

1 HB171
2 216508-5
3 By Representative South
4 RFD: Ways and Means Education
5 First Read: 18-JAN-22

1
2 ENROLLED, An Act,

3 To amend Sections 24-11-5, 24-11-7, and 24-11-10,
4 Code of Alabama 1975, relating to first-time and second chance
5 home buyer savings accounts; to extend the ability to create a
6 first-time and second chance home buyer savings account; to
7 allow deposits for ten years; to define the account holder's
8 responsibilities; and to require the Department of Revenue to
9 report additional information.

10 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

11 Section 1. Sections 24-11-5, 24-11-7, and 24-11-10,
12 Code of Alabama 1975, are amended to read as follows:

13 "§24-11-5.

14 "(a) The account holder shall do all of the
15 following:

16 (1) Not use funds held in a first-time and second
17 chance home buyer savings account to pay expenses of
18 administering the account, except that a service or other
19 account fee may be deducted from the account by the financial
20 institution in which the account is held.

21 "(2) Submit the following to the Department of
22 Revenue with the account holder's Alabama income tax return:

23 "a. Detailed information, in a form prescribed by
24 the Department of Revenue, regarding the first-time and second

1 chance home buyer savings account, including a list of
 2 transactions for the account during the tax year.

3 "b. Form 1099 issued by the financial institution
 4 for the account.

5 "(3) Submit to the department, upon a withdrawal of
 6 funds from a first-time and second chance home buyer savings
 7 account, a detailed account of the eligible costs toward which
 8 the account funds were applied and a statement of the amount
 9 of funds remaining in the account, if any. If upon withdrawal
 10 of funds from the first-time and second chance home buyer
 11 savings account, the account holder fails to provide the
 12 department with the detailed account of the eligible costs
 13 towards which the account funds were applied, the entire
 14 account's funds, including the interest and other income on
 15 principal, shall be subject to the penalties listed under
 16 Section 24-11-8.

17 "(b) Failure to submit the documentation required
 18 under subsection (a) on an annual basis with the filing of the
 19 Alabama income tax return will result in the automatic denial
 20 of the deduction and exclusion.

21 "§24-11-7.

22 "(a) Except as otherwise provided in this chapter
 23 and subject to the limitations under this section, a
 24 first-time and second chance home buyer savings account holder
 25 shall be entitled to a state tax deduction, subject to the

1 limitations of this section, not to exceed five thousand
2 dollars (\$5,000) for an account holder who files an individual
3 tax return or ten thousand dollars (\$10,000) for joint account
4 holders who file a joint tax return, for contributions made by
5 the account holder to a first-time and second chance home
6 buyer savings account during the tax year in which the
7 deduction is claimed.

8 "(b) Except as otherwise provided in this chapter
9 and subject to the limitations under this section, earnings
10 from the first-time and second chance home buyer savings
11 account, including interest and other income on the principal,
12 shall be excluded from taxable income of an account holder for
13 Alabama income tax purposes during the tax year.

14 "(c) An account holder may claim the deduction and
15 exclusion under this section as follows:

16 "(1) For a period not to exceed ~~five~~ 10 years.

17 "(2) For an aggregate total amount of principal and
18 earnings not to exceed twenty-five thousand dollars (\$25,000)
19 for individual accounts and fifty thousand dollars (\$50,000)
20 for joint accounts during the ~~five-year~~ 10-year period.

21 "(3) Only if the principal and earnings of the
22 account remain in the account until a withdrawal is made for
23 eligible costs related to the purchase of a single-family
24 residence by a first-time and second chance home buyer.

1 "(d) A person other than the account holder who
2 deposits funds in a first-time and second chance home buyer
3 savings account shall not be entitled to the deduction and
4 exclusion provided under this chapter.

5 "(e) Any funds in a first-time and second chance
6 home buyer savings account not expended on eligible costs by
7 December 31 of the last year of the ~~five-year~~ 10-year period
8 beginning with January 1 of the tax year in which a deduction
9 was first claimed under subsection (a) shall thereafter be
10 included in the account holder's taxable income.

11 "(f) The deduction and exclusion from taxable income
12 provided by this chapter shall apply to any alternative basis
13 for calculating taxable income for Alabama income tax
14 purposes.

15 "(g) The funds in the first-time and second chance
16 home buyer savings account shall not be used to purchase a
17 single-family residence outside of this state.

18 "~~(h) This section shall terminate five years from~~
19 ~~the effective date of this act December 31, 2028, for No~~
20 ~~first-time and second chance home buyer savings account~~
21 ~~holders not currently claiming the deduction and exclusion~~
22 shall be established under this section chapter after December
23 31, 2028, unless extended by an act of the Legislature.

24 "§24-11-10.

1 "The department shall report to the Fiscal Division
2 of the Legislative Services Agency on an annual basis the
3 total annual number of deductions claimed and total amount of
4 deposits deducted pursuant to this chapter, the number of
5 taxpayers who submitted an account to the department pursuant
6 to subdivision (a) (3) of Section 24-11-5, and the number of
7 taxpayers who claimed a first-time and second chance home
8 buyer deduction that did not expend the funds pursuant to
9 subsection (e) of Section 24-11-7, or were subjected to the
10 penalty provisions of Section 24-11-8."

11 Section 2. This act shall become effective
12 immediately following its passage and approval by the
13 Governor, or its otherwise becoming law.

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Speaker of the House of Representatives

President and Presiding Officer of the Senate

House of Representatives

I hereby certify that the within Act originated in
and was passed by the House 24-FEB-22, as amended.

Jeff Woodard
Clerk

Senate

31-MAR-22

Passed