

2019 DRAFTING REQUEST

Bill

For: **David Murphy (608) 266-7500** Drafter: **mshovers**
 By: **Michael** Secondary Drafters:
 Date: **4/8/2019** May Contact:

Same as LRB:

Submit via email: **YES**
 Requester's email: **Rep.Murphy@legis.wisconsin.gov**
 Carbon copy (CC) to: **Erika.Lunder@legis.wisconsin.gov**

Pre Topic:

No specific pre topic given

Topic:

Tax-advantaged first-time home buyer accounts

Instructions:

See attached. Stand alone bill, based on sections 898 and 985 of the budget bill, SB 59

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers 4/8/2019	ccarmich 4/9/2019			
/P1			mbarman 4/9/2019		State S&L Tax Exempt
/1			jmurphy 6/12/2019	jmurphy 6/12/2019	State S&L Tax Exempt

FE Sent For:

<END>

06-13-2019
 ("1")

Shovers, Marc

From: Moscicke, Michael
Sent: Monday, April 08, 2019 1:39 PM
To: Shovers, Marc
Subject: RE: Drafting Request

Thanks for checking. Definitely include any sections that are necessary to ensure the mentioned sections are operational.

Michael Moscicke

Office of State Representative Dave Murphy
Wisconsin State Assembly
Room 318 North State Capitol
Madison, WI 53708-8953
Phone: +1 608-266-7500

From: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Sent: Monday, April 08, 2019 1:37 PM
To: Moscicke, Michael <Michael.Moscicke@legis.wisconsin.gov>
Subject: RE: Drafting Request

Hi Michael:

I was just looking at the request, and there are other bill sections that must be included too. If you include bill section 985, for example, it won't work because it references treatment of statutory section s. 71.05 (6) (a) 29.; that section must be included too.

Also, by not including the section that creates s. 71.05 (6) (b) 54., you're not including the actual tax benefit – the provision that allows the taxpayer to take the deduction for amounts deposited (and gains that're redeposited) into the account.

So is it OK if the bill includes more than bill sections 898 and 985? It needs the parts that create ss. 71.05 (6) (a) 29., 71.05 (6) (b) 54., 71.10 (4) (k) [the order of computation], and the initial applicability section?

Thanks,

Marc

Marc Shovers
Senior Legislative Attorney
Legislative Reference Bureau
608-504-5876

marc.shovers@legis.wisconsin.gov

From: Moscicke, Michael <Michael.Moscicke@legis.wisconsin.gov>
Sent: Monday, April 08, 2019 1:15 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: RE: Drafting Request

Thanks Marc!

From: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Sent: Monday, April 08, 2019 1:14 PM
To: Moscicke, Michael <Michael.Moscicke@legis.wisconsin.gov>
Subject: FW: Drafting Request

Hi Michael:

I just want to let you know that I have your drafting request. The bill should be out soon.

Thanks,

Marc

Marc Shovers
Senior Legislative Attorney
Legislative Reference Bureau
608-504-5876
marc.shovers@legis.wisconsin.gov

From: Barman, Mike <Mike.Barman@legis.wisconsin.gov>
Sent: Monday, April 08, 2019 12:48 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: FW: Drafting Request

From: Rep.Murphy <Rep.Murphy@legis.wisconsin.gov>
Sent: Monday, April 08, 2019 12:36 PM
To: LRB.Legal <lrblegal@legis.wisconsin.gov>
Cc: Handrick, Diane <Diane.Handrick@legis.wisconsin.gov>; Moscicke, Michael <Michael.Moscicke@legis.wisconsin.gov>
Subject: Draft Request

Hello,

Rep. Murphy would like a standalone bill drafted that incorporates just sections 898 and 985 of the budget bill, SB-59. These sections are related to first-time home buyers savings accounts.

Thank you,

Michael Moscicke

Office of State Representative Dave Murphy

Wisconsin State Assembly

Room 318 North State Capitol

Madison, WI 53708-8953

Phone: +1 608-266-7500



DOA:.....Quinn, BB0309) - Tax-advantaged first-time home buyer accounts
FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

Tues.

s/A
x-ref
s/c

creating

1 AN ACT ^{gc}...; relating to: ~~the budget.~~

Analysis by the Legislative Reference Bureau

TAXATION
INCOME TAXATION

1. Tax-advantaged first-time home buyer accounts

This bill creates a tax-advantaged first-time home buyers savings account. Under the bill, an individual may create the account and must designate a beneficiary of the account, which may be the account holder. The beneficiary must be an individual who is a first-time home buyer, which is defined as someone who resides in this state and has not owned or purchased a single-family residence during the 36 months before the month in which the individual purchases the residence in this state. An account holder may withdraw funds from the account to pay the down payment and eligible closing costs for the purchase of a single-family residence in this state by the beneficiary or to reimburse the beneficiary for eligible costs. The account holder may not use funds from the account to pay any expenses he or she incurs in administering the account, although the financial institution may deduct a service fee from the account.

Beginning in taxable year 2020, annually, an account holder may subtract from his or her federal adjusted gross income (FAGI) up to \$5,000, or \$10,000 if the account holder files a joint income tax return, of the amount he or she contributes to an account, as well as any gain that is redeposited into the account. An account holder

may not claim a subtraction for more than a total of \$50,000 of deposits into an account for each beneficiary.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

560
bill §§
1, 2, 3, 4 should
all remain

SECTION 1. 71.05 (6) (a) 29. of the statutes is created to read:

71.05 (6) (a) 29. For an account holder or an account holder's estate, with regard to an account described under s. 71.10 (10):

a. Any amount that is distributed to an account holder under s. 71.10 (10) (d) 3. or to an account holder's estate under s. 71.10 (10) (d) 4.

b. Any amount that is withdrawn from the account for any reason other than payment or reimbursement of eligible costs as defined under s. 71.10 (10) (a) 3., except that this subd. 29. b. does not apply to the transfer of funds to another account as described under s. 71.10 (10) (c) 4. or funds that are disbursed pursuant to a filing for bankruptcy protection under 11 USC 101 et seq.

SECTION 2. 71.05 (6) (b) 54. of the statutes is created to read:

71.05 (6) (b) 54. For each account an account holder creates under s. 71.10 (10), and subject to s. 71.10 (10) (d), an account holder may subtract an amount of up to \$5,000, or an amount of up to \$10,000 if the account holder files a joint income tax return, for each such account that the account holder deposits into such an account in the taxable year to which the subtraction relates, and any interest, dividends, or other gain that accrues in the account if the interest, dividends, or other gain is redeposited into the account.

Stat

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SECTION 3. 71.10 (4) (k) of the statutes is created to read:

71.10 (4) (k) Any amount computed under s. 71.83 (1) (ch).

SECTION 4. 71.10 (10) of the statutes is created to read:

71.10 (10) FIRST-TIME HOME BUYERS SAVINGS ACCOUNTS. (a) *Definitions*. In this subsection:

1. "Account holder" means an individual who creates, individually or jointly with his or her spouse, an account under this subsection.

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

3. "Beneficiary" means a first-time home buyer who is designated by an account holder as the beneficiary of an account under this subsection.

4. "Eligible costs" means the down payment and allowable closing costs for the purchase of a single-family residence in this state by a beneficiary.

5. "Financial institution" means any bank, trust company, savings institution, savings bank, savings and loan association, industrial loan association, consumer finance company, credit union, or any benefit association, insurance company, safe deposit company, money market mutual fund, or similar entity authorized to do business in this state.

6. "First-time home buyer" means an individual who resides in this state and has not owned or purchased, either individually or jointly, a single-family residence during the 36 months before the month in which the individual purchases a single-family residence in this state.

7. "Single-family residence" means a residence intended for occupation by a single family unit that is owned and occupied by a beneficiary as his or her principal

1 residence, including a manufactured home, residential trailer, mobile home,
2 condominium unit, or cooperative.

3 (b) *Creation of account.* 1. An individual may become an account holder by
4 creating an account at a financial institution to pay or reimburse the eligible costs
5 of a first-time home buyer.

6 2. The account holder shall designate a beneficiary when the account is created.
7 The account holder may designate himself or herself as the beneficiary. An account
8 holder may change the beneficiary at any time. No account created under this
9 subsection may have more than one beneficiary at any one time.

10 3. An individual may jointly own an account created under this subsection with
11 his or her spouse.

12 4. An individual may be the account holder of more than one account created
13 under this subsection, but an account holder may not have more than one account
14 that designates the same beneficiary.

15 5. An individual may be the beneficiary of more than one account created under
16 this subsection.

17 6. Only cash and marketable securities may be contributed to an account under
18 this subsection.

19 7. Persons other than an account holder may contribute to an account created
20 under this subsection, but the subtraction under s. 71.05 (6) (b) 54. may be claimed
21 only by an account holder.

22 (c) *Account holder rights and responsibilities.* 1. An account holder may
23 withdraw funds from an account created under this subsection to pay eligible costs
24 for the benefit of the beneficiary or to reimburse the beneficiary for eligible costs the
25 beneficiary incurs and has paid.

1 2. An account holder may not use funds in an account created under this
2 subsection to pay any expenses he or she incurs in administering the account,
3 although a financial institution may deduct a service fee from the account.

4 3. Annually, an account holder shall submit to the department of revenue with
5 his or her income tax return, on forms prepared by the department, detailed
6 information regarding the account. The information submitted shall include all of
7 the following:

8 a. A list of transactions in the account during the taxable year to which the
9 account holder's return relates, including the beginning and ending balance of the
10 account.

11 b. The 1099 form issued by the financial institution that relates to the account.

12 c. A list of eligible costs, and other costs, for which funds from the account were
13 withdrawn during the taxable year to which the account holder's return relates.

14 4. An account holder may withdraw funds from the account with no penalty due
15 under s. 71.83 (1) (ch) and no responsibility to make an addition under s. 71.05 (6)
16 (a) 29., if he or she immediately transfers the funds to a different financial institution
17 and deposits the funds into an account created under this subsection at that financial
18 institution.

19 (d) *Limitations on accounts, dissolution.* 1. An account holder may not claim
20 a subtraction under s. 71.05 (6) (b) 54. for more than a total of \$50,000 of deposits into
21 an account for each beneficiary.

22 2. An account holder shall dissolve an account created under this subsection
23 not later than 120 months after it is created by the account holder.

1 3. If funds remain in an account when it must be dissolved under subd. 2., the
2 financial institution shall distribute the proceeds in the account to the account
3 holder.

4 4. If an account holder dies while funds remain in the account, the proceeds
5 shall be distributed to the account holder's estate.

6 (e) *Department responsibilities.* The department shall:

7 1. Prepare and distribute any forms that an account holder is required to
8 submit under this subsection, and any other forms that the department believes are
9 necessary to enable it to administer this subsection and the adjustments to income
10 under s. 71.05 (6) (a) 29. and (b) 54.

11 2. Prepare and distribute to financial institutions and potential home buyers
12 informational materials about the accounts described in this subsection.

13 **SECTION 5.** 71.83 (1) (ch) of the statutes is created to read:

14 71.83 (1) (ch) *First-time home buyers savings account withdrawals.* If an
15 account holder, as defined under s. 71.10 (10) (a) 1., or an account holder's estate is
16 required to add any amount to federal adjusted gross income under s. 71.05 (6) (a)
17 29., the account holder or the account holder's estate shall also pay an amount equal
18 to 10 percent of the amount that was added to income under s. 71.05 (6) (a) 29. The
19 department of revenue shall assess, levy, and collect the penalty under this
20 paragraph as it assesses, levies, and collects taxes under this chapter.

21 **SECTION 9337. Initial applicability, Revenue.**

22 (1) The treatment of ss. 71.05 (6) (a) 29. and (b) 54. and 55., 71.10 (4) (k) and
23 (10), and 71.83 (1) (ch) first applies to taxable years beginning on January 1, 2020.

24 This act

(END)



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-2699/P1
MES:cde

1/1
No Changes

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 **AN ACT to create** 71.05 (6) (a) 29., 71.05 (6) (b) 54., 71.10 (4) (k), 71.10 (10) and
2 71.83 (1) (ch) of the statutes; **relating to:** creating tax-advantaged first-time
3 home buyer accounts.

Analysis by the Legislative Reference Bureau

This bill creates a tax-advantaged first-time home buyers savings account. Under the bill, an individual may create the account and must designate a beneficiary of the account, which may be the account holder. The beneficiary must be an individual who is a first-time home buyer, which is defined as someone who resides in this state and has not owned or purchased a single-family residence during the 36 months before the month in which the individual purchases the residence in this state. An account holder may withdraw funds from the account to pay the down payment and eligible closing costs for the purchase of a single-family residence in this state by the beneficiary or to reimburse the beneficiary for eligible costs. The account holder may not use funds from the account to pay any expenses he or she incurs in administering the account, although the financial institution may deduct a service fee from the account.

Beginning in taxable year 2020, annually, an account holder may subtract from his or her federal adjusted gross income (FAGI) up to \$5,000, or \$10,000 if the account holder files a joint income tax return, of the amount he or she contributes to an account, as well as any gain that is redeposited into the account. An account holder may not claim a subtraction for more than a total of \$50,000 of deposits into an account for each beneficiary.

1 3. If funds remain in an account when it must be dissolved under subd. 2., the
2 financial institution shall distribute the proceeds in the account to the account
3 holder.

4 4. If an account holder dies while funds remain in the account, the proceeds
5 shall be distributed to the account holder's estate.

6 (e) *Department responsibilities.* The department shall:

7 1. Prepare and distribute any forms that an account holder is required to
8 submit under this subsection, and any other forms that the department believes are
9 necessary to enable it to administer this subsection and the adjustments to income
10 under s. 71.05 (6) (a) 29. and (b) 54.

11 2. Prepare and distribute to financial institutions and potential home buyers
12 informational materials about the accounts described in this subsection.

13 **SECTION 5.** 71.83 (1) (ch) of the statutes is created to read:

14 71.83 (1) (ch) *First-time home buyers savings account withdrawals.* If an
15 account holder, as defined under s. 71.10 (10) (a) 1., or an account holder's estate is
16 required to add any amount to federal adjusted gross income under s. 71.05 (6) (a)
17 29., the account holder or the account holder's estate shall also pay an amount equal
18 to 10 percent of the amount that was added to income under s. 71.05 (6) (a) 29. The
19 department of revenue shall assess, levy, and collect the penalty under this
20 paragraph as it assesses, levies, and collects taxes under this chapter.

21 **SECTION 6. Initial applicability.**

22 (1) This act first applies to taxable years beginning on January 1, 2020.

23 **(END)**