

HB 2996 -2 STAFF MEASURE SUMMARY

House Committee On Human Services and Housing

Prepared By: Cassandra Soucy, LPRO Analyst
Sub-Referral To: House Committee On Revenue
Meeting Dates: 3/23, 4/13, 4/18

WHAT THE MEASURE DOES:

Allows individual to create first-time home buyer savings account at a financial institution to pay or reimburse costs for purchase of single family residence. Requires account holder to submit transaction information from savings account to Department of Revenue on prepared forms during the tax year. Specifies actions the financial institution is not responsible, liable, or required to do. Subtracts from federal taxable income the amount of funds contributed to savings account. Exempts interest and other income on the principal from taxation. Allows account holder to claim subtraction and exemption for aggregate total of principal and earnings not exceeding \$50,000. Specifies withdrawal of fund for purposes other than purchase of single family residence must be included in account holder's taxable income. Requires Department of Revenue to prepare forms and informational materials for First-Time Home Buyer Savings Account. Applies to tax years beginning on or after January 1, 2018 and before January 1, 2024. Effective 91st day following sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-2 Removes reference and definition of "qualified beneficiary." Specifies that individual may not be the account holder of more than one first-time home buyer savings accounts. Removes requirement that account holder submit transaction information on forms prepared by DOR. Removes actions financial institution is not responsible for, liable for or required to do. Specifies funds withdrawn from account are to be used for payment or reimbursement for eligible costs related to purchase of single family residence. Establishes limits for subtraction from federal taxable income and exemption of contribution to first-time home buyer savings account, based on outstanding student loan debt. Provides DOR discretion to create method for designating federal taxable income subtraction on state income tax return form. Requires financial institution that holds first-time home buyer savings account provide account holder with certificate containing: date account was created; name of account holder; amount contributed during tax year; amount of funds withdrawn and any additional information required by DOR. Specifies information financial institution is not required to track; is responsible or liable for. Removes requirement that DOR prepare and distribute informational materials for First-Time Home Buyer Savings Account.

BACKGROUND:

House Bill 2996 allows individuals to create First-Time Home Buyer savings account at a financial institution to pay or reimburse costs for purchase of single family residence. Account holders are required to submit transaction information from savings account to Department of Revenue on prepared forms during the tax year. The measure specifies the actions the financial institution is not responsible, liable, or required to do. Additionally, Department of Revenue is required to prepare forms and informational materials for First-Time Home Buyer Savings Account.

House Bill 2996 subtracts from federal taxable income the amount of funds contributed to the savings account. Interest and other income are exempt on the principal from taxation. Account holders are allowed to claim subtraction and exemption for aggregate total of principal and earnings not exceeding \$50,000. The measure specifies withdrawal of fund for purposes other than purchase of single family residence must be included in account holder's taxable income.