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NOTICE 24-04

CONTRIBUTIONS TO FIRST-TIME HOME BUYER SAVINGS ACCOUNTS

(JUNE 5, 2024)

During the 2024 Legislative Session Senate Bill 360 was passed and signed into law. Section 2 of the Bill amended K.S.A. 79-32,117, to make changes to the income tax modifications for contributions to first-time home buyer savings accounts.

In accordance with K.S.A. 79-32,117, certain addition and subtraction modifications are made to a taxpayer's federal adjusted gross income to determine the taxpayer's Kansas adjusted gross income. Subsection (c)(xxviii) permits a subtraction modification for certain contributions to a first-time home buyer savings account or for amounts received as income earned from the account. The annual contribution amount is capped at $3,000 for an individual, and at $6,000 for a married couple filing jointly.

Prior to amendment, the amount of the contribution could be claimed as a subtraction modification only for the tax year in which the contribution was made. The amended language expands this period for all tax years beginning after December 31, 2022. The subsection, with the *newly added language,* provides:

> (c)(xxviii) For all taxable years beginning after December 31, 2021: (1) The amount contributed to a first-time home buyer savings account pursuant to K.S.A. 2023 Supp. 58-4903, and amendments thereto, in an amount not to exceed $3,000 for an individual or $6,000 for a married couple filing a joint return; or (2) amounts received as income earned from assets in a first-time home buyer savings account. *For all taxable years beginning after December 31, 2022, contributions made to a first-time home buyer savings account pursuant to subparagraph (1) on and after January 1 but prior to the date required for filing a return pursuant to K.S.A. 79-3221, and amendments thereto, of the successive taxable year may be elected by the taxpayer to apply to the prior taxable year if such election is made at the time of filing the return. No contribution shall be used as a modification pursuant to subparagraph (1) in more than one taxable year.*

In accordance with prior law, taxpayers who contributed to a first-time home buyer savings account during tax year 2023 may claim a subtraction modification for the contribution on their 2023 Kansas income tax return. In accordance with the new language, a taxpayer who contributed to a first-time home buyer savings account during tax year 2024, but prior to the date required for filing their tax year 2023 return, may claim a subtraction modification for the contribution on either their tax year 2023 return or their tax year 2024 return. In subsequent years, taxpayers making contributions to a first-time home buyer savings account have the option of claiming a subtraction modification for the contribution in either: (1) the tax year of the contribution, or (2) the prior tax

year if the contribution is made prior to the date required for filing their tax return for the prior tax year. For purposes of these provisions, the date required for filing a tax return is April 15th, and extensions of time to file are not recognized.

It should be noted K.S.A 79-32,117(b)(xxviii) requires an addition modification for the amount of any contributions to, or earnings from, a first-time home buyer savings account if distributions from the account were not used to pay authorized expenses or were not held for the minimum length of time established by K.S.A. 58-4904. Contributions to, or earnings from, such account include amounts resulting from the failure to properly identify a surviving payable on death beneficiary.

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