

AMENDED IN SENATE MAY 2, 2016

SENATE BILL

No. 1149

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 amended, 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 deduction in an amount equal to the amount of rent, not to exceed \$18,000, paid during the taxable year by a qualified taxpayer, as defined, provided that the qualified taxpayer deposits the qualified amount, as defined, into a home ownership savings account, as defined. The bill would exclude from gross income any income earned on the moneys contributed to an individual~~ accrued during the taxable year to a home ownership savings account. The bill would provide that a qualified taxpayer may withdraw amounts from ~~an individual~~ a home ownership savings account to pay for ~~qualified individual home ownership savings expenses, the downpayment of a principal residence, as defined, and~~

would provide that any amount withdrawn from that account that is not used for ~~these expenses~~ *that purpose* would be included as income for that taxpayer.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 17141.7 is added to the Revenue and
 2 Taxation Code, to read:

3 17141.7. 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 ~~an individual~~ *a* home ownership savings account,
 8 as defined in Section 17205.

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

11 ~~17205. (a) For each taxable year beginning on or after January~~
 12 ~~1, 2017, there shall be allowed as a deduction an amount equal to~~
 13 ~~the amount contributed by a qualified taxpayer during the taxable~~
 14 ~~year to an individual home ownership savings account, not to~~
 15 ~~exceed the amounts specified in subdivision (b).~~

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

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

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

23 *17205. (a) For each taxable year beginning on or after*
 24 *January 1, 2017, there shall be allowed as a deduction an amount*
 25 *equal to the amount of rent, not to exceed eighteen thousand dollars*
 26 *(\$18,000), paid during the taxable year by a qualified taxpayer*
 27 *provided that the qualified taxpayer deposits the qualified amount*
 28 *into a home ownership savings account.*

29 ~~(e)~~

30 ~~(b) Any amount withdrawn from an individual a home~~
 31 ~~ownership savings account shall be included in the income of the~~

1 payee or distributee for the taxable year in which the payment or
2 distribution is made, unless the payment or distribution is used to
3 pay for the ~~individual home ownership savings expenses of~~
4 *downpayment of a principal residence* by a qualified taxpayer who
5 established the account.

6 ~~(d)~~

7 (c) For purposes of this section:

8 (1) ~~“Individual home”~~ “Home ownership savings account” means
9 a trust that meets all of the following requirements:

10 (A) Is designated as ~~an individual~~ *a home ownership savings*
11 *account* by the 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 *of the qualified amount* to the account are
16 required to be in cash.

17 (ii) The account is established to pay, pursuant to the
18 requirements and limitations of this section, for ~~the qualified~~
19 ~~individual home ownership savings expenses of the downpayment~~
20 *of a principal residence* by a qualified taxpayer establishing the
21 account.

22 (iii) *The account shall be closed and any remaining balance*
23 *distributed to the qualified taxpayer after the qualified taxpayer*
24 *withdraws money from the home ownership savings account for*
25 *the down payment of a principal residence.*

26 (C) Is, except as otherwise required or authorized by this section,
27 subject to the same requirements and limitations as an individual
28 retirement account established under Section 408 of the Internal
29 Revenue ~~Code, Code~~ and any regulations adopted thereunder. *If*
30 *a qualified taxpayer uses the money in the home ownership savings*
31 *account for the downpayment of a principal residence, no*
32 *additional tax shall be imposed in accordance with Section 72(t)*
33 *of the Internal Revenue Code, relating to 10-percent additional*
34 *tax on early distributions from qualified retirement plans, and*
35 *Section 219 of the Internal Revenue Code, relating to individual*
36 *retirement savings, shall not apply. Any age limitations that apply*
37 *to an individual retirement account established under Section 408*
38 *of the Internal Revenue Code, relating to individual retirement*
39 *plans, shall not apply to a home ownership savings account.*

1 (D) Is the only ~~individual~~ home ownership savings account *ever*
 2 established by the qualified taxpayer.

3 ~~(2) “Qualified individual home ownership development~~
 4 ~~expenses” means expenses, including a downpayment or mortgage~~
 5 ~~payment, paid or incurred in connection with the purchase of a~~
 6 ~~qualified taxpayer’s principal residence in California for use by~~
 7 ~~that taxpayer who established the individual home ownership~~
 8 ~~savings account.~~

9 (2) *“Principal residence” has the same meaning as within*
 10 *Section 121 of the Internal Revenue Code relating to exclusion of*
 11 *gain from sale of principal residence.*

12 (3) *“Qualified amount” means the marginal tax rate applicable*
 13 *to the qualified taxpayer multiplied by the amount of rent, not to*
 14 *exceed eighteen thousand dollars (\$18,000), paid during the*
 15 *taxable year by the qualified taxpayer.*

16 ~~(3)~~

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

25 ~~(1)~~

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

29 ~~(2)~~

30 ~~(ii) Fifty thousand dollars (\$50,000) for a qualified taxpayer~~
 31 ~~filing a return other than as described in paragraph (1): clause (i).~~

32 (B) For each taxable year beginning on or after January 1, 2017,
 33 2018, the Franchise Tax Board shall recompute the *adjusted* gross
 34 income amounts described in paragraph (A) in the same manner
 35 as prescribed in subdivision (h) of Section 17041.

36 ~~(4)~~

37 (5) “Trustee” shall have the same meaning as it does under
 38 Section 408 of the Internal Revenue ~~Code~~ *Code*, relating to
 39 individual retirement accounts, and any regulations adopted
 40 thereunder.

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

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