1ST FIRST NATIONAL BANK

What Banking Should Be

First-Time Homebuyers Savings Account

The First-Time Homebuyers Savings Account (FTHSA) is a special type of savings account that helps Iowans save for a first home. It includes provisions that allow individuals, including those who already own a home, to make tax deductible contributions into an account to be used by a designated person for certain expenses related to purchasing a first home. Accounts opened at First National Bank can be either a Standard Savings account or Money Market account.

Taxpayer Responsibilities

- Designate a beneficiary of the account by submitting an **Account Holder and Designated Beneficiary Form** by the established due date.
- Ensure the beneficiary is an eligible first-time homebuyer.
- Ensure the funds are withdrawn in connection with the home purchase.
- Keep receipts and records of contributions and distributions.
- Complete an **Iowa Department of Revenue Annual Report** and include it with their Iowa income tax return.
- Submit a copy of **IRS form 1099**, if provided, with their Iowa income tax return.
- Complete and send **Withdrawal Form** to the Iowa Department of Revenue when money is withdrawn. This form must be submitted to the department within 90 days of the date of withdrawal.

Qualifying for the First-Time Homebuyer Deduction

Each year, account holders may contribute an unlimited amount of money into their FTHSAs. However, the amount of such contribution that a taxpayer may deduct from their Iowa adjusted gross income for tax purposes is limited. Annual deduction limits by tax year and filing status are available through the Iowa Department of Revenue.

Taxpayers may establish multiple accounts as long as each account has different beneficiaries. The annual and lifetime deduction limits apply to each account holder, not to each account.

Spending Funds in the Account

The account can be used for a down payment and closing costs for a principal single-family residence in Iowa. If the money is withdrawn for a nonqualified reason or not used to purchase a home within 10 years of when the account was opened, any money previously deducted but not used for a qualifying purchase, plus 10%, is added to the account holder's taxable income for income tax purposes. The 10% penalty does not apply if the withdrawal is due to death of the account holder or due to a garnishment, levy, or order.

Mortgage Lenders

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