

**ASSEMBLY BILL**

**No. 1736**

---

---

**Introduced by Assembly Member Steinorth**

February 1, 2016

---

---

An act to add Sections 17141.5 and 17204.5 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1736, as introduced, Steinorth. Personal income taxes: deduction: individual homeownership savings accounts.

The Personal Income Tax Law, in modified conformity with federal income tax laws allows various exclusions from gross income, and allows various deductions in computing the income that is subject to the taxes imposed by that law, including miscellaneous itemized deductions that are allowed only to the extent that the aggregate amount of those deductions exceed 2% of adjusted gross income.

This bill, on and after January 1, 2017, would allow a deduction, not to exceed specified amounts, of the amount contributed in any taxable year to an individual homeownership savings account, and, would exclude from gross income any income earned on the moneys contributed to an individual homeownership savings account. The bill would provide that a qualified taxpayer may withdraw amounts from an individual homeownership savings account to pay for qualified individual homeownership savings expenses, as defined, and would provide that any amount withdrawn from that account that is not used for these expenses would be included as income for that taxpayer. The bill would define various terms for its purposes.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 17141.5 is added to the Revenue and  
2 Taxation Code, to read:  
3 17141.5. For each taxable year beginning on or after January  
4 1, 2017, gross income does not include, under the same conditions  
5 as provided in Section 408 of the Internal Revenue Code, relating  
6 to individual retirement accounts, any income accruing during the  
7 taxable year to an individual homeownership savings account as  
8 defined in Section 17204.5.

9 SEC. 2. Section 17204.5 is added to the Revenue and Taxation  
10 Code, to read:  
11 17204.5. (a) For each taxable year beginning on or after  
12 January 1, 2017, there shall be allowed as a deduction an amount  
13 equal to the amount contributed by a qualified taxpayer during the  
14 taxable year to an individual homeownership savings account, not  
15 to exceed the amounts specified in subdivision (b).

16 (b) The deduction allowed under subdivision (a) shall not exceed  
17 the following amounts:  
18 (1) Twenty thousand dollars (\$20,000) for a qualified taxpayer  
19 who is married filing a joint return, head of household, and  
20 surviving spouses, as defined in Section 17046.  
21 (2) Ten thousand dollars (\$10,000) in the case of a qualified  
22 taxpayer filing a return other than as described in paragraph (1).

23 (c) Any amount withdrawn from an individual homeownership  
24 savings account shall be included in the income of the payee or  
25 distributee for the taxable year in which the payment or distribution  
26 is made, unless the payment or distribution is used to pay for the  
27 individual homeownership savings expenses of a qualified taxpayer  
28 who established the account.

29 (d) For purposes of this section:  
30 (1) "Individual homeownership savings account" means a trust  
31 that meets all of the following requirements:  
32 (A) Is designated as an individual homeownership savings  
33 account by the trustee.

1 (B) Is established for the exclusive benefit of any qualified  
2 taxpayer establishing the account where the written governing  
3 instrument creating the account provides for the following:

- 4 (i) All contributions to the account are required to be in cash.
- 5 (ii) The account is established to pay, pursuant to the  
6 requirements and limitations of this section, for the qualified  
7 individual homeownership savings expenses of a qualified taxpayer  
8 establishing the account.

9 (C) Is, except as otherwise required or authorized by this section,  
10 subject to the same requirements and limitations as an individual  
11 retirement account established under Section 408 of the Internal  
12 Revenue Code, and any regulations adopted thereunder.

13 (D) Is the only individual homeownership savings account  
14 established by the qualified taxpayer.

15 (2) “Qualified individual homeownership development  
16 expenses” means expenses, including a down payment or mortgage  
17 payment, paid or incurred in connection with the purchase of a  
18 qualified taxpayer’s principal residence in California for use by  
19 that taxpayer who established the individual homeownership  
20 savings account.

21 (3) “Qualified taxpayer” means any individual, or individual’s  
22 spouse, who had no present ownership interest in a principal  
23 residence during the preceeding three-year period ending on the  
24 date of the purchase of the principal residence subject to the  
25 contribution allowed by this section.

26 (4) “Trustee” shall have the same meaning as those terms have  
27 under Section 408 of the Internal Revenue Code, and any  
28 regulations adopted thereunder.

29 SEC. 3. This act provides for a tax levy within the meaning of  
30 Article IV of the Constitution and shall go into immediate effect.