

1 HB177
2 216508-1
3 By Representative South
4 RFD: Ways and Means Education
5 First Read: 01-FEB-22

8 SYNOPSIS: Under existing law, the 2018 Alabama
9 First-time and Second Chance Home Buyer Savings
10 Account Act allows first-time and second chance
11 home buyers to create savings accounts to save
12 toward the down payment and closing costs of a
13 home. The act placed a five-year limit on the
14 creation of first-time home buyer savings accounts.
15 The act also limited the term of a first-time home
16 buyer savings account to five years.

17 This bill would extend by five years the
18 ability for first-time and second chance home
19 buyers to create a first-time and second chance
20 home buyer savings account.

21 This bill would extend the term of a
22 first-time and second chance home buyer savings
23 account to expire December 31, 2028.

24 This bill would further define the
25 responsibilities of the account holder and require
26 documentation to substantiate the account
27 transactions and credit claims.

1 This bill would also require the Department
2 of Revenue to report the number of reports received
3 by the department from account holders who have
4 expended funds from a savings account to purchase a
5 home.

6
7 A BILL
8 TO BE ENTITLED
9 AN ACT

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

18 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

21 "§24-11-5.

22 "(a) The account holder shall do all of the
23 following:

24 (1) Not use funds held in a first-time and second
25 chance home buyer savings account to pay expenses of
26 administering the account, except that a service or other

1 account fee may be deducted from the account by the financial
2 institution in which the account is held.

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

5 "a. Detailed information, in a form prescribed by
6 the Department of Revenue, regarding the first-time and second
7 chance home buyer savings account, including a list of
8 transactions for the account during the tax year.

9 "b. Form 1099 issued by the financial institution
10 for the account.

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

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

27 "§24-11-7.

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

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

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

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

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

25 "(3) Only if the principal and earnings of the
26 account remain in the account until a withdrawal is made for

1 eligible costs related to the purchase of a single-family
2 residence by a first-time and second chance home buyer.

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

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

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

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

20 "(h) This section shall terminate ~~five years from~~
21 ~~the effective date of this act~~ December 31, 2028, for
22 first-time and second chance home buyer savings account
23 holders not currently claiming the deduction and exclusion
24 under this section, unless extended by an act of the
25 Legislature.

26 "§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.