Appendix A:

Pay It Forward Contributions

There are several issues that must be addressed in the calculation of participant contributions. Since "annual income" is based in part on Oregon adjusted gross income, for participants who move out of state and would not normally file an Oregon return, only their federal return would be considered to calculate their adjusted gross income. The contract for participants will stipulate that they are required to file at least a federal return each year, regardless of their tax status.

The reason Oregon AGI is preferred to federal AGI is that it excludes some types of income related to disability and other assistance provided to disadvantaged populations that federal AGI does not. To reduce the complexity of administrative costs to the state, however, federal AGI will need to be used for those who move out of state and do not file an Oregon return, including those who live in the state of Washington, where there is no income tax or filings at all.

We are proposing that Pay It Forward contributions, once begun, would be made either monthly or quarterly, with the former being preferable if the administrative costs are similar. Underpayments and overpayments would be reconciled annually once their actual income was known, based on their federal tax return and for most participants, Oregon tax return. For the initial payments from the expiration of the grace period through the first federal tax return, contributions would be based on participant's own estimated income. After the first tax return, for the next year contributions would be based on annual income from the previous year. If participants had reason to believe their contributions should be adjusted up or down because of a change in status (married, new job, unemployed, etc.), they could change their estimated contribution for the remainder of the period through their next reconciliation amount via a form submitted to OSAC.

The use of AGI in "annual income" is made more complex by changes in marital status. We have used federal Income Based Repayment (IBR) rules[1] as a guide to determine how these should be calculated, specifically question 24. Those who are married and filing separately are effectively treated as single filers for their payment calculations. The PIF participant would just contribute based on their accumulated percentage obligation. Since AGI for those who marry and file jointly is their combined incomes, the percentage of annual income would be modified to reflect this, cutting in half their percentage to reflect the number of people in the marriage. This would apply whether the married couple had one PIF participant or two.

A few examples:

1. A PIF participant with a 3% contribution rate gets married to a non-participant and they file jointly. The couple's contribution to PIF is 1.5% of their combined incomes.
2. Two PIF participants, one with a 1.5% contribution rate, the other with a 4% contribution rate, get married and file jointly. Their new combined rate is the sum of half of each of their single rates, or 2.75%.
3. A PIF participant with a 3.3% contribution rate gets married and files separately. Their annual contribution would remain at 3.3% and their spouse's income would not be affected.

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1 https://studentaid.ed.gov/sites/default/files/income-based-repayment-q-and-a.pdf