



Individual Development Account Initiative

Below is information on additional tax benefits you may qualify for with your Individual Development Account. Please share this form when working with your tax preparer to determine what benefits you are eligible for.

Oregon Department of Revenue Website:

<https://secure.dor.state.or.us/piti/index.cfm?action=topic&id=118>

Subtraction ORS 316.848

As an Individual Development Account (IDA) holder, you make deposits into your own account. Your deposits will be matched with private donations.

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

- Paying higher education expenses, or
- Purchasing a primary residence, or
- Starting your own business.

IDAs also allow you, as an individual in a lower income household, to accumulate assets tax-free. This means that Oregon allows a subtraction (sometimes referred as a deduction) on your tax return for deposits to your IDA through a designated non-profit organization. To use the deduction, fill in line 18 on Form 40 (the long form). Enter the code 314 in the box labeled 18x and enter the deduction amount in line 18y.

Your subtraction is the amount of deposits made and interest received that are included in your federal taxable income. In addition, moneys withdrawn by the taxpayer from an individual development account for an approved purpose (see Oregon Statute 458.685) are exempt from taxation.

Special Note

If you take the deduction listed above and then have an emergency/nonqualified withdrawal from your IDA account, you must list the amount withdrawn as an "addition" the following year. You enter the "addition" in line 10 on Form 40 (the short form) using code 113.

Withdrawal Credit ORS 315.272

A tax credit is available to IDA account holders for withdrawals from an IDA. The withdrawal must be used for settlement, financing or other closing costs incurred in purchasing a primary residence. This credit is in addition to the subtraction [deduction] for contributions to the IDA.

The credit is the least of:

- The amount withdrawn from the IDA,
- The qualifying closing costs to purchase a primary residence,
- The taxpayer's tax liability for the year, or
- \$2,000.

There is no carry forward and the credit is not prorated for part year residents or nonresidents.

PLEASE NOTE: Tax issues are very complicated and vary on a case by case basis. To determine your tax benefits, please consult your tax or financial advisor. This information is not intended to offer nor held out as offering tax or investment advice to any individual or business.