

**A-Engrossed**  
**House Bill 2996**

Ordered by the House April 25  
Including House Amendments dated April 25

Sponsored by Representative MEEK, Senator OLSEN, Representative JOHNSON; Representatives BUEHLER, BYNUM, DOHERTY, ESQUIVEL, GOMBERG, KENNEMER, KENY-GUYER, MARSH, NOBLE, NOSSE, OLSON, SMITH G, STARK, Senators DEVLIN, HASS (at the request of Oregon Association of Realtors)

**SUMMARY**

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Designates Act as Oregon First-Time Home Buyer Savings Account Act.

Permits individual to create first-time home buyer savings account with financial institution to pay or reimburse [*qualified beneficiary's*] **account holder's** eligible costs for first-time purchase of single family residence.

[*Requires account holder to submit to Department of Revenue information on designated forms and detailed account of first-time home buyer savings account activity. Directs department to prepare forms and distribute informational materials.*]

Allows subtraction from account holder's federal taxable income amounts contributed to first-time home buyer savings account during each tax year. Exempts from taxation amount of interest and other income earned on account. Disallows subtraction or exemption from taxable income for person other than account holder who contributes funds to account. Provides that withdrawals for other than approved purposes are taxable income to account holder. Establishes amount and time limitations on subtractions and exemptions from taxable income.

**Directs Department of Revenue to create means for designating subtraction to which account holder is entitled in individual state income tax return form. Requires financial institution to provide account holder with certificate containing specified information about account.**

Applies to tax years beginning on or after January 1, 2018, and before January 1, 2024.

Takes effect on 91st day following adjournment sine die.

**A BILL FOR AN ACT**

1  
2 Relating to first-time home buyer savings accounts; and prescribing an effective date.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. Sections 2 to 11 of this 2017 Act shall be known and may be cited as the**  
5 **Oregon First-Time Home Buyer Savings Account Act.**

6 **SECTION 2. The Legislative Assembly finds that saving for a down payment and closing**  
7 **costs for the purchase of a first home is challenging in the present economy. The first-time**  
8 **home buyer savings account program will provide opportunities for Oregon residents to save**  
9 **and grow funds for first-time homeownership and will provide Oregonians with meaningful**  
10 **incentives to save for the purchase of a first home.**

11 **SECTION 3. As used in sections 2 to 11 of this 2017 Act:**

12 (1) "Account holder" means a first-time home buyer who establishes a first-time home  
13 buyer savings account.

14 (2) "Allowable closing costs" means disbursements listed in a settlement statement for  
15 the purchase of a single family residence by an account holder.

16 (3) "Eligible costs" means the down payment and allowable closing costs for the purchase  
17 of a single family residence by an account holder.

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 (4) "Financial institution" means a bank, a trust company, a commercial bank, a national  
2 bank, a savings bank, a savings and loan, a thrift institution, a credit union, an insurance  
3 company, a mutual fund, an investment firm or a similar entity authorized to do business  
4 in this state.

5 (5) "First-time home buyer" means an individual who is a resident of this state and has  
6 not owned or purchased, either individually or jointly, a single family residence during a pe-  
7 riod of three years prior to the date of the purchase of a single family residence.

8 (6) "First-time home buyer savings account" or "account" means an account with a fi-  
9 nancial institution that an account holder designates as a first-time home buyer savings ac-  
10 count on the account holder's Oregon income tax return for the purpose of paying or  
11 reimbursing eligible costs for the purchase of a single family residence in this state by the  
12 account holder.

13 (7) "Resident of this state" has the meaning given that term in ORS 316.027.

14 (8) "Settlement statement" means the statement of receipts and disbursements for a  
15 transaction related to real estate, including a statement prescribed under the Real Estate  
16 Settlement Procedures Act of 1974, 12 U.S.C. 2601 et seq., and regulations thereunder.

17 (9) "Single family residence" means a residence intended for occupation by a single family  
18 unit that is owned and occupied by an account holder as the account holder's principal resi-  
19 dence. "Single family residence" includes a manufactured home, residential trailer, mobile  
20 home or condominium unit.

21 (10) "Taxable income" has the meaning given that term in ORS 316.022.

22 **SECTION 4.** (1) An individual may create a first-time home buyer savings account with  
23 a financial institution to be used to pay or reimburse the account holder's eligible costs re-  
24 lated to the purchase of a single family residence.

25 (2) An individual may jointly own a first-time home buyer savings account with another  
26 person if the joint account holders are both first-time home buyers and file a joint income  
27 tax return.

28 (3) An individual may not be the account holder of more than one first-time home buyer  
29 savings account.

30 (4) Only cash and marketable securities may be contributed to a first-time home buyer  
31 savings account. Subject to the limitations of section 5 (4) of this 2017 Act, persons other  
32 than the account holder may contribute funds to a first-time home buyer savings account.  
33 There is no limitation on the amount of contributions that may be made to or retained in a  
34 first-time home buyer savings account.

35 (5) The account holder may not use funds held in a first-time home buyer savings ac-  
36 count to pay expenses of administering the account except that a service fee may be de-  
37 ducted from the account by a financial institution in which the account is held.

38 (6) An account holder may withdraw all or part of the funds from a first-time home buyer  
39 savings account and deposit the funds in a new first-time home buyer savings account held  
40 by a different financial institution or the same financial institution.

41 **SECTION 5.** (1) Subject to section 7 of this 2017 Act, and in addition to the other mod-  
42 ifications to federal taxable income contained in ORS chapter 316, there shall be subtracted  
43 from federal taxable income the amount of funds contributed to an account holder's first-  
44 time home buyer savings account established under sections 2 to 11 of this 2017 Act during  
45 the tax year, not to exceed \$5,000 for an account holder who files an individual tax return

1 or \$10,000 for joint account holders who file a joint tax return.

2 (2)(a) Funds contributed to a first-time home buyer savings account, and earnings, in-  
3 cluding interest and other income, on the principal in the account, during the tax year are  
4 exempt from taxation until withdrawn by the taxpayer, subject to subsection (3) of this sec-  
5 tion.

6 (b) Moneys withdrawn by the account holder from a first-time home buyer savings ac-  
7 count to pay or reimburse that account holder's eligible costs related to purchase of a single  
8 family residence are exempt from taxation under ORS chapter 316. A withdrawal by an ac-  
9 count holder for a purpose other than paying or reimbursing for eligible costs related to the  
10 purchase of a single family residence is taxable under ORS chapter 316.

11 (3) An account holder may claim the subtraction and exemption under subsections (1)  
12 and (2) of this section:

13 (a) For a period not to exceed 10 years;

14 (b) For an aggregate total amount of principal and earnings not to exceed \$50,000 during  
15 the 10-year period; and

16 (c) Only if the principal and interest of the account remain in the account until a with-  
17 drawal is made for eligible costs related to the purchase of a single family residence by the  
18 account holder except as provided in section 4 (6) of this 2017 Act.

19 (4) A person other than the account holder who deposits funds in a first-time home buyer  
20 savings account is not entitled to the exemption and subtraction provided for in this section.

21 (5) Any funds in a first-time home buyer savings account not expended on paying or re-  
22 imbursement eligible costs for the purchase of a single family residence by December 31 of the  
23 last year of the 10-year period under subsection (3) of this section shall thereafter be in-  
24 cluded in the account holder's taxable income.

25 **SECTION 6.** Section 7 of this 2017 Act is added to and made a part of ORS chapter 316.

26 **SECTION 7.** (1) The limits applicable to a subtraction from federal taxable income and  
27 an exemption allowed under section 5 of this 2017 Act are:

28 (a) \$10,000 if reported on a joint tax return, or \$5,000 for all others, if the federal adjusted  
29 gross income of the taxpayer for the tax year, less any outstanding student loan debt, is less  
30 than \$200,000, or, if reported on other than a joint return, less than \$100,000.

31 (b) \$8,000 if reported on a joint tax return, or \$4,000 for all others, if the federal adjusted  
32 gross income of the taxpayer for the tax year, less any outstanding student loan debt, is  
33 \$200,000 or more and less than \$210,000, or, if reported on other than a joint return, \$100,000  
34 or more and less than \$105,000.

35 (c) \$6,000 if reported on a joint tax return, or \$3,000 for all others, if the federal adjusted  
36 gross income of the taxpayer for the tax year, less any outstanding student loan debt, is  
37 \$210,000 or more and less than \$220,000, or, if reported on other than a joint return, \$105,000  
38 or more and less than \$110,000.

39 (d) \$4,000 if reported on a joint tax return, or \$2,000 for all others, if the federal adjusted  
40 gross income of the taxpayer for the tax year, less any outstanding student loan debt, is  
41 \$220,000 or more and less than \$230,000, or, if reported on other than a joint return, \$110,000  
42 or more and less than \$115,000.

43 (e) \$2,000 if reported on a joint tax return, or \$1,000 for all others, if the federal adjusted  
44 gross income of the taxpayer for the tax year, less any outstanding student loan debt, is  
45 \$230,000 or more and less than \$250,000, or, if reported on other than a joint return, \$115,000

1 or more and less than \$125,000.

2 (2) If the federal adjusted gross income of the taxpayer is \$250,000 or more for the tax  
3 year if reported on a joint return, or \$125,000 or more if reported on other than a joint re-  
4 turn, less any outstanding student loan debt, the limit is zero and the taxpayer is not allowed  
5 a subtraction or exemption for federal income taxes under section 5 of this 2017 Act.

6 **SECTION 8.** If an account holder withdraws funds from a first-time home buyer savings  
7 account for a purpose other than paying or reimbursing an account holder for eligible costs  
8 related to the purchase of a single family residence:

9 (1) The withdrawn funds must be included in the account holder's taxable income; and

10 (2) The account holder shall pay a penalty to the Department of Revenue equal to 10  
11 percent of the amount withdrawn. The penalty does not apply to funds withdrawn from an  
12 account that were:

13 (a) Withdrawn by reason of the account holder's death or disability;

14 (b) A disbursement of assets of the account pursuant to a filing for protection under the  
15 United States Bankruptcy Code, 11 U.S.C. 101 et seq.; or

16 (c) Transferred from an account into another account established in accordance with  
17 section 4 (6) of this 2017 Act.

18 **SECTION 9.** The Department of Revenue shall create a means for designating the sub-  
19 traction to which an account holder is entitled under sections 5 and 7 of this 2017 Act in the  
20 individual state income tax return form required to be filed under ORS chapter 316.

21 **SECTION 10.** (1) On or before January 31 of each year, a financial institution at which  
22 a first-time home buyer savings account has been created shall provide to an account holder  
23 who has created a first-time home buyer savings account at the financial institution a cer-  
24 tificate containing the following information:

25 (a) The date when the account was created;

26 (b) The name of the account holder;

27 (c) The amount of funds contributed to the account during the tax year;

28 (d) The amount of funds withdrawn from the account during the tax year; and

29 (e) Any other information as required by rules adopted by the Department of Revenue.

30 (2) A financial institution is not required to:

31 (a) Track the use of money withdrawn from a first-time home buyer savings account; or

32 (b) Allocate funds in a first-time home buyer savings account among joint account hold-  
33 ers.

34 (3) A financial institution is not responsible or liable for:

35 (a) Determining or ensuring that an account satisfies the requirements to be a first-time  
36 home buyer savings account;

37 (b) Determining or ensuring that funds in a first-time home buyer savings account are  
38 used for eligible costs; or

39 (c) Reporting or remitting taxes or penalties related to the use of a first-time home buyer  
40 savings account.

41 (4) Upon being furnished proof of the death of the account holder and such other infor-  
42 mation required by the contract governing the first-time home buyer savings account, a fi-  
43 nancial institution shall distribute the principal and accumulated interest or other income  
44 in the first-time home buyer savings account in accordance with the terms of the contract  
45 governing the account.

1        **SECTION 11.** The Department of Revenue may adopt rules to implement and maintain  
2 the Oregon First-Time Home Buyer Savings Account Act.

3        **SECTION 12.** Sections 1 to 11 of this 2017 Act apply to tax years beginning on or after  
4 January 1, 2018, and before January 1, 2024.

5        **SECTION 13.** This 2017 Act takes effect on the 91st day after the date on which the 2017  
6 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.

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