State of Minnesota
HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 1457

02/21/2019 Authored by Wolgamott, Davids, Huot, Hertaus, Lillie and others
The bill was read for the first time and referred to the Committee on Taxes

A bill for an act

relating to taxation; individual income; extending the subtraction for first-time home buyer savings accounts to contributions; providing a subtraction for certain employer contributions; amending Minnesota Statutes 2018, sections 290.0131, subdivision 14; 290.0132, subdivision 25; 290.0134, by adding a subdivision; 462D.03, subdivision 5; 462D.06, subdivisions 1, 3.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2018, section 290.0131, subdivision 14, is amended to read:

Subd. 14. **First-time home buyer savings account.** (a) For purposes of this subdivision, the terms defined in section 462D.02 have the meanings given in that section.

(b) The amount for a first-time home buyer savings account required by section 462D.06, subdivision 2, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 2. Minnesota Statutes 2018, section 290.0132, subdivision 25, is amended to read:

Subd. 25. **First-time home buyer savings account.** (a) For purposes of this subdivision, the terms defined in section 462D.02 have the meanings given in that section.

(b) The amount of contributions to and earnings on a first-time home buyer savings account allowed by section 462D.06, subdivision 1, is a subtraction. The subtraction allowed under this subdivision for a taxable year is limited to $10,000 for married joint filers and $5,000 for all other filers, except for employers as provided in paragraph (d). For taxpayers with adjusted gross income, as defined in section 62 of the Internal Revenue Code, for the taxable year in excess of a threshold amount, the maximum subtraction is reduced by $1 for each $4 of adjusted gross income in excess of the threshold. The threshold is $250,000 for married joint filers and $125,000 for all other filers.

(c) The adjusted gross income thresholds under paragraph (b) are annually adjusted for inflation. Effective for taxable year 2020, the commissioner shall adjust the dollar amount of the income thresholds at which the maximum subtraction begins to be reduced under paragraph (b) by the percentage determined under section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2016" is substituted for the word "1992." For 2020, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2018, to the 12 months ending on August 31, 2019, and in each subsequent year, from the 12 months ending on August 31, 2018, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner under this subdivision is not a "rule" and is not subject to the Administrative Procedure Act in chapter 14. The threshold amount as adjusted must be rounded to the nearest $100 amount. If the amount ends in $50, the amount is rounded up to the nearest $100 amount.

(d) Employers may claim a subtraction under this subdivision for contributions made to an employee's first-time home buyer savings account. For purposes of this paragraph, "employer" and "employee" have the meanings given in section 290.92, subdivision 1. The subtraction equals the amount of the employer's contributions to an employee's first-time home buyer savings account in a taxable year up to $1,000 per employee.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 3. Minnesota Statutes 2018, section 290.0134, is amended by adding a subdivision to read:

Subd. 17. **Employer contribution to first-time home buyer savings account.** Contributions made by an employer to an employee's first-time home buyer savings account as allowed by section 462D.06, subdivision 1, are a subtraction. For purposes of this paragraph, "employer" and "employee" have the meanings given in section 290.92, subdivision 1. The subtraction equals the amount of the employer's contributions to an employee's first-time home buyer savings account in a taxable year up to $1,000 per employee.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 4. Minnesota Statutes 2018, section 462D.03, subdivision 5, is amended to read:

Subd. 5. **Contributions.** Only cash may be contributed to a first-time home buyer savings account. Individuals other than the account holder may contribute to an account. ~~No more than $14,000 ($28,000 for married joint filers) may be contributed in any year and no more than $50,000 ($100,000 for married joint filers) may be contributed in all years. The maximum amount in any account is limited to $150,000.~~ No limitation applies to the amount of contributions that may be made to or retained in a first-time home buyer savings account.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 5. Minnesota Statutes 2018, section 462D.06, subdivision 1, is amended to read:

Subdivision 1. **Subtraction.** (a) As provided in section 290.0132, subdivision 25, an account holder is allowed a subtraction from the federal taxable income equal to the sum of:

(1) the amount the account holder contributes to a first-time home buyer savings account during the taxable year, not to exceed $5,000, or $10,000 for a married couple filing a joint return; and

(2) interest or dividends earned on the first-time home buyer savings account during the taxable year.

(b) The subtraction under paragraph (a) is allowed each year for the taxable years including and following the taxable year in which the account was established. No person other than the account holder, or an employer as provided under section 290.0132, subdivision 25, paragraph (d), and section 290.0134, subdivision 17, is allowed a subtraction under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 6. Minnesota Statutes 2018, section 462D.06, subdivision 3, is amended to read:

Subd. 3. **Additional tax.** As provided in section 290.06, subdivision 2g, the account holder is liable for an additional tax equal to ten percent of the addition under subdivision 2 for the taxable year. This amount must be added to the amount due under section 290.06. The tax under this subdivision does not apply to:

(1) a withdrawal because of the account holder's or designated qualified beneficiary's death or disability;

(2) a disbursement of assets of the account under federal bankruptcy law; and

(3) a disbursement of assets of the account under chapter 550 or 551.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.