

PURPOSE & SCOPE:

The First-time Home Buyers Act allows Mississippi residents to establish a savings account to help offset the costs of home ownership and receive tax advantages. The amount deposited into the First-time Home Buyers account and any interest earned on the account is excluded from gross income.

REFERENCES:

Miss. Code Ann. Sections 27-7-15(4)(jj), 27-7-1101 & 27-7-1103

OVERVIEW:

What is a first-time home buyer savings account?

A first-time home buyer savings account is an account established with a financial institution by someone who has never owned or purchased under contract for deed a single-family residence. The distributions from a first-time home buyer savings account are for the purpose of paying or reimbursing eligible costs for the purchase of a single-family residence in this state by the account holder.

What can the money in a first-time home buyer savings account be used for?

The savings account may only be used to pay eligible costs such as the down payment and allowable closing costs for the purchase of a single-family residence in this state by a qualified beneficiary. Allowable closing costs are a disbursement listed on a settlement statement for the purchase of a single-family residence.

Can I make first-time home buyer savings contributions to an existing savings account or money market account that contains funds held for a separate purpose?

No, a first-time home buyer savings account must be segregated into a new, separate savings or money market account. You must designate all monies in this account for this purpose.

How much money can I put into my first-time home buyer savings account?

Each qualified beneficiary may contribute up to \$2,500 per year. For *Single, Head of Family, or Married Filing Separate* statuses, the amount of the contribution for any tax year cannot exceed \$2,500. For *Married Filing Joint and Married Spouse Died* statuses, the amount of contribution for any tax year cannot exceed \$5,000.

Can deductible contributions be made to the first-time home buyer savings account over multiple years?

Yes, but the contributions are limited to the amounts listed above for all tax years.

Is there a penalty if I use the money in my first-time home buyer savings account for something other than qualified expenses?

If funds are withdrawn from an account for any purpose other than the payment of eligible expenses, then that amount will be added to gross income and subject to a ten percent (10%) penalty. However, the penalty will not apply if the funds were (a) withdrawn because of the account holder's death or disability, (b) a disbursement of assets of the account pursuant to a filing for protection under the United States Bankruptcy Code, or (c) transferred from a first-time home buyer savings account into another a first-time home buyer savings account.

Can a married couple get a first-time home buyer savings account if one of the spouses has never owned a home?

Yes, but the deduction is limited to \$2,500 because only one of the spouses qualify. If the taxpayers file married filing separate returns, then only the spouse who has never owned a home claims the deduction. The spouse who is the first-time home buyer will also have to be the sole account owner.

What types of homes qualify?

A single-family residence includes a house, manufactured home, modular home, mobile home, condominium unit, or cooperative.

Will a new construction loan qualify?

Yes, as long as the first-time home buyer savings account distributions pay the down payment and/or closing costs.

How is the deduction claimed on the income tax return?

The amount claimed as a deduction will be an *Adjustment to Income* on page 2 of the Mississippi Individual Income Tax Return. Any unqualified withdrawals will be added back to Mississippi income as Other Income on Schedule N.