



Do You Have Questions about IDAs and Oregon Taxes?

1. I saved last year with an IDA. How does that change 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.

Please talk to a tax preparer about how to get 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 for school, retirement, a new home, a small business, a vehicle, home repairs or replacement, credit building or repair, or equipment to support work 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a non-qualified withdrawal), **and** you did not pay taxes on those earnings in past years, you must report the amount withdrawn as taxable income on your Oregon tax return.

Please talk to a tax preparer about how to make the addition.

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

To figure out tax benefits, please talk with a tax preparer.

For a list of free tax preparation sites, go to <http://www.cashoregon.org/taxprep/sites.htm>

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

Information for Tax Preparers is on the next page

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



Tax Preparer Instructions **For Individual Development Accounts (IDAs)**

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.

Please share this information with your tax preparer.

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.

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, or
- Purchasing a primary residence, or
- Renting a primary residence, or
- Capitalizing your own business, or
- Restoring a home to habitable condition, or
- Purchasing equipment to support an employment goal, or
- Saving for retirement, or
- Payment of debts for educational or medical purposes, or
- Creation or improvement of a credit score, or
- Purchasing or repairing a vehicle.

Please see ORS 458.685 for further detail on qualified purposes.

IDA Participant Non-Qualified Withdrawals -- Addition

However, if the IDA account holder makes a nonqualified withdrawal (unmatched withdrawal) from their IDA during the year, **and** you did not pay taxes on those earnings 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.

To review the Oregon Department of Revenue Website go to: www.oregon.gov/dor/PERTAX/personal-income-tax-overview/Pages/other-items.aspx#Individual_Development_Accounts

Tax Professionals can direct questions to the Department of Revenue at: prac.revenue@dor.state.or.us
For more information, call Neighborhood Partnerships at 503-226-3001 x 109.

PLEASE NOTE: Tax issues are very complicated and vary on a case-by-case basis.

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