

Bill Summary
1st Session of the 57th Legislature

Bill No.:	SB 961
Version:	INT
Request No.:	342
Author:	Sen. Smalley
Date:	02/01/2019

Bill Analysis

SB 961 creates the Oklahoma Home Buyer Savings Account Act and defines terms to be used in the act. The measure authorizes individuals to open and designate an account as a home buyer savings account to be used to pay or reimburse a qualified beneficiary's eligible costs for the purchase of a single-family residence in this state. The account holder must designate a beneficiary, which can be the account holder, no later than April 15 of each year following the tax year in which the account was established.

An individual may be the beneficiary or holder of multiple accounts. An account holder may not hold multiple accounts designating the same beneficiary. Cash and marketable securities may be contributed to a home buyer savings account. Funds from the account may only be used for the purchase of a residential home or to pay for the service fee of the account and may be freely transferred to another home buyer account. Financial institutions will not be required to monitor an account's compliance with this measure.

An individual may deduct up to \$5,000.00 from his or her income tax based on the amount contributed to a home buyer account. Joint account holders may deduct \$10,000.00 based on the same calculation as an individual. The exclusion may be claimed for an aggregate total amount of principal and earnings not exceeding \$50,000.00 and only if the principal and earnings of the account remain in the account. Withdrawing the funds for the purchase of a home will not constitute as income, but withdrawing the funds for an ineligible purpose will constitute as income for taxing purposes. The Oklahoma Tax Commission will prepare the forms and procedures needed to designate accounts and allow the taxpayer to file detailed information related to the home buyer savings account.

Prepared by: Kalen Taylor

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 16, 2019

BILL NUMBER: SB 961 STATUS AND DATE OF BILL: Introduced 1/17/19

AUTHORS: House n/a Senate Smalley

TAX TYPE (S): Income Tax SUBJECT: Deduction and Exclusion

PROPOSAL: New Law

SB 961 proposes to enact the Oklahoma Home Buyer Savings Account Act¹, creating a new Oklahoma income tax deduction, which would allow Oklahoma residents to deduct from Oklahoma taxable income the amount contributed to a homebuyer savings account as well as exclude from Oklahoma taxable income the amount of earnings, including interest and other income on the principal in a homebuyer savings account.

EFFECTIVE DATE: January 1, 2020

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 20: -0-

FY 21: Minimal decrease in state income tax revenue.

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 20: Unknown unfunded administrative cost

Feb. 16, 2019
DATE

Rick Miller
DIVISION DIRECTOR

mck

2-16-2019
DATE

Huan Gong
HUAN GONG, ECONOMIST

2-16-19
DATE

Jimmy M. K.
FOR THE COMMISSION

The estimated revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

¹ This proposed measure is contained in Title 46 (Mortgages), and not in Title 68 (Revenue and Taxation) of the Oklahoma Statutes.

ATTACHMENT TO REVENUE IMPACT SB 961[Introduced] Prepared: February 16, 2019

SB 961 proposes to enact the Oklahoma Home Buyer Savings Account Act, creating a new Oklahoma income tax deduction, which would allow Oklahoma residents to deduct from Oklahoma taxable income the amount contributed to a homebuyer savings account as well as exclude from Oklahoma taxable income the amount of earnings, including interest and other income on the principal in a homebuyer savings account.

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.