

Frequently Asked Questions about IDAs and Oregon Taxes

IDA = Individual Development Account

1. I saved last year in an IDA. How does that affect my Oregon taxes?

You may be able to subtract the amount of the deposits that you made last year to your IDA account on your Oregon income tax return.

Note: Oregon IDA savers are eligible to deduct their savings portion using the OR-ASC form, in the “Other Subtractions” section, Code 314 “Individual development account contributions”.

- Savers **should NOT** select the “Carryforward credit” section Code 852 “Oregon IDA Initiative Fund donation”. This credit is for individuals purchasing Oregon IDA tax credits.

Please talk to a tax preparer, and see “Tax Preparer Instructions” on page #2 about how to apply the subtraction.

2. I took out funds from my IDA account last year. How does that affect my Oregon taxes?

If you took out funds and your IDA provider **matched** those funds (this is a qualified withdrawal), you do not need to do anything else on your Oregon state income tax return.

BUT, if you took out funds from your IDA account that were **NOT** matched (this is a non-qualified withdrawal), **AND** you did not pay taxes on these funds in past years (meaning you subtracted them on a previous Oregon income tax return), you must report the amount withdrawn as taxable income on your Oregon tax return. Please talk to a tax preparer, and see “Tax Preparer Instructions” on the next page, about how to apply the addition.

- For Retirement IDAs, see page #3.

3. I received IDA matching funds last year. Do I need to report that as taxable income?

No. Matching funds from an IDA for a qualified purpose are considered gifts for both state and federal tax purposes.

Information for Tax Preparers is on the next page

PLEASE NOTE: TAXES CAN BE VERY COMPLEX AND VARY ON A CASE BY CASE BASIS.

This information is not intended to offer nor held out as offering tax or investment advice to any individual or business.

To figure out tax benefits, please talk with a tax preparer. For a list of free tax preparation sites, go to <https://cashoregon.org/>

To contact the Department of Revenue with questions, email: questions.dor@state.or.us

Tax Preparer Instructions

The following information on Individual Development Accounts (IDAs) may be shared with a tax preparer

An Individual Development Account (IDA) allows individuals in households with lower incomes to accumulate assets tax-free. Below you will find information on tax benefits that IDA participants may qualify for with their Individual Development Account.

IDA Participant Deposits — Subtraction ORS 316.848

As an IDA account holder, participants make deposits to their own account. The deposits will be matched with private donations. Oregon allows a subtraction on the account holder's tax return for deposits to their IDA. The subtraction is the amount of deposits made plus the interest earned on the participant's IDA Funds if the interest is included in the account holder's federal taxable income. Use Subtraction Code 314 in "Other Subtractions" on the Oregon Individual Tax Return Form.

- Savers **should NOT** select the "Carryforward credit" section Code 852 "Oregon IDA Initiative Fund donation". This credit is for individuals purchasing Oregon IDA tax credits.

Withdrawal of Funds for a Qualified Purpose — Tax Free

Withdrawal of funds for a qualified (matched withdrawal) purpose is tax-free. Qualified purposes include:

- Paying higher education expenses
- Purchasing a primary residence
- Renting a primary residence
- Capitalizing your own business
- Restoring a home to habitable condition
- Purchasing equipment, technology or specialized training
- Payment of debts
- Creation or improvement of a credit score
- Purchasing or repairing a vehicle
- The establishment of savings for emergency expenses
- Saving for retirement (see page 3 for further information)

Please see ORS 458.685 for further detail on qualified purposes.

IDA Participant Non-Qualified Withdrawals — Addition

If the IDA account holder makes a nonqualified withdrawal (unmatched withdrawal) from their IDA during the year, **and** did not pay taxes on those amounts in past years, the amount must be reported as an "Other Addition" on the Oregon Income Tax Return. Use Addition Code 137 in "Other Additions" on the Oregon Individual Tax Return Form, using Schedule OR-ASC or OR-ASC-NP.

For more information, please refer to Oregon Publication OR-17 at <https://www.oregon.gov/DOR/programs/individuals/Pages/default.aspx>.

Tax Professionals can direct questions to the Department of Revenue at: prac.revenue@dor.state.or.us

PLEASE NOTE: Tax issues are very complicated and vary on a case-by-case basis. This information is not intended to offer nor held out as offering tax or investment advice to any individual or business.

Retirement IDAs

I took out funds from my IDA account to contribute to an IRA. How does that affect my taxes?

If you transferred funds from your IDA savings account into an Individual Retirement Account (IRA), you may be eligible to deduct that amount on your federal tax return. **BUT** if you deduct those IRA contributions on your federal tax return **AND** had previously subtracted those amounts on your Oregon income tax return, you will need to add the portion of that contribution that you previously deducted on your Oregon tax return back into your Oregon income.

➤ **Tax Preparer Instructions: Rollover of IDA Funds to Retirement Account**

If you contributed funds from your IDA account to a retirement account and deducted this rollover on your federal return as a retirement contribution, you will need to add back to Oregon income the amount, if any, of this rollover that was subtracted as an IDA contribution on any Oregon return. Use Addition Code 159 in “Other Additions” on the Oregon Individual Tax Return Form, using Schedule OR-ASC or OR-ASC-NP.

For more information about IDAs, please email us at ida@neighborhoodpartnerships.org