holder has established a savings network account for higher education under ORS 178.300 to 178.360 on behalf of a designated beneficiary, the funding of qualified higher education expenses as defined in ORS 178.300 by one or more deposits into a savings network account for higher education on behalf of the same designated beneficiary.

(d) The purchase of a primary residence. In addition to payment on the purchase price of the residence, account moneys may be used to pay any usual or reasonable settlement, financing or other closing costs. The account holder must not have owned or held any interest in a residence during the three years prior to making the purchase. However, this three-year period shall not apply to displaced homemakers, individuals who have lost home ownership as a result of divorce or owners of manufactured homes.

(e) The rental of a primary residence when housing stability is essential to achieve state policy goals. Account moneys may be used for security deposits, first and last months’ rent, application fees and other expenses necessary to move into the primary residence, as specified in the account holder’s personal development plan for increasing the independence of the person.

(f) The capitalization of a small business. Account moneys may be used for capital, plant, equipment and inventory expenses and to hire employees upon capitalization of the small business, or for working capital pursuant to a business plan. The business plan must have been developed by a financial institution, nonprofit microenterprise program or other qualified agent demonstrating business expertise and have been approved by the fiduciary organization. The business plan must include a description of the services or goods to be sold, a marketing plan and projected financial statements.

(g) Improvements, repairs or modifications necessary to make or keep the account holder’s primary dwelling habitable, accessible or visitable for the account holder or a household member. This paragraph does not apply to improvements, repairs or modifications made to a rented primary dwelling to achieve or maintain a habitable condition for which ORS 90.320 (1) places responsibility on the landlord. As used in this paragraph, “accessible” and “visitable” have the meanings given those terms in ORS 456.508.

(h) The purchase of equipment, technology or specialized training [required], as specified in the account holder’s personal development plan, that allows the person to become competitive in obtaining or maintaining employment, [or] to start or maintain a business, [as specified in the account holder’s personal development plan for increasing] or to increase [the person] an account holder.

(i) The purchase or repair of a vehicle, as specified in the account holder’s personal development plan for increasing the independence of the person.

(j) The saving of funds for retirement, as specified in the account holder’s personal development plan for increasing the independence of the person.

(k) The payment of debts [owed for educational or medical purposes when the account holder is saving for another allowable purpose, as specified in] to support the account holder’s personal de-
development plan for increasing the independence of the person.

(L) The creation or improvement of a credit score by obtaining a secured loan or a financial product that is designed to improve credit, as specified in the account holder's personal development plan for increasing the independence of the person.

(m) The replacement of a primary residence when replacement offers significant opportunity to improve habitability or energy efficiency.

(n) The establishment of savings for emergency expenses to promote financial stability and to protect existing assets as specified in the account holder's personal development plan. As used in this paragraph, "emergency expenses" includes expenses for extraordinary medical costs or other unexpected and substantial personal expenses that would significantly impact the account holder's noncash assets, health, housing or standard of living if not promptly addressed.

(2)(a) An account holder may withdraw all or part of the account holder's deposits to an individual development account for emergency expenses as defined in subsection (1)(n) of this section any financial hardship as determined by the account holder, without regard to whether the account was established for emergency savings.

(b) The account holder must reimburse an account established for a purpose listed under subsection (1)(a) to (m) of this section for the amount withdrawn under this subsection. Until the reimbursement has been made in full, an account holder may not withdraw any matching deposits or accrued interest on matching deposits from the account except under this subsection. The fiduciary organization shall remove from an account holder's account any moneys deposited as matching funds to deposits withdrawn under this section, unless the withdrawn deposits were deposited and withdrawn for emergency expenses under subsection (1)(n) of this section.

(3) If an account holder withdraws moneys from an individual development account for other than an approved purpose, the fiduciary organization may remove the account holder from the program.

(4)(a) If the account holder of an account established for the purpose set forth in subsection (1)(c) or (j) of this section has achieved the account's approved purpose in accordance with the personal development plan developed by the account holder under ORS 458.680, the account holder may withdraw, or authorize the withdrawal of, the remaining amount of all deposits, including matching deposits, and interest in the account as follows:

(A) For an account established for the purpose set forth in subsection (1)(c) of this section, by rolling over the entire withdrawal amount, not to exceed the limit established pursuant to ORS 178.335, into one or more of the savings network accounts for higher education under ORS 178.300 to 178.360, the establishment of which is the purpose of the individual development account; or

(B) For an account established for the purpose set forth in subsection (1)(j) of this section, by rolling over the entire withdrawal amount into an individual retirement account, a retirement plan or a similar account or plan established under the Internal Revenue Code.

(b) Upon withdrawal of all moneys in the individual development account as provided in paragraph (a) of this subsection, the account relationship shall terminate.

(c) The rollover of moneys into a savings network account for higher education under this subsection may not cause the amount in the savings network account for higher education to exceed the limit on total contributions established pursuant to ORS 178.335.

(d) Any amount of the rollover that has been subtracted on the taxpayer's federal return pursuant to section 219 of the Internal Revenue Code shall be added back in the determination of taxable income.
If an account holder moves from the area where the program is conducted or is otherwise unable to continue in the program, the fiduciary organization may remove the account holder from the program.

If an account holder is removed from the program under subsection (3) or (5) of this section, all matching deposits in the account and all interest earned on matching deposits shall revert to the fiduciary organization. The fiduciary organization shall use the reverted funds as a source of matching deposits for other accounts.

**SECTION 7.** ORS 458.690 is amended to read:

458.690. (1) **[Notwithstanding ORS 315.271,]** A fiduciary organization selected under ORS 458.695 may qualify as the recipient of account contributions that qualify the contributor for a tax credit under ORS 315.271 only if [the fiduciary organization structures the accounts to have the following features:] (a) the fiduciary organization matches amounts deposited by the account holder according to a formula established by the fiduciary organization. The fiduciary organization shall maintain on deposit in the account of not less than $1 nor more than $5 for each $1 deposited by the account holder.

(b) The matching deposits by the fiduciary organization to the individual development account are placed in:

(A) A savings account jointly held by the account holder and the fiduciary organization and requiring the signatures of both for withdrawals;

(B) A savings account jointly held by the account holder and the fiduciary organization, in which the fiduciary organization is the account owner as defined in ORS 178.300.

(C) In the case of an account established for the purpose described in ORS 458.685 (1)(c), a savings network account for higher education under ORS 178.300 to 178.360, in which the fiduciary organization is the account owner as defined in ORS 178.300.

(2) Account holders may not accrue more than $3,000 of matching funds under subsection (1) of this section from state-directed moneys in any 12-month period. A fiduciary organization may designate a lower amount as a limit on annual matching funds. A fiduciary organization shall maintain on deposit sufficient funds to cover the matching deposit agreements for all individual development accounts managed by the organization.

(3) The Housing and Community Services Department shall adopt rules to establish a maximum total amount of state-directed moneys that may be deposited as matching funds into an individual development account.

(4) The Housing and Community Services Department shall provide information to the Department of Revenue about all individual development account contributors that are qualified for a tax credit under ORS 315.271, if required by ORS 315.058.

**SECTION 8.** ORS 458.700 is amended to read:

458.700. (1) Subject to Housing and Community Services Department rules, a fiduciary organization has sole authority over, and responsibility for, the administration of individual development accounts. The responsibility of the fiduciary organization extends to all aspects of the account program, including marketing to participants, soliciting additional matching contributions, counseling account holders, providing financial literacy education, and conducting required verification and compliances activities. The fiduciary organization may establish program provisions as the organization believes necessary to ensure account holder compliance with the provisions of ORS 458.680
and 458.685. [Notwithstanding ORS 458.670 (5) and 458.680 (2),] A fiduciary organization may establish income and net worth limitations for account holders that are lower than the income and net worth limitations established by ORS 458.670 (5) and 458.680 (2).

(2) A fiduciary organization may act in partnership with other entities, including businesses, government agencies, nonprofit organizations, community development corporations, community action programs, housing authorities and congregations to assist in the fulfillment of fiduciary organization responsibilities under [this section and ORS 458.685, 458.690 and 458.695] ORS 458.670 to 458.700.

(3) A fiduciary organization may use a reasonable portion of moneys allocated to the individual development account program for administration, operation and evaluation purposes.

(4) A fiduciary organization [selected to administer moneys directed by the state to individual development account purposes or receiving tax deductible contributions] shall provide the Housing and Community Services Department with an annual report of the fiduciary organization's individual development account program activity. The report [shall] must be filed no later than 90 days after the end of the fiscal year of the fiduciary organization. The report [shall] must include, but is not limited to:

(a) The number of individual development accounts administered by the fiduciary organization;
(b) The amount of deposits and matching deposits for each account;
(c) The purpose of each account;
(d) The number of withdrawals made; and
(e) Any other information the department may require for the purpose of making a return on investment analysis.

[5] A fiduciary organization that is the account owner of a savings network account for higher education under ORS 178.300 to 178.360:

(a) May make a qualified withdrawal only at the direction of the designated beneficiary and only after the savings network account of the account holder that was established for the designated beneficiary has been reduced to a balance of zero exclusively through qualified withdrawals by the designated beneficiary; and

(b) May make nonqualified withdrawals only if the savings network account of the account holder that was established for the designated beneficiary has a balance of less than $100 or if the account holder or designated beneficiary has granted permission to make the withdrawal. Moneys received by a fiduciary organization from a nonqualified withdrawal made under this paragraph must be used for individual development account purposes.

[6] (5) The department may make all reasonable and necessary rules to ensure fiduciary organization compliance with [this section and ORS 458.685 and 458.695] ORS 458.670 to 458.700.

SECTION 9. ORS 315.650 is amended to read:

315.650. (1) A credit against taxes otherwise imposed under ORS chapter 316 shall be allowed for amounts contributed by the taxpayer during the tax year to a savings network account for higher education established under ORS 178.300 to 178.360 or an ABLE account established under ORS 178.380. A taxpayer who makes contributions to both types of account may claim the credit for the amounts listed in subsection (2) of this section for each type of account.

(2) The amount of the credit allowed under this section shall be limited based on the taxpayer's adjusted gross income and shall be the lesser of $300, if reported on a joint return, or $150, if reported on any other type of return, or the following:

(a) The amount contributed, if the taxpayer's adjusted gross income does not exceed $30,000;
(b) 50 percent of the amount contributed, if the taxpayer's adjusted gross income exceeds $30,000 but does not exceed $70,000;
(c) 25 percent of the amount contributed, if the taxpayer's adjusted gross income exceeds $70,000 but does not exceed $100,000;
(d) 10 percent of the amount contributed, if the taxpayer's adjusted gross income exceeds $100,000 but does not exceed $250,000; or
(e) 5 percent of the amount contributed, if the taxpayer's adjusted gross income exceeds $250,000.

(3)(a) The Department of Revenue shall annually adjust the maximum credit amounts allowable under this section according to the cost-of-living adjustment for the calendar year. The department shall first make this adjustment for a joint return by multiplying the maximum credit amount in subsection (2) of this section by the percentage (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31, 2018.

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

(c) If any adjustment to the maximum credit amount for a joint return, as determined under paragraph (a) of this subsection, is not a multiple of $20, the adjustment shall be rounded to the next lower multiple of $20. The department shall then adjust the maximum credit amount for all other types of returns so that it is half the maximum credit amount for a joint return.

(4) A credit under this section is allowed for a preceding tax year for amounts contributed to a savings network account for higher education or to an ABLE account if the contribution is made before the taxpayer files a return or before the 15th day of the fourth month following the closing of the taxpayer's tax year, whichever is earlier.

(5) A credit is not allowed under this section for any amount that has been transferred into a savings network account for higher education from an individual development account, through a rollover, as provided in ORS 458.685 [(4)(a)(A) (3)(a)(A)].

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

(7) The credit shall be claimed on a form prescribed by the Department of Revenue that contains the information required by the department.

(8) Spouses in a marriage who file separate returns for a taxable year may each claim a share of the tax credit that would have been allowed on a joint return in proportion to the adjusted gross income of each.

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

(a) A nonresident shall be allowed the credit in the proportion provided in ORS 316.117.
(b) If a change in the status of the taxpayer from resident to nonresident or from nonresident to resident occurs, the credit shall be determined in a manner consistent with ORS 316.117.
(c) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085, or if the
department terminates the taxpayer’s taxable year under ORS 314.440, the credit shall be prorated or computed in a manner consistent with ORS 314.085.

SECTION 10. ORS 316.699 is amended to read:

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

(a) A savings network account for higher education established under ORS 178.300 to 178.360; or
(b) An ABLE account established under ORS 178.380 and rules adopted by the Oregon 529 Savings Board, when the contribution is made before the designated beneficiary of the account attains 21 years of age.

(2) Notwithstanding subsection (1) of this section, a subtraction under this section may not exceed the lesser of:

(a) $4,000 for the tax year if the taxpayer files a joint return, or $2,000 for the tax year if the taxpayer files a return other than a joint return; and
(b) If an amount is carried forward to a succeeding tax year under subsection (4) of this section, the balance in the savings network account for higher education or ABLE account at the close of the tax year for which the subtraction is being made.

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

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

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

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

(6) A subtraction is not allowed under this section for any amount that has been transferred into a savings network account for higher education from an individual development account, through a rollover, as provided in ORS 458.685 [(4)(a)(A)] (3)(a)(A).