OREGON STATE TREASURY
OREGON COLLEGE SAVINGS PLAN
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Education Savings Credit
QUESTIONS AND ANSWERS

Question 1:
What is the Oregon College Savings Plan?

Answer: A state-sponsored savings program that grows tax-free and can be used for qualified expenses like tuition, books, and room and board at any accredited, post-secondary institution. Find more information at www.OregonCollegeSavings.com.

Question 2:
What is the Education Savings Credit?

Answer 2: The Education Savings Credit provides a refundable tax credit to all Oregonians who are saving for university, community college, trade school, or other types of accredited, post-secondary education through the Oregon College Savings Plan. Oregon taxpayers are eligible to receive a state income tax credit up to $300 for joint filers and up to $150 for single filers on contributions made to their Oregon College Savings Plan account. The credit amount depends on taxpayer's adjusted gross income and amount contributed.

Question 3:
Why the change from a tax deduction to a tax credit?

Answer 3: To better reach diverse communities across the state and the entire income spectrum, the Oregon State Treasury advocated passage of the Education Savings Credit through the legislature to replace the previous state tax subtraction. The primary difference between the refundable credit and the previous subtraction is that the credit is designed to make it easier for low- and moderate-income families to take advantage of the incentive and save for post-secondary education and training through the Oregon College Savings Plan.

Research tells us that just having a college savings account opened in your name will make you three times more likely to enroll in a job training or college program, and four times more likely to complete it.

Using the Education Savings Credit, we can reduce the barriers to accessibility and make a dent in the crushing load of student debt. The refundable credit will help every Oregonian start on the right path. A small investment today will pay dividends later—for families, and ultimately for our future economy.

Question 4:
When does the tax credit take effect? Is the previous tax deduction going away?

Answer 4: The progressive tax credit goes into effect on January 1, 2020, replacing the state income tax deduction, and provides the same maximum credit to all Oregonians who are saving for higher education through the Oregon College Savings Plan.

Question 5:
Can you carry forward an Oregon tax deduction on contributions made in the previous tax year?

Answer 5: Yes. But only on contributions made prior to December 31, 2019. The Oregon College Savings Plan is moving to a tax credit starting January 1, 2020. You may elect to carry forward a balance over the following four years for contributions made before the end of 2019, in order to help distribute your tax deduction potential. For example, if a couple contributed $15,000 to their child's Oregon College Savings Plan account in 2019, they may subtract a maximum of $4,865 (because they file jointly) on their 2019 taxes. They can then carry forward the remaining $10,135 balance of that contribution for up to four years. The new tax credit would be in addition to any carry forward benefits.

Keep in mind the carried-forward deduction may only be taken if the Oregon College Savings Plan account balance is greater than the deduction amount at the end of the tax year in which the deduction is being made.

Question 6:
We use our Oregon College Savings Plan account to pay for attendance at an elementary or secondary school. Does our family still benefit from the tax credit?

Answer 6: No. Oregon law allows the tax credit only for post-secondary education savings. If you withdrew funds for non-qualified expenses from your Oregon College Savings Plan account, or used your withdrawal for expenses in connection with enrollment or attendance at an elementary or secondary school, and you claimed a tax benefit for that year's contribution, the state of Oregon will recapture any Oregon State income tax benefits that you had accrued on the principal portion of that withdrawal.

Question 7:
Can you provide an example of how the new tax credit would work for an Oregon family? Where will my family fit in?

Answer 7: <u>Example 1</u>—A family making $70,000 per year who contributes $600 into their Oregon College Savings Plan account will receive the full $300 refundable tax credit for that tax year.

<u>Example 2</u>—A family making $25,000 per year who contributes $300 into their Oregon College Savings Plan account will receive the full $300 refundable tax credit for that tax year.

Adjusted Gross Income (AGI) of the contributor	**Percentage of Contributions eligible for tax credit**	**Contribution needed to maximize $150 tax credit for single filer**	**Contribution needed to maximize $300 tax credit for joint filer**
Less than $30K	100%	$150 contribution	$300 contribution
$30K-$70K	50%	$300 contribution	$600 contribution
$70K-$100K	25%	$600 contribution	$1,200 contribution
$100K-$250K	10%	$1,500 contribution	$3,000 contribution
More than $250K	5%	$3,000 contribution	$6,000 contribution

Question 8:
What offers better benefits to Oregonians, a tax deduction or a tax credit?

Answer 8: Analysis indicates that taxpayers with incomes of less than $70,000 will receive, on average, greater tax benefit under the new refundable credit than the previous tax subtraction. The tax credit might provide slightly less of a tax benefit for contributors with incomes over $100,000 or $250,000 than the previous tax subtraction. Changing from a tax subtraction to a refundable credit is expected to incentivize an additional 3,500 taxpayers to contribute and receive a higher education savings tax benefit.