

**Senate File 2326 - Introduced**

SENATE FILE 2326  
BY TRONE GARRIOTT

**A BILL FOR**

1 An Act modifying first-time homebuyers savings accounts, and  
2 including retroactive applicability provisions.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 422.7, subsection 27, paragraph a,  
2 subparagraph (1), unnumbered paragraph 1, Code 2026, is amended  
3 to read as follows:

4 The Except for an employer account holder, the amount of  
5 contributions made by an account holder during the tax year to  
6 the account holder's first-time homebuyer savings accounts, not  
7 to exceed the following annual limit:

8 Sec. 2. Section 422.7, Code 2026, is amended by adding the  
9 following new subsection:

10 NEW SUBSECTION. 27A. Subtract, to the extent included, the  
11 amount of funds withdrawn from a first-time homebuyer savings  
12 account that were contributed by an employer on behalf of the  
13 taxpayer pursuant to chapter 541B, plus any interest that has  
14 accrued on such contribution, that were used for the payment or  
15 reimbursement of the taxpayer's eligible home costs in connection  
16 with a qualified home purchase in accordance with chapter 541B.

17 Sec. 3. Section 422.35, Code 2026, is amended by adding the  
18 following new subsection:

19 NEW SUBSECTION. 15. a. Subject to the restrictions in  
20 paragraph "b", subtract, to the extent included, income from  
21 interest received from the taxpayer's first-time homebuyer  
22 savings accounts established pursuant to chapter 541B.

23 b. The subtraction in paragraph "a" shall not be allowed to a  
24 taxpayer upon one of the following dates, whichever occurs first:

25 (1) January 1 of the tenth calendar year after the calendar  
26 year during which the taxpayer first opened a first-time  
27 homebuyer savings account for the designated beneficiary.

28 (2) The date on which funds within the taxpayer's first-time  
29 homebuyer savings account are withdrawn for purposes other than  
30 the payment or reimbursement of the designated beneficiary's  
31 eligible home costs in connection with a qualified home purchase.  
32 Any amount transferred between different first-time homebuyer  
33 savings accounts of the taxpayer shall not be considered a  
34 withdrawal for purposes of this subparagraph as long as the  
35 designated beneficiary does not change.

1 c. (1) Add, to the extent previously excluded under  
2 paragraph "a", the amount withdrawn during the tax year from  
3 the taxpayer's first-time homebuyer savings account for purposes  
4 other than the payment or reimbursement of the designated  
5 beneficiary's eligible home costs in connection with a qualified  
6 home purchase.

7 (2) For purposes of this paragraph "c", any amount remaining  
8 in the taxpayer's first-time homebuyer savings account on January  
9 1 of the tenth calendar year after the calendar year during which  
10 the taxpayer first opened a first-time homebuyer savings account  
11 shall be considered immediately withdrawn under subparagraph (1).

12 (3) For purposes of this paragraph "c", the transfer of  
13 amounts between different first-time homebuyer accounts of the  
14 taxpayer by a person other than the taxpayer shall not cause such  
15 transfer to be considered a withdrawal under subparagraph (1) as  
16 long as the designated beneficiary does not change.

17 d. For any amount considered a withdrawal required to be  
18 added to net income pursuant to paragraph "c", the taxpayer shall  
19 be assessed a penalty equal to ten percent of the amount of the  
20 withdrawal. The penalty shall not apply to withdrawals made  
21 by reason of the death of the designated beneficiary, change  
22 of employment status with the designated beneficiary, or to  
23 withdrawals made pursuant to a garnishment, levy, or other order,  
24 including but not limited to an order in bankruptcy following  
25 a filing for protection under the federal bankruptcy code, 11  
26 U.S.C. §101 et seq.

27 e. For purposes of this subsection, "designated beneficiary",  
28 "eligible home costs", "first-time homebuyer savings account",  
29 and "qualified home purchase" mean the same as defined in section  
30 541B.2.

31 Sec. 4. Section 541B.2, subsection 1, Code 2026, is amended  
32 to read as follows:

33 1. "Account holder" means an individual ~~who establishes,~~  
34 either individually or jointly with the individual's spouse,  
35 or an employer, who establishes a first-time homebuyer savings

1 account pursuant to section 541B.3.

2 Sec. 5. Section 541B.3, subsection 1, Code 2026, is amended  
3 by adding the following new paragraph:

4 NEW PARAGRAPH. d. An employer may open an interest-bearing  
5 savings account with a financial institution and designate the  
6 entire account as a first-time homebuyer savings account for  
7 the purpose of paying or reimbursing the eligible home costs  
8 in connection with a qualified home purchase of an employee  
9 who is the designated beneficiary. The first-time homebuyer  
10 savings account designation shall be made on forms provided by  
11 the department and shall be submitted on or before the date  
12 prescribed in section 422.21 for making and filing an individual  
13 income tax return, excluding extensions, or the date for making  
14 and filing an individual income tax return determined by the  
15 director pursuant to an order issued under section 421.17,  
16 subsection 30, applicable to the tax year in which the account  
17 is opened.

18 Sec. 6. Section 541B.3, subsection 2, paragraph a, Code 2026,  
19 is amended to read as follows:

20 a. The account holder shall designate one individual as  
21 beneficiary of the first-time homebuyer savings account. The  
22 designation shall be made on forms provided by the department  
23 and shall be submitted on or before the date prescribed in  
24 section 422.21 for making and filing an individual income tax  
25 return, excluding extensions, or the date for making and filing  
26 an individual income tax return determined by the director  
27 pursuant to an order issued under section 421.17, subsection  
28 30, applicable to the tax year in which the designation  
29 is made. The account holder may change the designated  
30 beneficiary of the first-time homebuyer savings account at any  
31 time, except an employer account holder shall only change the  
32 designated beneficiary if the employment status of the designated  
33 beneficiary changes with the employer account holder.

34 Sec. 7. RETROACTIVE APPLICABILITY. This Act applies  
35 retroactively to January 1, 2026, for tax years beginning on or

1 after that date.

2 EXPLANATION

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

5 Currently, individuals may open an interest-bearing savings  
6 account and designate the account as a first-time homebuyer  
7 savings account (account) for the purpose of financing the  
8 purchase of a single-family residence in this state by  
9 a first-time homebuyer. The account may be established  
10 individually, or jointly with a spouse if the married couple  
11 files a joint Iowa income tax return. The contributions to  
12 the account are deductible from the individual income tax.  
13 Currently, contributions are deductible in the amount of \$4,744  
14 for married persons, and \$2,372 for individuals, and any interest  
15 in the account accrues state tax free.

16 This bill modifies the account by allowing an employer  
17 (employer account holder) to open an account on behalf of an  
18 employee and make contributions to the account on behalf of an  
19 employee who is a first-time homebuyer.

20 The bill specifies the amount of funds withdrawn from the  
21 account that are contributed by the employer account holder that  
22 are used by an individual taxpayer to purchase a home as a  
23 first-time homebuyer are deductible against the individual income  
24 tax by the individual taxpayer.

25 Unlike individual account holders, the bill prohibits an  
26 employer account holder from taking a deduction against income  
27 taxes for any contributions made to the account.

28 In the same manner as individual account holders, the bill  
29 assesses a penalty against an employer account holder in the  
30 amount of 10 percent of any withdrawal amount if the amount  
31 is withdrawn for a purpose other than for a purchase by a  
32 first-time homebuyer. The penalty is not assessed upon death of  
33 the first-time homebuyer, change of employment status with the  
34 first-time homebuyer and the employer account holder, or upon  
35 withdrawals made pursuant to a garnishment, levy, or bankruptcy.

1 The bill and current law require the account to be closed  
2 after a period of 10 years, and the account is subject to  
3 penalties and tax if the moneys in the account are not used  
4 in the purchase of a home by a first-time homebuyer within the  
5 10-year period.

6 The bill applies retroactively to tax years beginning on or  
7 after January 1, 2026.

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