**OAR 150-315-0065**

***Example 1:*** Conner deposits $1,500 into his Higher Education Savings account in 2021, $3,000 in 2022, and $6,500 in 2023. His adjusted gross income (AGI) fell into the 25 percent threshold in 2021, ten percent threshold in 2022, and the five percent threshold in 2023.

In 2024, he withdraws $6,000 and uses the money to purchase a car. This meets the definition of a nonqualified withdrawal as outlined in ORS 315.653. He must determine the amount of non-benefit contribution and then recapture any tax benefit in 2024 (see table below).

Total deposits for which no corresponding tax benefit was received are $800 and total interest is $425. Conner reduces the amount of the nonqualified withdrawal ($6,000) by the non-benefit contributions of $1,225 ($800 of deposits with no tax benefit and $425 of interest) leaving a remainder of $4,775. The amount of the recapture is based on the tax benefit received on the most recent contribution, which is tax year 2023, and shall be reported in tax year 2024, the year the withdrawal took place. Because he was in the 5 percent AGI threshold in 2023, his total credit recapture in 2024 is $239 ($4,775 x 5 percent).

**Account Summary**

| Date of Deposit | Deposit Amount | AGI % | Amount used in Tax Benefit | Credit Claimed | Non-benefit Contributions | Interest | Account Balance | Funds withdrawn for nonqualified purposes |
|---|---|---|---|---|---|---|---|---|
| 1/1/2021 | $ 1,500 | 25% | $ 1,200 | $ 300 | $ 300 | $ 100 | $ 1,600 | |
| 1/1/2022 | $ 3,000 | 10% | $ 3,000 | $ 300 | $ - | $ 150 | $ 4,750 | |
| 1/1/2023 | $ 6,500 | 5% | $ 6,000 | $ 300 | $ 500 | $ 175 | $ 11,425 | |
| 1/1/2024 | | | | | $ 800 | $ 425 | | $ 6,000 |

**Non-benefit Contribution Calculation**

| | |
|---|---|
| Unqualified Withdrawal | $ 6,000 |
| Total Non-benefit Contributions | $ (800) |
| Total Interest | $ (425) |
| Total Withdrawal Remaining | $ 4,775 |
| | |
| Recapture | $ 4,775 |

**Tax Credit Recapture Calculation**

| | |
|---|---|
| 2023 Tax Benefit | $ 4,775 |
| AGI % | 5% |
| Tax credit recapture | $ 239 |
| | |
| Total tax credit recapture | $ 239 |