

***Who is eligible for a
First-Time Home Buyer Savings Account?***

A qualified Kansas First-Time Home Buyer is a person who has never owned or purchased under contract for deed, either individually or jointly, a single-family, owner-occupied primary residence including, but not limited to, a condominium unit or a manufactured or mobile home that was assessed and taxed as real property; or as a result of the individual's dissolution of marriage, has not been listed on a property title for at least three consecutive years.

How do I open and register an account?

Potential account owners can establish a First-Time Home Buyer Savings Account at any qualified financial institution. Financial institution means any state bank, state trust company, savings and loan association, federally chartered credit union doing business in this state, credit union chartered by the state of Kansas, national bank, broker-dealer, mutual fund, insurance company or other similar financial entity qualified to do business in this state.

Financial institutions are not required to classify money saved in these accounts as funds intended for the purchase of a first-time home. After establishing an account with a qualifying financial institution, an account owner designates the account as a First-Time Home Buyer Savings Account by reporting the account and its funds to the Kansas Department of Revenue on Schedule FHBS when filing your Kansas Income Tax Return.

A certificate of deposit can be used as a First-Time Home Buyer Savings Account, per Attorney General's Opinion 2023-7.

***What are the tax advantages to opening a
First-Time Home Buyer Savings Account?***

Contributions made by Kansas state income taxpayers to a First-Time Home Buyer Account during the tax year may qualify for a state income tax deduction for the account holder. Up to \$3,000 can be deducted for individual filers, and up to \$6,000 can be deducted for joint filers.

Please consult with your tax advisor or contact the Kansas Department of Revenue for guidance on deducting contributions made into First-Time Home Buyer Savings Account.

What are the limits on the account?

The maximum contribution to an account in any tax year is \$3,000 for an individual and \$6,000 for a married couple filing a joint return. The maximum amount of all contributions into an account in all tax years is \$24,000 for an individual and \$48,000 for a married couple filing a joint return.

If an annual or aggregate contribution limit is exceeded, or if the balance of the account exceeds \$50,000, then thereafter all interest or other income earned on the investment of moneys in the account shall be subject to Kansas income tax.

To take advantage of the tax benefits associated with a First-Time Home Buyers Account, an account must be established and funded for at least one year before a qualified withdrawal is permitted. If the funds are used before this one-year stipulation, the funds are subject to taxation.

If funds are withdrawn from a First-Time Home Buyer Account for non-eligible expenses, they are subject to taxation and may be penalized. Funds may remain in an account for an unlimited duration without the interest or income being subject to recapture or penalty, subject only to the \$50,000 threshold.

QUICK TIP: Many financial intuitions allow you to give accounts a "nickname" through their online banking systems. You may wish to nickname your account as "My First-Time Home Buyer Savings Account" to remind yourself to keep this account separate from your other funds.



Important Definitions

Account holder: An individual who establishes, either individually or jointly with another individual with whom they file joint tax returns, an account with a financial institution for which the account holder claims a First-Time Home Buyer Savings Account status on his or her income tax return. Account holders that are qualified First-Time Home Buyers can establish themselves as the beneficiary. An individual account holder can have unlimited accounts, but each account must have separate designated beneficiaries.

Designated beneficiary: The individual designated by an account holder as the individual whose eligible expenses are expected to be paid from the account for the purchase or construction of a primary residence in this state. An individual may be the beneficiary of more than one account if they are held by separate account holders.

An account holder may change the designated beneficiary at any time, but no account shall have more than one designated beneficiary at any time. No account holder shall be authorized to designate

the same designated beneficiary on multiple accounts held by such account owner.

Eligible expense: Funds in a First-Time Home Buyer Savings Account can be used for down payments and closing costs that may be included as part of a real estate settlement agreement, including, but not limited to, appraisal fees, mortgage origination fees and inspection fees or any down payment, costs and fees that may be included as part of financing the construction of a primary residence. The residence must be located within the State of Kansas, unless the designated beneficiary is an active-duty member of the military who was stationed in Kansas for any time after the creation of the account.

Funds may also be transferred to another newly created account or used to pay service fees assessed by the financial institution.

Further Information

- Kansas Department of Revenue Notice 21-06: First-Time Home Buyer Savings Account Act
<https://www.ksrevenue.gov/taxnotices/notice21-06.pdf#search=first%20time%20home%20buyer>
- Kansas Department of Revenue Schedule FHBS
<https://ksrevenue.gov/pdf/schFHBS.pdf>
- First-Time Home Buyer Savings Account Act (K.S.A. 58-4901 et seq.)
http://kslegislature.org/li/b2023_24/statute/058_000_0000_chapter/058_049_0000_article/058_049_0001_section/058_049_0001_k/
- Attorney General's Opinion 2023-7
<https://ag.ks.gov/docs/default-source/ag-opinions/2023/2023-007.pdf>

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