

HOUSE BILL NO. 4289

February 23, 2021, Introduced by Reps. Damoose, Manoogian, Hall and Tisdell and referred to the Committee on Tax Policy.

A bill to create the Michigan first-time home buyer savings program; to provide for first-time home buyer savings accounts; to prescribe the powers and duties of certain state agencies, boards, and departments; to allow certain tax deductions; and to provide for penalties and remedies.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "Michigan first-time home buyer savings program act".

3 Sec. 3. As used in this act:

1 (a) "Account holder" means an individual who establishes,
2 individually or jointly with 1 or more other individuals, an
3 account with a financial institution for which the account holder
4 claims a first-time home buyer savings account status on his or her
5 income tax return.

6 (b) "Allowable closing costs" means a disbursement listed on a
7 settlement statement for the purchase of a single-family residence
8 in this state by a qualified beneficiary.

9 (c) "Department" means the department of treasury.

10 (d) "Eligible costs" means the down payment and allowable
11 closing costs for the purchase of a single-family residence in this
12 state by a qualified beneficiary.

13 (e) "Financial institution" means any bank, trust company,
14 savings institution, industrial loan association, consumer finance
15 company, credit union, or any benefit association, insurance
16 company, safe deposit company, money market mutual fund, broker, or
17 similar entity authorized to do business in this state.

18 (f) "First-time home buyer" means an individual who is a
19 resident of this state and has not owned or purchased, either
20 individually or jointly, a single-family residence during a period
21 of 3 years prior to the date of the purchase of a single-family
22 residence.

23 (g) "First-time home buyer savings account" or "account" means
24 an account with a financial institution that an account holder
25 designates as a first-time home buyer savings account status on his
26 or her income tax return pursuant to this act for the purpose of
27 paying or reimbursing eligible costs for the purchase of a single-
28 family residence in this state by a qualified beneficiary.

29 (h) "Principal residence" means that term as defined in

1 section 7dd of the general property tax act, 1893 PA 206, MCL
2 211.7dd.

3 (i) "Program" means the first-time home buyer savings program
4 established pursuant to this act.

5 (j) "Qualified beneficiary" means a first-time home buyer who
6 is designated as the beneficiary of an account designated by the
7 account holder as a first-time home buyer savings account.

8 (k) "Qualified withdrawal" means a withdrawal from an account
9 that is not subject to a penalty under this act or taxation under
10 the income tax act of 1967, 1967 PA 281, MCL 206.1 to 206.713, and
11 that meets any of the following:

12 (i) A withdrawal from an account to pay the eligible costs of
13 the qualified beneficiary incurred after the account is
14 established.

15 (ii) A withdrawal made as the result of the death or disability
16 of the qualified beneficiary of an account.

17 (l) "Settlement statement" means the statement of receipts and
18 disbursements for a transaction related to real estate, including a
19 statement prescribed under the real estate settlement procedures
20 act of 1974 (RESPA), 12 USC 2601 to 2617, or an executed sales
21 agreement for the purchase of a manufactured home being conveyed as
22 personal property.

23 (m) "Single-family residence" means a single-family residence
24 owned and occupied by a qualified beneficiary as the qualified
25 beneficiary's principal residence. Single-family residence includes
26 a manufactured home, trailer, mobile home, condominium unit, or
27 cooperative.

28 (n) "Treasurer" means the state treasurer.

29 Sec. 5. (1) The first-time home buyer savings program is

1 established in the department. The purposes, powers, and duties of
2 the first-time home buyer savings program are vested in and shall
3 be exercised by the treasurer or the designee of the treasurer.

4 (2) Beginning January 1, 2022, any individual may open an
5 account with a financial institution and designate the account, in
6 its entirety, as a first-time home buyer savings account to be used
7 to pay or reimburse a qualified beneficiary's eligible costs for
8 the purchase of a single-family residence in this state. An account
9 holder shall designate a first-time home buyer as the qualified
10 beneficiary of the first-time home buyer savings account. The
11 account holder may designate himself or herself as the qualified
12 beneficiary and may change the designated qualified beneficiary at
13 any time, but there may not be more than 1 qualified beneficiary at
14 any 1 time.

15 (3) An individual may jointly own a first-time home buyer
16 savings account with another person if the joint account holders
17 file a joint return under part 1 of the income tax act of 1967,
18 1967 PA 281, MCL 206.1 to 206.532. An individual may be the account
19 holder of more than 1 first-time home buyer savings account.
20 However, an account holder cannot have multiple accounts that
21 designate the same qualified beneficiary. An individual may be
22 designated as the qualified beneficiary on more than 1 first-time
23 home buyer savings account.

24 (4) Only cash and marketable securities may be contributed to
25 a first-time home buyer savings account. Subject to the limitation
26 under section 11, persons other than the account holder may make
27 contributions to a first-time home buyer savings account.

28 Sec. 7. (1) The account holder is responsible for the use or
29 application of funds in a first-time home buyer savings account.

1 The account holder shall not use funds held in an account to pay
2 expenses of administering the account, except that a service fee
3 may be deducted from the account by a financial institution in
4 which the account is held. An account holder may withdraw funds, in
5 whole or in part, from a first-time home buyer savings account and
6 deposit the funds in a new first-time home buyer savings account
7 held by a different financial institution or the same financial
8 institution.

9 (2) An account holder shall submit, with the account holder's
10 income tax return filed under part 1 of the income tax act of 1967,
11 1967 PA 281, MCL 206.1 to 206.532, all of the following to the
12 department, on forms prescribed by the department:

13 (a) Detailed information regarding the first-time home buyer
14 savings account, including a list of transactions for the account
15 during the tax year.

16 (b) The Form 1099 issued by the financial institution for the
17 account.

18 (c) Upon a withdrawal of funds from a first-time home buyer
19 savings account, a detailed account of the eligible costs toward
20 which the account funds were applied and a statement of the amount
21 of funds remaining in the account, if any.

22 (3) The treasurer may promulgate rules to implement the
23 program in accordance with the administrative procedures act of
24 1969, 1969 PA 306, MCL 24.201 to 24.328. The rules shall not apply
25 to, or impose administrative, reporting, or other obligations or
26 requirements on, financial institutions-related accounts for first-
27 time home buyer savings accounts.

28 (4) The department shall prepare the following forms for each
29 of the following to be filed with an income tax return filed under

part 1 of the income tax act of 1967, 1967 PA 281, MCL 206.1 to 206.532, as required under subsection (2):

(a) The designation of an account with a financial institution to serve as a first-time home buyer savings account.

(b) The designation of a qualified beneficiary of a first-time home buyer savings account.

(c) To annually submit to the department detailed information regarding the first-time home buyer savings account, including, but not limited to, a list of transactions for the account during the tax year, and identifying any supporting documentation that is required to be maintained by the account holder.

(5) The department may prepare and distribute informational materials on the Michigan first-time home buyer savings program to financial institutions and potential home buyers to publicize the availability of the program.

Sec. 9. (1) A financial institution is not required to do any of the following:

(a) Designate an account as a first-time home buyer savings account, or designate the qualified beneficiaries of an account, in the financial institution's account contracts or systems or in any other way.

(b) Track the use of money withdrawn from a first-time home buyer savings account.

(c) Allocate funds in a first-time home buyer savings account among joint account holders or multiple qualified beneficiaries.

(d) Report any information to the department that is not otherwise required by law.

(2) A financial institution is not responsible or liable for any of the following:

1 (a) Determining or ensuring that an account satisfies the
2 requirements to be a first-time home buyer savings account.

3 (b) Determining or ensuring that funds in a first-time home
4 buyer savings account are used for eligible cost.

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

7 (3) Upon being furnished proof of the death of the account
8 holder and any other information required by the contract governing
9 the first-time home buyer savings account, a financial institution
10 shall distribute the principal and accumulated interest or other
11 income in the account in accordance with the terms of the contract
12 governing the account.

13 Sec. 11. (1) The maximum account balance limit for a first-
14 time home buyer savings account shall not exceed a maximum of
15 \$50,000.00. Accounts may continue to accrue earnings if the total
16 balance has reached the maximum account balance limit and shall not
17 be considered to have exceeded the maximum account balance limit
18 under this subsection.

19 (2) Contributions to and interest earned on a first-time home
20 buyer savings account are exempt from taxation as provided in
21 section 30 of the income tax act of 1967, 1967 PA 281, MCL 206.30.

22 (3) Qualified withdrawals made from first-time home buyer
23 savings accounts are exempt from taxation as provided in section 30
24 of the income tax act of 1967, 1967 PA 281, MCL 206.30.

25 Sec. 13. (1) If funds are withdrawn from an account for any
26 purpose other than the payment of eligible costs by or on behalf of
27 a qualified beneficiary, there is a penalty equal to 10% of the
28 amount withdrawn. The penalty shall be paid to the department.

29 (2) The penalty does not apply if the funds withdrawn satisfy

1 any of the following:

2 (a) Withdrawn by reason of the qualified beneficiary's death
3 or disability.

4 (b) A disbursement of assets of the account pursuant to a
5 filing for protection under the United States bankruptcy code, 11
6 USC 101 to 1330.

7 (c) Transferred from an account established pursuant to this
8 act into another account established pursuant to this act for the
9 benefit of another qualified beneficiary as provided in section 7.

10 Enacting section 1. This act does not take effect unless
11 Senate Bill No. _____ or House Bill No. 4290 (request no. 01757'21)
12 of the 101st Legislature is enacted into law.