

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

COMMITTEE SUBSTITUTE
FOR

HOUSE BILL NO. 1519

By: Cockroft

COMMITTEE SUBSTITUTE

[property - Oklahoma Homebuyers Savings Account

Act - effective date]

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1201 of Title 60, unless there is created a duplication in numbering, reads as follows:

A. This act shall be known and may be cited as the "Oklahoma Homebuyers Savings Account Act".

B. The Oklahoma Legislature recognizes that saving for a down payment and closing costs for the purchase of a home is very challenging in today's economy. The Oklahoma Legislature declares that homebuyer savings accounts provide an opportunity for Oklahoma residents to save and grow funds for homeownership. The purpose of the Homebuyers Savings Account Program is to enable residents of Oklahoma to benefit from the tax incentive provided for qualified

1 homebuyers and to provide residents with meaningful incentives to
2 save for the purchase of a home within the state.

3 SECTION 2. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 1202 of Title 60, unless there
5 is created a duplication in numbering, reads as follows:

6 As used in the Oklahoma Homebuyers Savings Account Act:

7 1. "Accountholder" means an individual who establishes,
8 individually or jointly with one or more other individuals, a
9 homebuyer savings account;

10 2. "Allowable closing costs" means a disbursement listed on a
11 settlement statement for the purchase of a single-family residence
12 by a qualified beneficiary;

13 3. "Eligible costs" means the down payment and allowable
14 closing costs for the purchase of a single-family residence by a
15 qualified beneficiary;

16 4. "Financial institution" means any bank, trust company,
17 savings institution, industrial loan association, consumer finance
18 company, credit union or any benefit association, insurance company,
19 safe deposit company, money market mutual fund or similar entity
20 authorized to do business in this state;

21 5. "Homebuyer" means an individual who resides in this state
22 and has not owned or purchased, either individually or jointly, a
23 single-family residence during a period of three (3) years prior to
24 the date of the purchase of a single-family residence;

1 6. "Homebuyer savings account" or "account" means an account
2 with a financial institution that an accountholder designates as a
3 homebuyer savings account on the accountholder's state income tax
4 return for tax year 2017 or any tax year thereafter, pursuant to the
5 Oklahoma Homebuyers Savings Account Act for the purpose of paying or
6 reimbursing eligible costs for the purchase of a single-family
7 residence in Oklahoma by a qualified beneficiary;

8 7. "Qualified beneficiary" means a homebuyer who is designated
9 as the qualified beneficiary of an account designated by the
10 accountholder as a homebuyer savings account;

11 8. "Settlement statement" means the statement of receipts and
12 disbursements for a transaction related to real estate, including a
13 statement prescribed pursuant to the Real Estate Settlement
14 Procedures Act of 1974, 12 U.S.C., Section 2601 et seq., as amended,
15 and regulations thereunder; and

16 9. "Single-family residence" means a single-family residence
17 owned and occupied by a qualified beneficiary as the qualified
18 beneficiary's principal residence, which may include a manufactured
19 home, trailer, mobile home, condominium unit or cooperative.

20 SECTION 3. NEW LAW A new section of law to be codified
21 in the Oklahoma Statutes as Section 1203 of Title 60, unless there
22 is created a duplication in numbering, reads as follows:

23 A. Beginning January 1, 2017, any individual may open an
24 account with a financial institution and designate the account, in

1 its entirety, as a homebuyer savings account to be used to pay or
2 reimburse a qualified beneficiary's eligible costs for the purchase
3 of a single-family residence in Oklahoma.

4 B. An individual may jointly own a homebuyer savings account
5 with another person if the joint accountholders file a joint income
6 tax return.

7 C. Only cash and marketable securities may be contributed to a
8 homebuyer savings account. Subject to the limitations of subsection
9 D of Section 6 of this act, persons other than the accountholder may
10 contribute funds to a homebuyer savings account. The limitation on
11 the amount of contributions that may be made to or retained in a
12 homebuyer savings account is Twenty-five Thousand Dollars
13 (\$25,000.00).

14 SECTION 4. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 1204 of Title 60, unless there
16 is created a duplication in numbering, reads as follows:

17 A. The accountholder shall:

18 1. Not use funds held in a homebuyer savings account to pay
19 expenses of administering the account, except that a service fee may
20 be deducted from the account by a financial institution in which the
21 account is held;

22 2. Submit to the Oklahoma Tax Commission, with the
23 accountholder's state income tax return:

1 a. on forms prepared by the Oklahoma Tax Commission,
2 detailed information regarding the homebuyer savings
3 account, including a list of transactions for the
4 account during the tax year, and

5 b. the Form 1099 issued by the financial institution for
6 the account; and

7 3. Submit to the Oklahoma Tax Commission, upon a withdrawal of
8 funds from a homebuyer savings account, a detailed account of the
9 eligible costs toward which the account funds were applied and a
10 statement of the amount of funds remaining in the account, if any.

11 B. An accountholder may withdraw funds, in whole or in part,
12 from a homebuyer savings account and deposit the funds in a new
13 homebuyer savings account held by a different financial institution
14 or the same financial institution.

15 SECTION 5. NEW LAW A new section of law to be codified
16 in the Oklahoma Statutes as Section 1205 of Title 60, unless there
17 is created a duplication in numbering, reads as follows:

18 A. A financial institution shall not be required to:

19 1. Designate an account as a homebuyer savings account or
20 designate the qualified beneficiaries of an account in the financial
21 institution's account contracts or systems or in any other way;

22 2. Track the use of money withdrawn from a homebuyer savings
23 account;
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1 3. Allocate funds in a homebuyer savings account among joint
2 acountholders; or

3 4. Report any information to the Oklahoma Tax Commission or any
4 other governmental agency that is not otherwise required by law.

5 B. A financial institution is not responsible or liable for:

6 1. Determining or ensuring that an account satisfies the
7 requirements to be a homebuyer savings account;

8 2. Determining or ensuring that funds in a homebuyer savings
9 account are used for eligible costs; or

10 3. Reporting or remitting taxes or penalties related to the use
11 of a homebuyer savings account.

12 C. Upon being furnished proof of the death of the acountholder
13 and such other information required by the contract governing the
14 homebuyer savings account, a financial institution shall distribute
15 the principal and accumulated interest or other income in the
16 account in accordance with the terms of the contract governing the
17 account.

18 SECTION 6. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 1206 of Title 60, unless there
20 is created a duplication in numbering, reads as follows:

21 A. Except as otherwise provided in this act and subject to the
22 limitations pursuant to this section, there shall be excluded from
23 taxable income of an acountholder for state income tax purposes the
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1 amount of earnings, including interest and other income on the
2 principal, from the homebuyer savings account during the tax year.

3 B. An accountholder may claim the deduction and exclusion
4 pursuant to this section:

5 1. For a period not to exceed ten (10) to fifteen (15) years;

6 2. For an aggregate total amount of principal and earnings not
7 to exceed Five Thousand Dollars (\$5,000.00) during that ten-to-
8 fifteen-year period; and

9 3. Only if the principal and earnings of the account remain in
10 the account until a withdrawal is made for eligible costs related to
11 the purchase of a single-family residence by a qualified
12 beneficiary, except as otherwise provided in subsection B of Section
13 4 of this act.

14 C. Any funds in a homebuyer savings account not expended on
15 eligible costs by December 31 of the last year of the ten-to-
16 fifteen-year period pursuant to this section shall thereafter be
17 included in the accountholder's taxable income.

18 D. The deduction and exclusion from taxable income provided for
19 by this act shall apply to any alternative basis for calculating
20 taxable income for state income tax purposes.

21 SECTION 7. NEW LAW A new section of law to be codified
22 in the Oklahoma Statutes as Section 1207 of Title 60, unless there
23 is created a duplication in numbering, reads as follows:

1 Except as otherwise authorized by subsection B of Section 4 of
2 the Oklahoma Homebuyers Savings Account Act, if the accountholder
3 withdraws any funds from a homebuyer savings account for a purpose
4 other than eligible costs for the purchase of a single-family
5 residence:

6 1. Those funds shall be included in the accountholder's taxable
7 income; and

8 2. The accountholder shall pay a penalty to the Oklahoma Tax
9 Commission equal to ten percent (10%) of the amount withdrawn. The
10 penalty shall not apply to funds withdrawn that were:

11 a. withdrawn by reason of the account holder's death or
12 disability,

13 b. a disbursement of assets of the account pursuant to a
14 filing for protection pursuant to the United States
15 Bankruptcy Code, 11 U.S.C., Section 101 et seq., or

16 c. transferred from an account established pursuant to
17 this act into another account established pursuant to
18 this act in accordance with subsection B of Section 4
19 of this act.

20 SECTION 8. NEW LAW A new section of law to be codified
21 in the Oklahoma Statutes as Section 1208 of Title 60, unless there
22 is created a duplication in numbering, reads as follows:

23 The Oklahoma Tax Commission shall prepare forms:
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1 1. For the designation of an account with a financial
2 institution to serve as a homebuyer savings account; and

3 2. For an accountholder to annually submit to the Oklahoma Tax
4 Commission detailed information regarding the homebuyer savings
5 account, including, but not limited to, a list of transactions for
6 the account during the tax year, and identifying any supporting
7 documentation that is required to be maintained by the
8 accountholder.

9 SECTION 9. NEW LAW A new section of law to be codified
10 in the Oklahoma Statutes as Section 1209 of Title 60, unless there
11 is created a duplication in numbering, reads as follows:

12 The Oklahoma Tax Commission shall post information regarding the
13 Oklahoma Homebuyers Savings Account Program on its website to
14 publicize the availability of the program.

15 SECTION 10. This act shall become effective November 1, 2017.

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