

AMENDED IN ASSEMBLY APRIL 21, 2016

AMENDED IN ASSEMBLY MARCH 10, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1736**

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**Introduced by Assembly Member Steinorth**

**(Coauthors: Assembly Members Achadjian, Travis Allen, Baker, Brough, Brown, Chang, Dahle, Beth Gaines, Gallagher, Hadley, Harper, Jones, Kim, Lackey, Low, Maienschein, Mathis, Mayes, Obernolte, Olsen, Patterson, and Waldron)**

(Coauthors: Senators Anderson, Cannella, Fuller, Glazer, Morrell, Nguyen, Runner, and Vidak)

February 1, 2016

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An act to add Sections 17141.5 and 17204.5 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1736, as amended, Steinorth. Personal income taxes: deduction: homeownership savings accounts.

The Personal Income Tax Law, in modified conformity with federal income tax laws allows various exclusions from gross income, and allows various deductions in computing the income that is subject to the taxes imposed by that law, including miscellaneous itemized deductions that are allowed only to the extent that the aggregate amount of those deductions exceed 2% of adjusted gross income.

This bill, on and after January 1, 2017, would allow a deduction, not to exceed specified amounts, of the amount contributed in any taxable year to a homeownership savings account, and, would exclude from gross income any income earned on the moneys contributed to a

homeownership savings account. The bill would provide that a qualified taxpayer may withdraw amounts from a homeownership savings account to pay for qualified homeownership savings expenses, as defined, and would provide that any amount withdrawn from that account that is not used for these expenses would be included as income for that taxpayer. The bill would define various terms for its purposes.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 17141.5 is added to the Revenue and  
2 Taxation Code, to read:

3 17141.5. For each taxable year beginning on or after January  
4 1, 2017, gross income does not include, under the same conditions  
5 as provided in Section 408 of the Internal Revenue Code, relating  
6 to individual retirement accounts, any income accruing during the  
7 taxable year to a homeownership savings account as defined in  
8 Section 17204.5.

9 SEC. 2. Section 17204.5 is added to the Revenue and Taxation  
10 Code, to read:

11 17204.5. (a) For each taxable year beginning on or after  
12 January 1, 2017, there shall be allowed as a deduction an amount  
13 equal to the amount contributed by a qualified taxpayer during the  
14 taxable year to a homeownership savings account, not to exceed  
15 the amounts specified in subdivision (b).

16 (b) The deduction allowed under subdivision (a) shall not exceed  
17 the following amounts:

18 (1) Twenty thousand dollars (\$20,000) for qualified taxpayers  
19 who are married filing a joint return, a head of household, and  
20 surviving spouses, as defined in Section 17046.

21 (2) Ten thousand dollars (\$10,000) in the case of a qualified  
22 taxpayer filing a return other than as described in paragraph (1).

23 (c) Any amount withdrawn from a homeownership savings  
24 account shall be included in the income of the payee or distributee  
25 for the taxable year in which the payment or distribution is made,  
26 unless the payment or distribution is used to pay for the  
27 homeownership savings expenses of a qualified taxpayer who  
28 established the account.

1 (d) For purposes of this section:

2 (1) “Homeownership savings account” means a trust that meets  
3 all of the following requirements:

4 (A) Is designated as a homeownership savings account by the  
5 trustee.

6 (B) Is established for the exclusive benefit of any qualified  
7 taxpayer establishing the account where the written governing  
8 instrument creating the account provides for the following:

9 (i) All contributions to the account are required to be in cash.

10 (ii) The account is established to pay, pursuant to the  
11 requirements and limitations of this section, for the qualified  
12 homeownership savings expenses of a qualified taxpayer  
13 establishing the account.

14 (C) Is, except as otherwise required or authorized by this section,  
15 subject to the same requirements and limitations as an individual  
16 retirement account established under Section 408 of the Internal  
17 Revenue Code, relating to individual retirement accounts, and any  
18 regulations adopted thereunder.

19 (D) Is the only homeownership savings account established by  
20 the qualified taxpayer.

21 *(E) Is established by a qualified taxpayer who has a gross*  
22 *income of 80 percent or less than the area median income.*

23 (2) “Qualified homeownership development expenses” means  
24 expenses, including a ~~down payment~~ *downpayment* or closing  
25 costs, paid or incurred in connection with the purchase of a  
26 qualified taxpayer’s principal residence in California for use by  
27 that taxpayer who established the homeownership savings account.

28 (3) “Qualified taxpayer” means any individual, or individual’s  
29 spouse, who ~~had no present ownership interest in a principal~~  
30 ~~residence during the preceding three-year period ending on the~~  
31 ~~date of the purchase of the~~ *has never had an ownership interest in*  
32 *a principal residence subject to the contribution allowed by this*  
33 *section.*

34 (4) “Trustee” shall have the same meaning as those terms have  
35 under Section 408 of the Internal Revenue Code, relating to  
36 individual retirement accounts, and any regulations adopted  
37 thereunder.

1 SEC. 3. This act provides for a tax levy within the meaning of  
2 Article IV of the *California* Constitution and shall go into  
3 immediate effect.

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