

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 511

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:

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

1 income tax return.

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

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

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

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

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

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

25 (h) "Principal residence" means that term as defined in
26 section 7dd of the general property tax act, 1893 PA 206, MCL
27 211.7dd.

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

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

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

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

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

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

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

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

27 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, 2019 and through December 31, 2025,
5 any individual may open an account with a financial institution and
6 designate the account, in its entirety, as a first-time home buyer
7 savings account to be used to pay or reimburse a qualified
8 beneficiary's eligible costs for the purchase of a single-family
9 residence in this state. An account holder shall designate a first-
10 time home buyer as the qualified beneficiary of the first-time home
11 buyer savings account. The account holder may designate himself or
12 herself as the qualified beneficiary and may change the designated
13 qualified beneficiary at any time, but there may not be more than 1
14 qualified beneficiary at 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.

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

11 (2) An account holder shall submit, with the account holder's
12 income tax return filed under part 1 of the income tax act of 1967,
13 1967 PA 281, MCL 206.1 to 206.532, all of the following to the
14 department, on forms prescribed by the department:

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

18 (b) The Form 1099 issued by the financial institution for the
19 account.

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

24 (3) The treasurer may promulgate rules to implement the
25 program in accordance with the administrative procedures act of
26 1969, 1969 PA 306, MCL 24.201 to 24.328. The rules shall not apply
27 to, or impose administrative, reporting, or other obligations or

1 requirements on, financial institutions-related accounts for first-
2 time home buyer savings accounts.

3 (4) The department shall prepare the following forms for each
4 of the following to be filed with an income tax return filed under
5 part 1 of the income tax act of 1967, 1967 PA 281, MCL 206.1 to
6 206.532, as required under subsection (2):

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

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

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

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

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

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

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

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

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

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

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

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

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

13 (3) Upon being furnished proof of the death of the account
14 holder and any other information required by the contract governing
15 the first-time home buyer savings account, a financial institution
16 shall distribute the principal and accumulated interest or other
17 income in the account in accordance with the terms of the contract
18 governing the account.

19 Sec. 11. (1) The maximum account balance limit for a first-
20 time home buyer savings account shall not exceed a maximum of
21 \$50,000.00. Accounts may continue to accrue earnings if the total
22 balance has reached the maximum account balance limit and shall not
23 be considered to have exceeded the maximum account balance limit
24 under this subsection.

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

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

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

8 (2) The penalty does not apply if the funds withdrawn satisfy
9 any of the following:

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

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

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

18 Enacting section 1. This act takes effect January 1, 2019.

19 Enacting section 2. This act does not take effect unless
20 Senate Bill No. 512 of the 99th Legislature is enacted into law.