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New Iowa law creates tax credit for first-time homebuyers

Our main goal at Availa Bank is to help customers achieve their financial goals, and homeownership is often chief among those goals. Homeownership is something many families strive for, but it can be difficult to save for a down payment on a first home. Fortunately, the 2017 Iowa Legislature passed a law that created a new income tax credit for first-time homebuyers. Iowa residents will be able to take advantage of the new tax credit on deposits made after Jan. 1, 2018.

The tax credit can be accessed through the use of a homebuyer savings account, which can be set up and maintained at Availa Bank. To qualify for the tax deduction, the homebuyer must be a first-time homeowner who has not previously owned – either individually or jointly – a single or multifamily residence in the previous three years.

Here's how it works:

- A qualifying first-time homebuyer savings account must be an interest-bearing savings account and established with a state or federally chartered bank, savings and loan association, credit union or trust company in Iowa.
- The account holder can make unlimited deposits each year to the homebuyer savings account.
- The income tax deduction for 2020 is limited to \$2,137 per year when filing individually and \$4,274 per year when filing jointly.
- Interest earned on account balances is exempt from state income tax.
- Accounts can be opened in another person's name. For example, a parent could open an account and contribute to it as a gift to a child. As long as the funds are used toward the purchase of a first home, it will qualify for the tax deduction.
- The maximum amount that qualifies for the exemption will be adjusted annually for inflation.

The money within an account is available for up to 10 years to be used for the qualifying purchase costs of a single-family residence.

Learn more by contacting your tax professional today to learn more about homebuyer savings account requirements and how opening one can help you achieve your dream of homeownership.



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