

News & Insights

Jonathan L. Rogers - Gavel to Gavel: A Solid Foundation: Oklahoma's First-Time Home Buyer Savings Account Act

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Tax-advantaged savings plans, such as Health Savings Accounts, Coverdell Education Savings Accounts, and Flexible Savings Accounts, have catapulted an individual's ability to invest in their future while strategically managing their tax liability. In this vein, last year, Oklahoma passed the First-Time Home Buyer Savings Account Act. This law adds another weapon to tax-conscious saver's arsenal by offering a tax-advantaged savings plan for individuals looking to buy their first home or to help kick-start the home-buying process for a loved one.

In brief, Oklahoma's statute provides depositors a deduction on their state income tax return equal to the amount deposited into a savings account that is dedicated to paying for the qualified home-buying expenses of a first-time home buyer.

The process is simple. Oklahoma allows anyone to set up a "home buyer savings account" by, first, opening a separate savings account at any financial institution and, second, "designating" that account by filing a one-page form with the Oklahoma Tax Commission. On the form, the account holder must list a "qualified beneficiary" who will use the funds deposited to purchase their first home. This beneficiary must be a resident of Oklahoma who has never purchased a house in the state. Importantly, the account holder and the beneficiary can be the same person, which means that if you are already saving up to buy your first home, you may be missing out on tax savings.

The primary tax benefit for the account holder is that funds deposited into the account are deductible on the account holder's state income tax return in the year they are deposited up to \$5,000 if filing individually or \$10,000 if filing jointly. Additionally, however, interest on the account is collected tax free.

Still, there are limits to these benefits. To stay tax-advantaged, funds must be used on qualifying expenses, which include all of the primary costs of buying a house, such as the down payment, inspections, and appraisals. Additionally, the savings cease to be tax advantaged after the account exceeds \$50,000, and funds must be spent on qualified home buyer expenses within 15 years of being deposited.

Overall, if you or someone you know is beginning the home buying process or if you are looking for another tax-advantaged way to invest in the future of a loved one, a first-time home buyer savings account is an savvy move to get the most from your savings.

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