

Introduced by Senator Stone

February 18, 2016

An act to add Sections 17141.7 and 17205 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1149, as introduced, Stone. Personal income taxes: deduction: individual home ownership 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 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 contributed in any taxable year to an individual home ownership savings account, and would exclude from gross income any income earned on the moneys contributed to an individual home ownership savings account. The bill would provide that a qualified taxpayer may withdraw amounts from an individual home ownership savings account to pay for qualified individual home ownership savings expenses, as defined, and would provide that any amount withdrawn from that account that is not used for these expenses would be included as income for that taxpayer.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:

SECTION 1. Section 17141.7 is added to the Revenue and Taxation Code, to read:

17141.7. For each taxable year beginning on or after January 1, 2017, gross income does not include, under the same conditions as provided in Section 408 of the Internal Revenue Code relating to individual retirement accounts, any income accruing during the taxable year to an individual home ownership savings account, as defined in Section 17205.

SEC. 2. Section 17205 is added to the Revenue and Taxation Code, to read:

17205. (a) For each taxable year beginning on or after January 1, 2017, there shall be allowed as a deduction an amount equal to the amount contributed by a qualified taxpayer during the taxable year to an individual home ownership savings account, not to exceed the amounts specified in subdivision (b).

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

(1) Thirty thousand dollars (\$30,000) for a qualified taxpayer who is married filing a joint return, head of household, and surviving spouses, as defined in Section 17046.

(2) Fifteen thousand dollars (\$15,000) in the case of a qualified taxpayer filing a return other than as described in paragraph (1).

(c) Any amount withdrawn from an individual home ownership savings account shall be included in the income of the payee or distributee for the taxable year in which the payment or distribution is made, unless the payment or distribution is used to pay for the individual home ownership savings expenses of a qualified taxpayer who established the account.

(d) For purposes of this section:

(1) "Individual home ownership savings account" means a trust that meets all of the following requirements:

(A) Is designated as an individual home ownership savings account by the trustee.

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

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

1 (ii) The account is established to pay, pursuant to the
2 requirements and limitations of this section, for the qualified
3 individual home ownership savings expenses of a qualified
4 taxpayer establishing the account.

5 (C) Is, except as otherwise required or authorized by this section,
6 subject to the same requirements and limitations as an individual
7 retirement account established under Section 408 of the Internal
8 Revenue Code, and any regulations adopted thereunder.

9 (D) Is the only individual home ownership savings account
10 established by the qualified taxpayer.

11 (2) “Qualified individual home ownership development
12 expenses” means expenses, including a downpayment or mortgage
13 payment, paid or incurred in connection with the purchase of a
14 qualified taxpayer’s principal residence in California for use by
15 that taxpayer who established the individual home ownership
16 savings account.

17 (3) (A) “Qualified taxpayer” means any individual, or
18 individual’s spouse, who had no present ownership interest in a
19 principal residence during the preceding three-year period ending
20 on the date of the purchase of the principal residence subject to
21 the contribution allowed by this section. A qualified taxpayer’s
22 gross income per taxable year shall not exceed the following
23 amounts:

24 (1) One hundred thousand dollars (\$100,000) for a qualified
25 taxpayer who is married filing a joint return, head of household,
26 or a surviving spouse, as defined in Section 17046.

27 (2) Fifty thousand dollars (\$50,000) for a qualified taxpayer
28 filing a return other than as described in paragraph (1).

29 (B) For each taxable year beginning on or after January 1, 2017,
30 the Franchise Tax Board shall recompute the gross income amounts
31 described in paragraph (A) in the same manner as prescribed in
32 subdivision (h) of Section 17041.

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

36 SEC. 3. This act provides for a tax levy within the meaning
37 of Article IV of the Constitution and shall go into immediate effect.