



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB5503

by Rep. Tony McCombie

SYNOPSIS AS INTRODUCED:

New Act
35 ILCS 5/227 new

Creates the Illinois First-Time Homebuyer Savings Account Act. Provides that first-time homebuyers may open a first-time homebuyer savings account to pay or reimburse costs in connection with a qualified home purchase. Provides that the account holder shall not use any funds in a first-time homebuyer savings account to pay expenses of administering the account except for fees and charges assessed by the financial institution. Provides for reporting to the Department of Revenue. Defines terms. Amends the Illinois Income Tax Act. Provides that a taxpayer shall be allowed an annual credit for amounts deposited by the taxpayer into a first-time homebuyer savings account of up to \$2,000 for individual taxpayers, and up to \$4,000 for married taxpayers. Provides a maximum lifetime credit of 10 times the taxpayer's annual maximum deduction. Provides that beginning January 1, 2020, the Department shall adjust, every year, the maximum tax credits available to a first-time homebuyer savings account holder for inflation.

LRB100 17407 HLH 32573 b

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Illinois First-Time Homebuyer Savings Account Act.

6 Section 5. Definitions. As used in this Act:

7 "Account holder" means an individual who establishes,
8 either individually or jointly with the individual's spouse, a
9 first-time homebuyer savings account under this Act.

10 "Department" means the Department of Revenue.

11 "Designated beneficiary" means an individual meeting the
12 requirements under this Act and designated by an account holder
13 as beneficiary of the account holder's first-time homebuyer
14 savings account.

15 "Eligible home costs" means the following: (1) the down
16 payment for the purchase of a single-family residence in
17 Illinois by a designated beneficiary; and (2) a cost, fee, tax,
18 or payment incurred by, or charged or assigned to, a designated
19 beneficiary for the purchase of a single-family residence in
20 Illinois, and listed on the statement of receipts and
21 disbursements for the sale, including any statement prescribed
22 by 12 C.F.R. 1026.38. "Eligible home costs" also includes any
23 United States Department of Veterans Affairs funding fee

1 incurred by, or charged or assigned to, a designated
2 beneficiary in connection with a United States Department of
3 Veterans Affairs home loan guaranty program.

4 "Financial institution" means a State or federally
5 chartered bank, savings and loan association, credit union, or
6 trust company in this state.

7 "First-time homebuyer" means an individual who is a
8 resident of Illinois and who does not own, either individually
9 or jointly, a single-family or multifamily residence, and who
10 has not owned or purchased, either individually or jointly, a
11 single-family or multifamily residence for a period of 3 years
12 prior to either of the following: the date on which the
13 individual is named as a designated beneficiary of a first-time
14 homebuyer savings account; or the date of the qualified home
15 purchase for which the eligible home costs are paid or
16 reimbursed from a first-time homebuyer savings account.

17 "First-time homebuyer savings account" means an account
18 that meets the requirements under this Act and that was
19 established for the purpose of paying or reimbursing a
20 designated beneficiary's eligible home costs in connection
21 with a qualified home purchase.

22 "Qualified home purchase" means, with respect to a
23 first-time homebuyer savings account, the purchase of a
24 single-family residence in Illinois by the account's
25 designated beneficiary 90 or more days after the date the
26 account holder first opened a first-time homebuyer savings

1 account.

2 "Single-family residence" means a single-family residence
3 owned and occupied by a designated beneficiary as the
4 designated beneficiary's principal residence.

5 Section 10. First-time homebuyer savings account.

6 (a) Beginning January 1, 2018, an individual may open an
7 interest-bearing savings account with a financial institution
8 and designate the entire account as a first-time homebuyer
9 savings account for the purpose of paying or reimbursing a
10 designated beneficiary's eligible home costs in connection
11 with a qualified home purchase. The first-time homebuyer
12 savings account designation shall be made no later than April
13 30 of the year following the tax year during which the account
14 is opened, on forms provided by the Department.

15 (b) A married couple electing to file a joint Illinois
16 individual income tax return may establish a joint first-time
17 homebuyer savings account. Married taxpayers electing to file
18 separate tax returns or separately on a combined tax return for
19 Illinois tax purposes shall not establish or maintain a joint
20 first-time homebuyer savings account.

21 (c) An individual may establish more than one first-time
22 homebuyer savings account, provided each account has a
23 different designated beneficiary.

24 (d) The account holder shall designate one individual as
25 beneficiary of the first-time homebuyer savings account. The

1 designation shall be made on forms provided by the Department
2 and no later than April 30 of the year following the tax year
3 during which the account is opened. The account holder may
4 change the designated beneficiary of the first-time homebuyer
5 savings account at any time.

6 (e) The account holder and designated beneficiary of a
7 first-time homebuyer savings account may be the same
8 individual. An individual may be the designated beneficiary of
9 more than one first-time homebuyer savings account. The
10 designated beneficiary of a first-time homebuyer savings
11 account must be a first-time homebuyer.

12 Section 15. Account administration; account holder
13 responsibilities.

14 (a) Contributions to a first-time homebuyer savings
15 account may be made by any person in the form of cash. There is
16 no limitation on the amount of contributions that may be made
17 to or retained in a first-time homebuyer savings account.

18 (b) The account holder shall not use funds held in a
19 first-time homebuyer savings account to pay expenses, if any,
20 of administering the account, except that all fees and charges
21 assessed by the financial institution may be deducted from the
22 account by the financial institution where the account is held.

23 (c) The account holder shall submit the following
24 information to the Department:

25 (1) An annual report for the first-time homebuyer

1 savings account on forms furnished by the Department. The
2 report shall be filed with the Illinois income tax return
3 of the account holder. The report shall include: a list of
4 transactions occurring on the account during the tax year,
5 and shall identify any supporting documentation to be
6 included with the report or maintained by the taxpayer;
7 information regarding the eligible home costs to which any
8 withdrawn funds were applied in connection with a qualified
9 home purchase; information regarding the amount of funds
10 remaining, if any, in a first-time homebuyer savings
11 account; and such other information as the Department may
12 require by rule.

13 (2) A copy of the federal Internal Revenue Service form
14 1099, or other similar federal Internal Revenue Service
15 income reporting form, if any, issued for the first-time
16 homebuyer savings account to the account holder by the
17 financial institution where the account is held. The form
18 shall be included with the Illinois income tax return of
19 the account holder.

20 (3) Upon a withdrawal of funds from a first-time
21 homebuyer savings account, a transaction report on forms
22 furnished by the department.

23 (d) The account holder may withdraw funds from a first-time
24 homebuyer savings account at any time.

25 Section 20. Financial institution protections. Nothing in

1 this Act shall be construed to require a financial institution
2 to do any of the following, or to make the financial
3 institution responsible or liable for any of the following:

4 (1) designate or label within the financial
5 institution's account contracts, systems, or in any other
6 manner, an account as a first-time homebuyer savings
7 account;

8 (2) ascertain or verify the purpose of a withdrawal of
9 funds from a first-time homebuyer savings account, or track
10 the destination or use of the withdrawn funds;

11 (3) allocate funds in a first-time homebuyer savings
12 account to a designated beneficiary or among joint account
13 holders;

14 (4) report any information to the Department or any
15 other governmental agency;

16 (5) determine or ensure that an account satisfies the
17 requirements to be a first-time homebuyer savings account;

18 (6) determine or ensure that funds withdrawn from a
19 first-time homebuyer savings account are used for the
20 payment or reimbursement of a designated beneficiary's
21 eligible home costs in connection with a qualified home
22 purchase;

23 (7) report or remit taxes or penalties related to the
24 ownership or use of a first-time homebuyer savings account;
25 or

26 (8) include the name of a beneficiary in the title of a

1 first-time homebuyer savings account, or document the
2 change of any beneficiary to a first-time homebuyer savings
3 account.

4 Section 25. Tax treatment. A first-time homebuyer savings
5 account shall be taxable as provided in the Illinois Income Tax
6 Act.

7 Section 30. Rulemaking; forms.

8 (a) The Department, in consultation with the Department of
9 Financial and Professional Regulation, shall adopt rules
10 necessary to implement and administer this Act.

11 (b) The Department shall create and make available forms to
12 be used in complying with this Act, including, but not limited
13 to, the following forms: for designating an account as a
14 first-time homebuyer savings account; for designating an
15 individual as beneficiary of a first-time homebuyer savings
16 account; and a first-time homebuyer savings account annual
17 report as required under subsection (c) of Section 15.

18 Section 35. The Illinois Income Tax Act is amended by
19 adding Section 227 as follows:

20 (35 ILCS 5/227 new)

21 Sec. 227. Illinois First-Time Homebuyer Savings Account
22 credit.

1 (a) For taxable years beginning on and after January 1,
2 2018, a taxpayer shall be allowed a credit for amounts
3 deposited by the taxpayer during the taxable year into a
4 first-time homebuyer savings account under the Illinois
5 First-Time Homebuyer Savings Account Act, together with any
6 interest earned during the taxable year on such an account. For
7 single filers and married persons filing separately, the credit
8 shall not exceed \$2,000 per year; for married persons filing
9 jointly, the credit shall not exceed \$4,000 per year. The
10 maximum amount of credit provided to a taxpayer shall not
11 exceed 10 times the taxpayer's annual deduction limit in the
12 first year of eligibility.

13 (b) On January 1, 2020, and January 1 of each year
14 thereafter, the maximum credits established in subsection (a)
15 shall be adjusted by the Department for inflation as determined
16 by the Consumer Price Index for All Urban Consumers as
17 published by the United States Department of Labor and rounded
18 to the nearest \$100.

19 (c) The credit may not be carried back and may not reduce
20 the taxpayer's liability to less than zero. If the amount of
21 the credit exceeds the tax liability for the year, the excess
22 may be carried forward and applied to the tax liability of the
23 5 taxable years following the excess credit year. The tax
24 credit shall be applied to the earliest year for which there is
25 a tax liability. If there are credits for more than one year
26 that are available to offset a liability, the earlier credit

1 shall be applied first.

2 (d) This Section is exempt from the provisions of Section

3 250.