

BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	SB 961
Version:	ENGR
Request Number:	NA
Author:	Rep. Tammy West
Date:	3/29/2019
Impact:	Tax Commission:
	FY-21: Minimal Revenue Decrease
	Unknown Administrative Cost

Research Analysis

Engrossed SB961 creates the Oklahoma First-Time Home Buyer Savings Account Act. The measure allows eligible taxpayers to open a homebuyer savings account with a financial institution on or after January 1, 2020 and receive an income tax deduction for contributions to an account and earnings accrued through contributions made to an account. Tax exempt contributions are limited to \$5000 per taxpayer, or \$10,000 for joint filers, each tax year. Furthermore, an account holder is limited to an aggregate deduction of \$50,000 per account, provided the account contributions and earnings are used to pay for or reimburse eligible costs relating to the purchase of a single family residence in Oklahoma.

Prepared By: Quyen Do

Fiscal Analysis

Prior analysis provided by the Tax Commission:

Beginning January 1, 2020, Oklahoma residents may establish homebuyer savings accounts, and amounts contributed to these accounts are eligible to be deducted from Oklahoma taxable income, and the interest earned on these accounts will be excluded from Oklahoma taxable income of the account holder. The amount eligible for deduction is \$5,000.00 for single filers or \$10,000.00 for married filers. The total amount of principal and earnings cannot exceed \$50,000.00. Only account holders² are eligible for the deduction and funds from these accounts must be used for eligible costs. Eligible costs are defined as the down payment and allowable closing costs for the purchase of a single-family residence³ by a qualified beneficiary. If the funds in a homebuyer savings account are used for non eligible expenses, then those amounts must be added back to taxable income and there is a 10% penalty of the amount withdrawn.

The Tax Commission is directed to prepare a variety of forms to implement this deduction as well as prepare and distribute informational materials on the Oklahoma Home Buyer Savings Account program to financial institutions and potential homebuyers of the program.

This measure has an unknown negative impact⁴ on income tax collections, beginning with tax year 2020. No changes to withholding or estimated tax are anticipated so the impact should all occur in FY21 when the 2020 income tax returns are filed. The requirement to prepare and distribute informational materials on the Oklahoma Home Buyer Savings Account program has an unknown unfunded administrative cost to the Tax Commission.

² Account holders may designate themselves or someone else as a beneficiary of the account. Accounts may be held jointly.

³ Single-family residence is defined as a single-family residence owned and occupied by a qualified beneficiary as the qualified beneficiary's principal residence, which may include a manufactured home, trailer, mobile home, condominium unit or cooperative.

⁴ Data from Iowa's enactment of their Homebuyer Savings Account program suggests that the initial revenue impact was a decrease in income tax revenue in the first FY of \$200,000.00 with the annual cost growing to an estimated \$2,000,000.00 in the sixth year.

Prepared By: Mark Tygret

Other Considerations

None.

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