

## First-time Homebuyer Savings Account (FTHSA)

### Account Purpose

A FTHSA is a special type of savings account created by the Iowa legislature that helps Iowans save for their first homes. It includes provisions that allow individuals, including people who already own a home, to make tax-deductible contributions into an account to be used by a designated person savings for their first home.

### Account Benefits

A first-time homebuyer savings account has several benefits including:

- The account is interest bearing
- Account holders may exclude from their Iowa adjusted gross income yearly deposits into FTHSA in amounts up to \$2,000 a year. Married taxpayers who file a joint return may exclude up to \$4,000 a year if the account is opened and maintained as a joint account.
- Income from interest earned on a FTHSA is not taxable on state of Iowa tax returns.
- There are no maximum deposits limits.
- The state of Iowa tax deduction for account contributions is available for up to ten years.
- Allowable deduction limits for contributions adjust annually for inflation.

### Account Owner Responsibilities

The account owner is responsible for what the law indicates which includes the following:

- To designate an individual as beneficiary of a first-time homebuyer savings account.
- To fill out an Iowa department of revenue report form and include it with their Iowa income tax return.
- To submit a copy of IRS form 1099 if provided with your Iowa income tax return
- To provide a transaction report to the Iowa Department of Revenue when funds are withdrawn.

The Iowa Department of Revenue will create / supply forms for completing these requirements.

### Frequently Asked Questions

The following FAQs provide general answers to common questions about FTHSA. Please refer to [2017 Iowa Acts Senate File 505](#) for definitive legal guidelines and instructions.

#### How does this law define a first-time homebuyer?

Iowa Senate File 505 defines a first time homebuyer as an individual who is a resident of Iowa and who does not own, either individually or jointly, a single-family residence for a period of three years prior to the date on which the individual is named as a designated beneficiary of a first-time homebuyer savings

account and the date of the qualified home purchase for which the eligible home costs are paid or reimbursed from a first-time homebuyer savings account.

### Can I open a FTHSA even if I already own a home?

Yes, you may open a FTHSA even if you are a home owner provided it was established for the purpose of paying or reimbursing a designated beneficiary's eligible home costs in connection with a qualified home purchase. You may not be the account's designated beneficiary; you must designate an eligible beneficiary who qualified as a first-time homebuyer who must use the money for the purchase of a single-family residence in Iowa. The law includes penalties if the account is misused.

### Can I open more than one FTHSA?

Yes. You may establish more than one account as long as each account has a different designated beneficiary.

### Can I be the beneficiary of more than one FTHSA?

Yes. An individual may be both the account holder and the beneficiary of the same account and an individual can be the designated beneficiary of more than one account.

### If I have already saved money toward a home purchase, why should I open a FTHSA?

While a regular savings or checking account may pay similar interest, only an account officially designated as FTHSA allows you to deduct your contributions or your Iowa income tax return.

### I already have a savings account at Keystone Savings Bank; do I need to do something different?

If you want to take advantage of the benefits of a FTHSA, we recommend you keep funds you are saving for a home purchase in a separate account. You do not need to close your existing savings account but opening a FTHSA simplifies your record keeping, lowers the chance of accidentally using the funds for an unqualified purpose and helps us ensure you get up-to-date information about this specialized account. This is an easy process and once we set you up, you can easily view and manage your FTHSA along with all your other accounts via online banking.

### How is this different from other first-time homebuyer programs?

AFTHSA is a deposit account created for the purpose of savings for a down payment. A variety of first-time homebuyer assistance programs exist for the purpose of obtaining or closing the mortgage such as grants that help with down payment or closing costs. It is possible a FTHSA beneficiary may also qualify for additional homebuyer assistance programs when ready to make a purchase.

### What type of home can I buy?

The law stipulates that the funds must be used for a qualified home purchase, defined as a single-family residence in Iowa. The law further indicates single-family residence means a single-family residence owned and occupied by a designated beneficiary as the designated beneficiary's principal residence, including but not limited to a manufactured home, mobile home, condominium unit, or cooperative.

### What if I withdraw money from my FTHSA for something other than a qualified home purchase expense?

According to the Iowa Department of Revenue, any amount withdrawn from a FTHSA for a non-qualifying purpose during the tax year must be added to the account holder's Iowa net income for that year, to the extent that amount was previously deducted as a contribution. Any withdraw that must be added to the account holder's net income is subject to a 10% penalty, unless the withdraw was made due to the death of the account holder or due to a garnishment, levy or other order. In calculating Iowa taxable income, a taxpayer must add back any amounts deducted at the federal level and paid or reimbursed for qualifying purposes from funds in a FTHSA.

### How long can I deduct my contributions?

The deduction for contributions is subject to a lifetime limit of ten times the account holder's annual deduction limit. This would be reached in ten years if full allowable contributions were made yearly. We encourage you to seek the guidance of a tax or legal professional to ensure that you receive the full tax benefits available to FTHSA account holders.

### When can a beneficiary use the funds?

The account must be open a minimum of 90 days before funds can be used toward a qualified home purchase.