

**House File 2470 - Introduced**

HOUSE FILE 2470

BY BERGAN

**A BILL FOR**

1 An Act relating to the Iowa first-time homebuyer savings  
2 account program, and including effective date and  
3 retroactive applicability provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.7, subsection 41, paragraphs a and b,  
2 Code 2018, are amended to read as follows:

3 a. Subject to the restrictions in paragraph "b", subtract  
4 the sum of the following amounts:

5 (1) (a) The amount of contributions made by an account  
6 holder during the tax year to the account holder's first-time  
7 homebuyer savings accounts, not to exceed the following annual  
8 limit:

9 ~~(a) (i) For married taxpayers who file a joint return and~~  
10 ~~maintain a joint first-time homebuyer savings account, four~~  
11 ~~thousand dollars.~~

12 ~~(ii) For any other account holder, of~~ two thousand dollars.

13 (b) For the tax year beginning in the 2018 calendar year  
14 and for each subsequent tax year, the director shall multiply  
15 ~~each~~ the dollar amount set forth in subparagraph division  
16 (a), ~~subparagraph subdivisions (i) and (ii),~~ by the latest  
17 cumulative inflation factor, shall round off the resulting  
18 product to the nearest one dollar, and shall incorporate the  
19 result into the income tax forms and instructions for each tax  
20 year. For purposes of this subparagraph division, "cumulative  
21 inflation factor" means the product of the annual inflation  
22 factor for the 2018 calendar year and all annual inflation  
23 factors for subsequent calendar years as determined by section  
24 422.4, subsection 1, paragraph "a". The cumulative inflation  
25 factor applies to all tax years beginning on or after January  
26 1 of the calendar year for which the latest annual inflation  
27 factor has been determined. Notwithstanding any other  
28 provision, the annual inflation factor for the 2018 calendar  
29 year is one hundred percent.

30 (2) To the extent included, income from interest received  
31 from the account holder's first-time homebuyer savings  
32 accounts.

33 b. (1) The subtraction in paragraph "a" shall not exceed  
34 the following aggregate lifetime limit:

35 ~~(a) For married taxpayers who file a joint return and~~

1 ~~maintain a joint first-time homebuyer savings account, an~~  
2 ~~amount equal to the product of the deductible amount determined~~  
3 ~~for the year in paragraph "a", subparagraph (1), subparagraph~~  
4 ~~division (a), subparagraph subdivision (i), multiplied by ten.~~

5 (b) ~~For any other account holder, an amount equal to the~~  
6 ~~product of the deductible amount determined for the year in~~  
7 ~~which the first-time homebuyer savings account is first opened~~  
8 ~~as calculated in paragraph "a", subparagraph (1), subparagraph~~  
9 ~~division (a), subparagraph subdivision (ii), multiplied by ten.~~

10 (2) The subtraction in paragraph "a" shall not be allowed to  
11 an account holder upon one of the following dates, whichever  
12 occurs first:

13 (a) January 1 of the tenth calendar year after the calendar  
14 year during which the account holder first opened a first-time  
15 homebuyer savings account.

16 (b) The date on which funds within an account holder's  
17 first-time homebuyer savings account are withdrawn for purposes  
18 other than the payment or reimbursement of the designated  
19 beneficiary's eligible home costs in connection with a  
20 qualified home purchase. Any amount transferred between  
21 different first-time homebuyer savings accounts of the same  
22 account holder by a person other than the account holder  
23 shall not be considered a withdrawal for purposes of this  
24 subparagraph division (b).

25 Sec. 2. Section 422.7, subsection 41, paragraph c,  
26 subparagraph (1), Code 2018, is amended to read as follows:

27 (1) Add, to the extent previously deducted under paragraph  
28 "a", ~~subparagraph (1)~~, the amount withdrawn during the tax year  
29 from an account holder's first-time homebuyer savings account  
30 for purposes other than the payment or reimbursement of the  
31 designated beneficiary's eligible home costs in connection with  
32 a qualified home purchase.

33 Sec. 3. Section 541B.2, subsection 3, Code 2018, is amended  
34 to read as follows:

35 3. "*Designated beneficiary*" means ~~an individual meeting the~~

1 ~~requirements of section 541B.3, subsection 2,~~ and a first-time  
2 homebuyer designated by an account holder as beneficiary of the  
3 account holder's first-time homebuyer savings account pursuant  
4 to section 541B.3, subsection 2.

5 Sec. 4. Section 541B.2, subsection 6, unnumbered paragraph  
6 1, Code 2018, is amended to read as follows:

7 "*First-time homebuyer*" means an individual ~~who is a resident~~  
8 ~~of Iowa~~ and who does not own, either individually or jointly, a  
9 single-family or multifamily residence, and who has not owned  
10 or purchased, either individually or jointly, a single-family  
11 or multifamily residence for a period of three years prior to  
12 all of the following:

13 Sec. 5. Section 541B.2, subsections 7 and 11, Code 2018, are  
14 amended to read as follows:

15 7. "*First-time homebuyer savings account*" means an account  
16 that constitutes a savings deposit as defined 12 C.F.R.  
17 §204.2(d), that meets the requirements of sections 541B.3 and  
18 541B.4, and that was established for the purpose of paying or  
19 reimbursing a designated beneficiary's eligible home costs in  
20 connection with a qualified home purchase.

21 11. "*Single-family residence*" means a single-family  
22 residence ~~owned and occupied~~ as defined in section 562A.6,  
23 a manufactured home, mobile home, condominium unit, or  
24 cooperative that is purchased by a designated beneficiary and  
25 will be owned and occupied as the designated beneficiary's  
26 principal residence, ~~including but not limited to a~~  
27 ~~manufactured home, mobile home, condominium unit, or~~  
28 ~~cooperative~~ within ninety days of the closing date.

29 Sec. 6. Section 541B.3, subsection 1, Code 2018, is amended  
30 to read as follows:

31 1. *Establishment of account.*

32 a. Beginning January 1, 2018, an individual may open an  
33 interest-bearing savings account with a financial institution  
34 and designate the entire account as a first-time homebuyer  
35 savings account for the purpose of paying or reimbursing a

1 designated beneficiary's eligible home costs in connection with  
2 a qualified home purchase. The first-time homebuyer savings  
3 account designation shall be made no later than ~~April 30~~ the  
4 last day of the fourth month after the expiration of the year  
5 ~~following the tax year during which the account is opened, on~~  
6 forms provided by the department.

7 ~~b. A married couple electing to file a joint Iowa individual~~  
8 ~~income tax return may establish a joint first-time homebuyer~~  
9 ~~savings account. Married taxpayers electing to file separate~~  
10 ~~tax returns or separately on a combined tax return for Iowa tax~~  
11 ~~purposes shall not establish or maintain a joint first-time~~  
12 ~~homebuyer savings account.~~

13 ~~c.~~ b. An individual may establish more than one first-time  
14 homebuyer savings account, provided each account has a  
15 different designated beneficiary.

16 Sec. 7. Section 541B.3, subsection 2, paragraph a, Code  
17 2018, is amended to read as follows:

18 a. The account holder shall designate one individual as  
19 beneficiary of the first-time homebuyer savings account. The  
20 designation shall be made on forms provided by the department  
21 and filed with the department no later than ~~April 30 of the~~  
22 year following the last day of the fourth month after the  
23 expiration of the tax year during which the account is opened.  
24 The account holder may change the designated beneficiary of the  
25 first-time homebuyer savings account at any time.

26 Sec. 8. Section 541B.4, subsection 3, Code 2018, is amended  
27 to read as follows:

28 3. *Required reports.* The account holder shall submit the  
29 following information to the department:

30 a. An annual report for the first-time homebuyer savings  
31 account on forms furnished by the department. ~~The report shall~~  
32 ~~be included with the Iowa income tax return of the account~~  
33 ~~holder.~~

34 ~~b. A copy of the federal internal revenue service form~~  
35 ~~1099, or other similar federal internal revenue service income~~

1 ~~reporting form, if any, issued for the first-time homebuyer~~  
2 ~~savings account to the account holder by the financial~~  
3 ~~institution where the account is held. The form shall be~~  
4 ~~included with the Iowa income tax return of the account holder.~~

5 ~~e.~~ b. Upon a withdrawal of funds from a first-time  
6 homebuyer savings account, a transaction report on forms  
7 furnished by the department.

8 Sec. 9. EFFECTIVE DATE. This Act, being deemed of immediate  
9 importance, takes effect upon enactment.

10 Sec. 10. RETROACTIVE APPLICABILITY. This Act applies  
11 retroactively to January 1, 2018, for tax years beginning on  
12 or after that date.

13 EXPLANATION

14 The inclusion of this explanation does not constitute agreement with  
15 the explanation's substance by the members of the general assembly.

16 This bill makes numerous changes to the Iowa first-time  
17 homebuyer savings account program in Code chapter 541B  
18 (program).

19 The bill removes the requirement that a first-time homebuyer  
20 be a resident of Iowa. The bill modifies the definition of  
21 "first-time homebuyer savings account" under the program to  
22 provide that the account must constitute a savings deposit  
23 as that term is defined for purposes of the federal reserve  
24 system. The bill modifies the definition of "single-family  
25 residence" under the program to include a reference to the  
26 definition of "single-family residence" under the uniform  
27 residential landlord and tenant law (Code chapter 562A), and to  
28 require that the single-family residence be owned and occupied  
29 by the designated beneficiary within 90 days of the closing  
30 date.

31 The bill strikes the ability of a married couple filing joint  
32 individual income tax returns to establish and maintain a joint  
33 first-time homebuyer savings account (account).

34 The bill modifies various deadlines for filing forms and  
35 making designations under the program from April 30 of the year

1 following the year the account is opened, to the last day of  
2 the fourth month after the expiration of the tax year during  
3 which the account is opened.

4 The bill strikes the requirement that an annual report for  
5 an account be included with the account holder's Iowa income  
6 tax return, and further strikes a requirement that an account  
7 holder submit a copy of the federal internal revenue service  
8 form 1099 related to an account with the account holder's Iowa  
9 income tax return.

10 Finally, the bill makes changes to the income tax benefits  
11 related to contributions to and earnings from an account.  
12 Under current law, account holders are allowed a deduction  
13 for the first \$2,000 of contributions made to an account  
14 during a tax year, and that \$2,000 annual limit is indexed to  
15 inflation and increased each tax year. Current law also sets a  
16 lifetime limit on the total amount of contributions that may be  
17 deductible on an account holder's income tax return equal to 10  
18 times the annual contribution limit determined for the year.  
19 The bill modifies this lifetime limit by setting it as an  
20 amount equal to 10 times the annual contribution limit for the  
21 year in which the account is first opened by an account holder.

22 Also under current law, previously deducted account  
23 contributions are added back to income, and thus taxable, to  
24 the extent the amounts are later withdrawn from an account  
25 for purposes other than the payment or reimbursement of a  
26 designated beneficiary's eligible home costs under the program.  
27 The bill specifies that this add-back requirement also applies  
28 to previously deducted interest earned on the account.

29 The bill takes effect upon enactment and applies  
30 retroactively to January 1, 2018, for tax years beginning on  
31 or after that date.