Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas
88th General Assembly

A Bill

Regular Session, 2011

HOUSE BILL 2220

By: Representative Biviano

For An Act To Be Entitled

AN ACT TO PROVIDE AN INCOME TAX CREDIT FOR FIRST-TIME HOMEBUYERS.

Subtitle

TO PROVIDE AN INCOME TAX CREDIT FOR FIRST-TIME HOMEBUYERS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 26, Chapter 51, Subchapter 5 is amended to add an additional section to read as follows:

26-51-515. First-time homebuyer income tax credit.

(a) As used in this section:

(1)(A) "First-time homebuyer" means an individual that did not have an ownership interest in a principal residence during the three-year period ending on the date of the purchase of the principal residence.

(B) "First-time homebuyer" includes the individual's spouse, if the individual is married;

(2) "Modified adjusted gross income" means the adjusted gross income of the taxpayer for the taxable year determined under this chapter and increased by any amount excluded from gross income under § 26-51-310;

(3) "Principal residence" means a principal residence as defined by 26 C.F.R. § 1.121-1, as in effect on January 1, 2011;

(4)(A) "Purchase" means an acquisition of a principal residence, but only if:

(i) The principal residence is not acquired from a related person; and

(ii) The basis of the principal residence in the hands of the individual acquiring the principal residence is not determined:

(a) In whole or in part by reference to the adjusted basis of the principal residence in the hands of the person from whom it was acquired; or

(b) Under 26 U.S.C. § 1014(a), as in effect on January 1, 2011.

(B) A principal residence that is constructed by the taxpayer shall be treated as purchased by the taxpayer on the date the taxpayer first occupies the principal residence;

(5) "Purchase price" means the adjusted basis of the principal residence on the date the principal residence is purchased; and

(6) "Related person" means a relationship between persons that would result in the disallowance of losses under 26 U.S.C. § 267, as in effect on January 2, 2011, except that in applying 26 U.S.C. §§ 267(b) and (c) for purposes of this section, 26 U.S.C. § 267(c)(4) shall be treated as providing that the family of an individual includes only his or her spouse, ancestors, and lineal descendants.

(b) A taxpayer who is a first-time homebuyer and purchases a principal residence in the state during a taxable year is allowed as an income tax credit against the tax imposed by this chapter for the taxable year, an amount determined in accordance with subsection (c) of this section.

(c)(1) Except as otherwise provided in this subsection, the income tax credit allowed under subsection (b) is equal to the greater of two thousand five hundred dollars ($2,500) or ten percent (10%) of the purchase price of the principal residence.

(2) If two (2) or more individuals who are not married purchase a principal residence, the amount of the income tax credit allowed under subsection (b) shall be allocated among the individuals as prescribed by the Director of the Department of Finance and Administration, except that the total amount of the income tax credits allowed to all the individuals shall not exceed two thousand five hundred dollars ($2,500).

(3) The amount allowable as an income tax credit under subsection (b) for the taxable year shall be reduced, but not below zero (0) by the amount which bears the same ratio to the amount that is allowable as the excess of the taxpayer’s modified adjusted gross income for the taxable

year, over:

(A) Seventy-five thousand dollars ($75,000) for a single tax filer; or

(B) One hundred fifty thousand dollars ($150,000) for a married filing jointly filer.

(d) An income tax credit under subsection (b) is not allowed to a taxpayer for a taxable year with respect to the purchase of a principal residence if the taxpayer:

(1) Is not a resident of the state;

(2) Is a nonresident alien; or

(3) Disposes of the principal residence or the principal residence ceases to be the principal residence of the taxpayer and, if married, ceases to be the principal residence of the taxpayer's spouse before the close of the taxable year.

(e) One-half (1/2) of the income tax credit allowed under subsection (b) of this section shall be treated as having been allowed to each individual filing a joint return for purposes of this subsection.

(f)(1) This section shall apply only to the first four thousand (4,000) taxpayers to claim the income tax credit under this section in accordance with the rules promulgated by the department.

(2) An income tax credit under this section claimed by two (2) or more individuals, whether married or not married, shall be considered only one (1) income tax credit under this section for the purpose of determining the number of allowable income tax credits under this section.

(g) The director shall promulgate rules to implement this section.

SECTION 2. Effective Date. This section shall apply to principal residences purchased on or after the effective date of this act and to taxable years ending on or after the effective date of this act.