

AMENDED IN ASSEMBLY MAY 3, 2016

AMENDED IN ASSEMBLY APRIL 21, 2016

AMENDED IN ASSEMBLY MARCH 10, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1736

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

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~~ *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~~ *exceeds* 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 *a qualified taxpayer, as defined*, contributed in any taxable year to a homeownership savings

~~account, and, 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 expenses defined as expenses paid or incurred in connection with the purchase of a principal residence, which is defined by reference to a federal law and includes a mobilehome.~~ The bill would provide that any amount withdrawn from that account that is not used for these expenses would be included as income for that taxpayer.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).

1 (c) Any amount withdrawn from a homeownership savings
2 account shall be included in the income of the payee or distributee
3 for the taxable year in which the payment or distribution is made,
4 unless the payment or distribution is used to pay for the
5 homeownership savings expenses of a qualified taxpayer who
6 established the account.

7 (d) For purposes of this section:

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

10 (A) Is designated as a homeownership savings account by the
11 trustee.

12 (B) Is established for the exclusive benefit of any qualified
13 taxpayer establishing the account where the written governing
14 instrument creating the account provides for the following:

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

16 (ii) The account is established to pay, pursuant to the
17 requirements and limitations of this section, for the qualified
18 homeownership savings expenses of a qualified taxpayer
19 establishing the account.

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

25 (D) Is the only homeownership savings account established by
26 the qualified taxpayer.

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

29 (2) “Qualified homeownership ~~development~~ savings expenses”
30 means expenses, including a downpayment or closing costs, paid
31 or incurred in connection with the purchase of a qualified
32 taxpayer’s principal residence *within the meaning of Section 121*
33 *of the Internal Revenue Code in California this state* for use by
34 that taxpayer who established the homeownership savings account.

35 (3) “Qualified taxpayer” means any individual, or individual’s
36 spouse, who has never had an ownership interest in a principal
37 residence subject to the contribution allowed by this section.

38 (4) “Trustee” shall have the same meaning as ~~those terms have~~
39 *that term has* under Section 408 of the Internal Revenue Code,

1 relating to individual retirement accounts, and any regulations
2 adopted thereunder.
3 SEC. 3. This act provides for a tax levy within the meaning of
4 Article IV of the California Constitution and shall go into
5 immediate effect.

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