Nov. 12, 2024

Financial Empowerment Advisory Team

Raising visibility: Increasing awareness and utilization of Treasury refundable tax credits

Higher education and ABLE tax credits are up for renewal in 2029

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Don’t leave money on the table

What could help more Oregonians benefit from vital education and disability saving, via the progressive, refundable credit?

- Adjusts for inflation.
- Now worth $180 for single taxpayers and $360 for joint filers

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COLLEGE SAVINGS PLAN®

OREGON ABLE
SAVINGS PLAN

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Oregon College/ABLE Savings

- Tax-advantaged accounts under IRS chapter 529

- Oregon College Savings Plan - launched 2001
  - Any accredited higher education and career training
  - Room, board, books, technology
  - Unused assets roll into retirement savings

- Oregon ABLE Savings Plan - launched 2016
  - Disability-connected costs
  - Allows saving while protecting benefit eligibility

- Refundable credit in 2019 / Reauthorization in 2029

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Tax credit opportunities

- Progressive
- Unique nationally
- Designed to encourage low and middle-income saving
- Every taxpayer is eligible
- Education savings lead to higher attendance rates

Challenges

- Tax credit utilization not reaching expectations
- Mostly to wealthier
- Oregonians claim tax credits at lesser rate as other states

Education Savings Credit Utilization

2016 Tax year	2020 Tax year	2021 Tax year	2022 Tax year
42,739 Oregon 529 Tax deduction	40,450 Education Savings Credit	41,730 Education Savings Credit	41,470 Education Savings Credit
2.4% Percent of total returns	2.1% Percent of full-year returns	2.2% Percent of full-year returns	2.2% Percent of full-year returns
	$8.61 m Total credits	$8.86 m Total credits	$8.55 m Total credits

Leaving money on the table

2022 Tax year

1,880,060

Oregon full-year income Tax Returns

1,340 (+11.7%)

ABLE Credit

.07% (+.01)

Percent of taxpayers

41,470 (-.01%)

Education Savings Credit

2.2% (no change)

Percent of taxpayers

Credit goes largely to wealthier

2022 Tax year

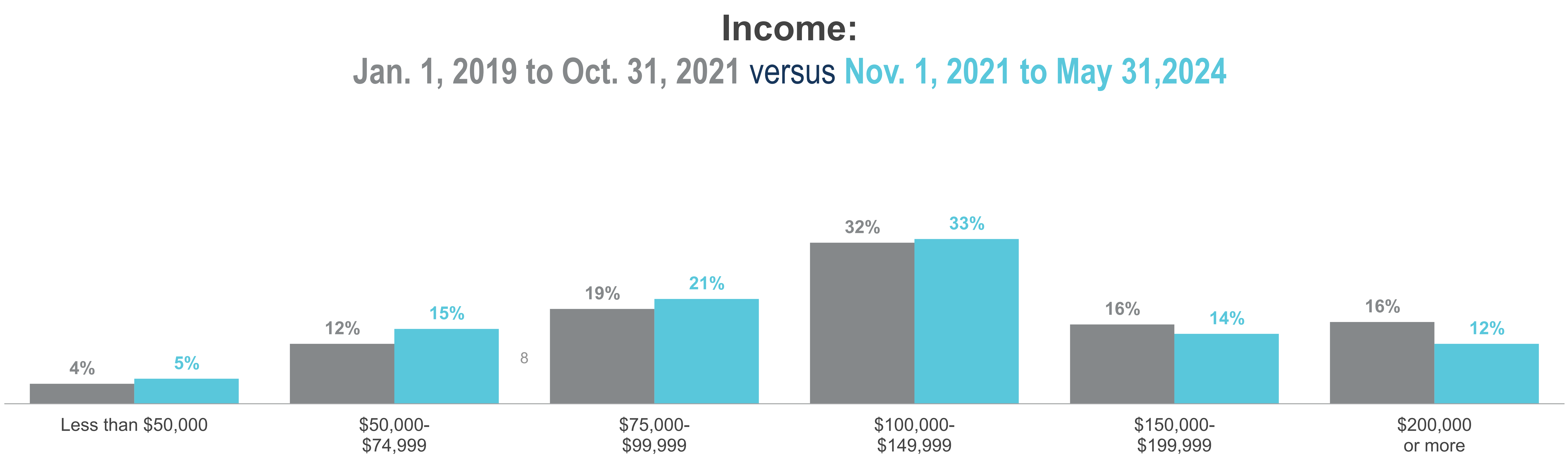
41,730

Education Savings Credit claimants

$30,000 or less	$30,000 to $100,000	$100,000 or more
29.9% Share of total taxpayers	44.5% Share of total taxpayers	25.6% Share of total taxpayers
1,360 (+90) Claimants	6,910 (-650) Claimants	33,130 (+290) Claimants
3.5% Percent of total credits claimed	16.7% Percent of total credits claimed	79.9% Percent of total credits claimed

Potential good news – income ranges

Demographic comparison of new College Savings Plan accounts showed slight increases for income earners between $50k and $100k, and similar decreases for those earning over $150k across the total sample. (DHM Research – July 2024)



Control n=11,450; Treatment n=9,702

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Tax credit / Empowerment workgroup

- Rachell Hall
  Urban League of Portland
- Riley Eldredge
  CASH Oregon/MFS
- Luke Bonham
  Neighborhood Partnerships
- Daniel Hauser
  Oregon Center for Public Policy
- Jennifer Satalino
  College Place/FEAT member
- Melanie Cutler
  Department of Revenue

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Topics of exploration

- Strategies to increase visibility
- Reducing friction
- Structural changes
- Partnership potential, inside and outside state government
- Tax credits offered in other states
- Department of Revenue "Direct File" system

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Oregon Refundable credits

Exhibit 36 – Full-Year Resident Returns by Oregon Refundable Credits Claimed
Tax Year 2022

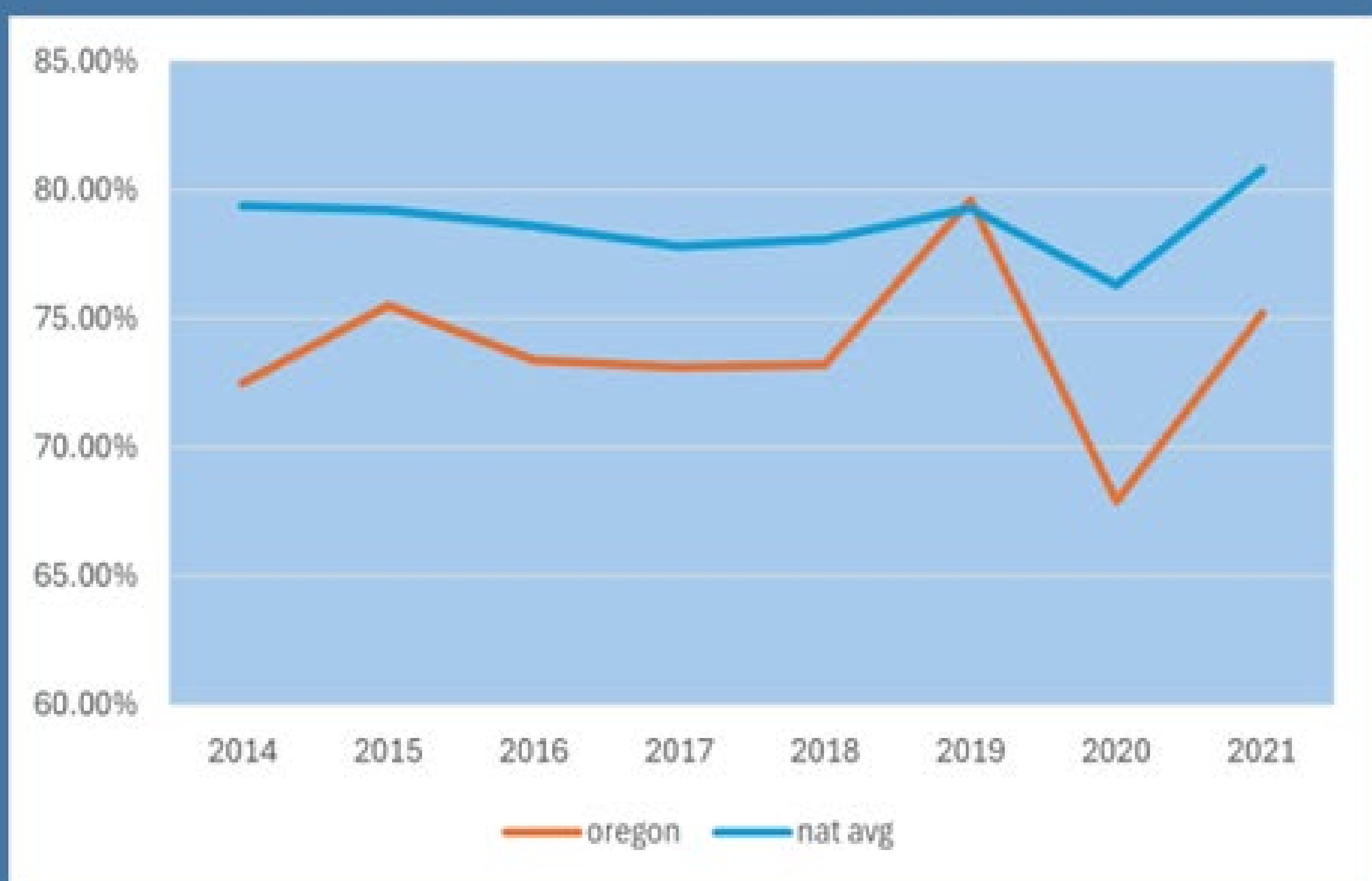
		Amount Claimed	
Refundable Credit	**Number of Claims**	**Average ($)**	**Total ($ millions)**
Oregon Earned Income*	204,670	$210	$42.4
Oregon EIC for ITIN filers	2,180	$290	$0.6
Working Family Household and Dependent Care	14,920	$1,110	$16.6
Oregon 529 Account Contributions	41,470	$210	$8.5
ABLE Account Contributions	1,340	$180	$0.2
Claim of Right	40	$1,300	<$0.1
Total	**264,620**		**$68.5**

**Includes only those filers that claimed the federal earned income tax credit*

Source: Oregon Department of Revenue

Challenge - Earned Income Tax Credit

EARNED INCOME TAX CREDIT UTILIZATION



Eligible Oregonians claiming Earned Income Tax Credit - 2021 tax year

75.2%

National Average - 2020
80.8%

Oregon - 2020
67.9%

US - 2020
76.3%

Oregon Rank

2019 - 32 of 51

2020 - 51 of 51

2021 - 49 of 51*

* Tied with Alaska

Source: US Internal Revenue Service

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Direct File Oregon (free)

- **30% of taxpayers:** The IRS estimates that 640,000 Oregon taxpayers will be able to use in 2025 when the federal and state options are connected.

- **2024 tax season (first year):** nearly 7,000 Oregon taxpayers

- Provides guidance and "pop-up" alerts for common deductions and credits. (No current alerts for 529 and ABLE credits

- *Workgroup recommends multifaceted partnership with Department of Revenue to better promote utilization of all refundable credits including 529 and ABLE credits.*

Other states offering tax credits

- **Oregon**: Only state with a refundable credit, progressive
- **Minnesota**: Tax credit ($500, phases out) or subtraction (up to $3,000 for joint filers)
- **Utah**: 4.55% of contribution (up to $219.31 for joint filers)
- **Indiana**: 20% of contributions (up to $1,500 for joint filers)
- **Vermont:** 10% on first $2,500 per beneficiary per year (up to $500 per beneficiary for joint filers)

Workgroup does not recommend seeking a different format based on other state examples, but suggests reconsidering the level of the existing Oregon credit.

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Marketing/Advertising

- **Convince more people to file:** Combine marketing with all Oregon tax credits and Department of Revenue efforts for all refundable credits

- **New marketing narrative:** "Get your $180" , "invest in your kids future" advertising and handouts

- **Media toolkits**

- **Explore shared/cooperative advertising:** Increase public reach with combined ads by College Savings Plan and nonprofit entities

Partnerships

- **Build trust with more nonprofit education**: "Train the trainer" focus / basic education about savings plans and credits
- **Tax prep site visibility:** Tailored materials / brochures / Posters (VITA / AARP)*
- **Tax preparer education:** Associations of accountants, bookkeepers
- **Coordinated outreach:** Ally with Department of Revenue at fairs and community sites

* *Already in process for 2025*

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Reduce Friction

- **Pre-fill applications:** Access taxpayer information on Direct File
- **Reminders to file:** Formal notice to inform people who are income eligible that they qualify for credits and in what amounts if they claim
- **Reduce lag time:** "Instant tax credit" at time of account sign up
- **Account sign up at tax prep sites**
- **"One-click":** Easier account open / or auto-enrollment

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Structural changes

- **Increase credit for low- and middle-income filers:** Such as 2:1 for those with incomes below $30,000 (currently 1:1)
- **Combined tax credit "yes button":** Allow filers in tax completion process a single option that encompasses all refundable credits
- **Increase size of credit for all savers**

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Intergovernmental partnerships

- **More Oregonians filing:** Get more people to submit taxes / improve uptake of all refundable credits together
- **Direct File:** Request pop-up alert window in state electronic filing process to highlight 529 Education and ABLE Credits
- **Public workers:** Promote tax credit/savings plans to public employees
- **Seek partnerships:** DHS / Employment / any agency that intersects with families

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