



# Senate

General Assembly

**File No. 55**

February Session, 2022

Substitute Senate Bill No. 182

*Senate, March 21, 2022*

The Committee on Banking reported through SEN. MILLER of the 27th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT ESTABLISHING A FIRST-TIME HOMEBUYER SAVINGS ACCOUNT AND TAX DEDUCTION.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective January 1, 2023*) (a) For the purposes of this  
2 section:

3 (1) "Account holder" means an individual who, either individually or  
4 jointly with another individual, establishes a first-time homebuyer  
5 savings account;

6 (2) "Allowable closing costs" means the disbursements listed on a  
7 settlement statement concerning a transaction involving the purchase of  
8 a single-family residence in this state by a qualified beneficiary to serve  
9 as the qualified beneficiary's primary residence;

10 (3) "Commissioner" means the Commissioner of Revenue Services;

11 (4) "Eligible costs" means the down payment and all allowable closing  
12 costs paid or reimbursed by a qualified beneficiary to purchase a single-

13 family residence in this state to serve as the qualified beneficiary's  
14 primary residence;

15 (5) "Financial institution" means a bank, out-of-state bank,  
16 Connecticut credit union, federal credit union or out-of-state credit  
17 union, as those terms are defined in section 36a-2 of the general statutes,  
18 and any affiliate or third-party provider of such entities;

19 (6) "First-time homebuyer" means an individual who did not own or  
20 purchase, either individually or jointly with another person, a single-  
21 family residence prior to the closing date of a real estate transaction  
22 involving the purchase of a single-family residence in this state by the  
23 individual;

24 (7) "First-time homebuyer savings account" means an account  
25 established by one or more account holders with a financial institution  
26 that the account holders designate, on such account holders' return for  
27 the tax imposed under chapter 229 of the general statutes for a taxable  
28 year beginning on or after January 1, 2024, as an account exclusively  
29 containing funds to pay or reimburse eligible costs incurred by the  
30 qualified beneficiary of the account;

31 (8) "Qualified beneficiary" means a first-time homebuyer who is an  
32 account holder and designated as the qualified beneficiary of a first-time  
33 homebuyer savings account and resides in the single-family residence  
34 in this state that is purchased with the funds deposited in such account;

35 (9) "Settlement statement" means the statement of receipts and  
36 disbursements for a transaction related to real estate, including, but not  
37 limited to, a statement prescribed pursuant to the Real Estate Settlement  
38 Procedures Act of 1974, 12 USC Section 2601 et seq., as amended from  
39 time to time, and regulations adopted thereunder; and

40 (10) "Single-family residence" means a single-family residential  
41 dwelling, including, but not limited to, a mobile manufactured home or  
42 a residential unit in a cooperative, common interest community or  
43 condominium.

44 (b) For purposes of implementing the deduction allowed under  
45 subparagraph (B) of subdivision (20) of subsection (a) of section 12-701  
46 of the general statutes, as amended by this act, the commissioner shall  
47 prepare forms for (1) the designation of accounts as first-time  
48 homebuyer savings accounts, (2) the designation of qualified  
49 beneficiaries, and (3) account holders to submit to the commissioner the  
50 information described in subparagraph (B) of subdivision (1) of  
51 subsection (d) of this section and any additional information that the  
52 commissioner reasonably requires pursuant to the provisions of this  
53 section.

54 (c) An individual may establish one or more first-time homebuyer  
55 savings accounts with a financial institution. Two individuals may  
56 jointly establish and serve as the account holders of a first-time  
57 homebuyer savings account, provided such account holders shall file a  
58 joint return for the tax imposed under chapter 229 of the general statutes  
59 for each taxable year during which such account exists. The account  
60 holder or account holders shall, not later than April fifteenth of the  
61 taxable year immediately following the taxable year during which such  
62 account holder or account holders established a first-time homebuyer  
63 savings account, designate the qualified beneficiary of such account.  
64 The account holder or account holders of a first-time homebuyer savings  
65 account may designate a new qualified beneficiary of the account at any  
66 time, provided there shall not be more than one qualified beneficiary of  
67 such account at any time. No individual may establish or serve as an  
68 account holder of multiple first-time homebuyer savings accounts that  
69 have the same qualified beneficiary. First-time homebuyer savings  
70 accounts shall exclusively contain cash and there shall be no limit on the  
71 amount of contributions made to, or contained in, such accounts. Any  
72 person may contribute to a first-time homebuyer savings account. The  
73 account holder or account holders may invest funds deposited in a first-  
74 time homebuyer savings account in money market funds.

75 (d) (1) Each account holder shall:

76 (A) Not use any portion of the funds deposited in a first-time

77 homebuyer savings account to pay any administrative fees or expenses,  
78 other than service fees imposed by the depository financial institution,  
79 for such account;

80 (B) Submit to the commissioner such account holder's tax return for  
81 each taxable year beginning on or after January 1, 2023, during which a  
82 first-time homebuyer savings account established by such account  
83 holder exists, along with:

84 (i) Any information required by the commissioner concerning such  
85 first-time homebuyer savings account for purposes of implementing the  
86 deduction allowed under subparagraph (B) of subdivision (20) of  
87 subsection (a) of section 12-701 of the general statutes, as amended by  
88 this act;

89 (ii) The Internal Revenue Service Form 1099 issued by the depository  
90 financial institution for such first-time homebuyer savings account; and

91 (iii) If such account holder withdrew funds from such first-time  
92 homebuyer savings account during the taxable year that is the subject  
93 of such return, a detailed accounting of all eligible costs and ineligible  
94 costs paid or reimbursed using such funds during such taxable year and  
95 the balance of funds remaining in such account.

96 (2) Each account holder may withdraw all, or any portion of, the  
97 funds contributed to and deposited in a first-time homebuyer savings  
98 account and deposit such funds in another first-time homebuyer savings  
99 account established by such account holder at any financial institution.

100 (e) (1) The commissioner may require that financial institutions  
101 furnish certain information about each first-time homebuyer savings  
102 account.

103 (2) No financial institution shall be required to (A) designate an  
104 account as a first-time homebuyer savings account, (B) track the use of  
105 any funds withdrawn from a first-time homebuyer savings account, or  
106 (C) allocate funds in a first-time homebuyer savings account among  
107 account holders.

108 (3) No financial institution shall be liable or responsible for (A)  
109 determining whether, or ensuring that, an account satisfies the  
110 requirements established in this section concerning first-time  
111 homebuyer savings accounts or the funds in first-time homebuyer  
112 savings accounts are used to pay or reimburse eligible costs, or (B)  
113 disclosing or remitting taxes or penalties concerning first-time  
114 homebuyer savings accounts unless such disclosure or remittance is  
115 required by applicable law.

116 (4) Upon receiving proof of the death of an account holder and all  
117 other information required by any contract governing a first-time  
118 homebuyer savings account established by the account holder, the  
119 depository financial institution shall distribute the funds in the first-  
120 time homebuyer savings account in accordance with the terms of such  
121 contract.

122 (f) (1) Except as provided in subdivision (2) of this subsection, each  
123 account holder who withdraws funds from a first-time homebuyer  
124 savings account for any reason other than paying or reimbursing the  
125 qualified beneficiary of such account for eligible costs incurred by such  
126 qualified beneficiary shall be liable to this state for a civil penalty in an  
127 amount not to exceed ten per cent of the withdrawn amount. Such civil  
128 penalty shall be collectible by the commissioner. If such funds were  
129 deducted by an account holder in accordance with subparagraph (B) of  
130 subdivision (20) of subsection (a) of section 12-701 of the general  
131 statutes, as amended by this act, then such withdrawn funds shall be  
132 considered income.

133 (2) No account holder shall be liable for a penalty under subdivision  
134 (1) of this subsection, nor shall funds withdrawn from a first-time  
135 homebuyer savings account be considered income, if the funds  
136 withdrawn from the first-time homebuyer savings account:

137 (A) Are deposited in another first-time homebuyer savings account  
138 pursuant to subdivision (2) of subsection (d) of this section;

139 (B) Are withdrawn due to the death or disability of an account holder

140 who established such account;

141 (C) Constitute a disbursement of the assets of such account pursuant  
142 to a filing for protection under the United States Bankruptcy Code, as  
143 amended from time to time; or

144 (D) Are not claimed as a deduction pursuant to subparagraph (B) of  
145 subdivision (20) of subsection (a) of section 12-701 of the general  
146 statutes, as amended by this act, by the account holder on a return for  
147 the tax imposed under chapter 229 of the general statutes.

148 (g) The commissioner may adopt regulations, in accordance with the  
149 provisions of chapter 54 of the general statutes, to implement the  
150 provisions of this section.

151 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of  
152 section 12-701 of the 2022 supplement to the general statutes is repealed  
153 and the following is substituted in lieu thereof (*Effective January 1, 2023*):

154 (B) There shall be subtracted therefrom:

155 (i) To the extent properly includable in gross income for federal  
156 income tax purposes, any income with respect to which taxation by any  
157 state is prohibited by federal law;

158 (ii) To the extent allowable under section 12-718, exempt dividends  
159 paid by a regulated investment company;

160 (iii) To the extent properly includable in gross income for federal  
161 income tax purposes, the amount of any refund or credit for  
162 overpayment of income taxes imposed by this state, or any other state  
163 of the United States or a political subdivision thereof, or the District of  
164 Columbia;

165 (iv) To the extent properly includable in gross income for federal  
166 income tax purposes and not otherwise subtracted from federal  
167 adjusted gross income pursuant to clause (x) of this subparagraph in  
168 computing Connecticut adjusted gross income, any tier 1 railroad

169 retirement benefits;

170 (v) To the extent any additional allowance for depreciation under  
171 Section 168(k) of the Internal Revenue Code for property placed in  
172 service after September 27, 2017, was added to federal adjusted gross  
173 income pursuant to subparagraph (A)(ix) of this subdivision in  
174 computing Connecticut adjusted gross income, twenty-five per cent of  
175 such additional allowance for depreciation in each of the four  
176 succeeding taxable years;

177 (vi) To the extent properly includable in gross income for federal  
178 income tax purposes, any interest income from obligations issued by or  
179 on behalf of the state of Connecticut, any political subdivision thereof,  
180 or public instrumentality, state or local authority, district or similar  
181 public entity created under the laws of the state of Connecticut;

182 (vii) To the extent properly includable in determining the net gain or  
183 loss from the sale or other disposition of capital assets for federal income  
184 tax purposes, any gain from the sale or exchange of obligations issued  
185 by or on behalf of the state of Connecticut, any political subdivision  
186 thereof, or public instrumentality, state or local authority, district or  
187 similar public entity created under the laws of the state of Connecticut,  
188 in the income year such gain was recognized;

189 (viii) Any interest on indebtedness incurred or continued to purchase  
190 or carry obligations or securities the interest on which is subject to tax  
191 under this chapter but exempt from federal income tax, to the extent that  
192 such interest on indebtedness is not deductible in determining federal  
193 adjusted gross income and is attributable to a trade or business carried  
194 on by such individual;

195 (ix) Ordinary and necessary expenses paid or incurred during the  
196 taxable year for the production or collection of income which is subject  
197 to taxation under this chapter but exempt from federal income tax, or  
198 the management, conservation or maintenance of property held for the  
199 production of such income, and the amortizable bond premium for the  
200 taxable year on any bond the interest on which is subject to tax under

201 this chapter but exempt from federal income tax, to the extent that such  
202 expenses and premiums are not deductible in determining federal  
203 adjusted gross income and are attributable to a trade or business carried  
204 on by such individual;

205 (x) (I) For taxable years commencing prior to January 1, 2019, for a  
206 person who files a return under the federal income tax as an unmarried  
207 individual whose federal adjusted gross income for such taxable year is  
208 less than fifty thousand dollars, or as a married individual filing  
209 separately whose federal adjusted gross income for such taxable year is  
210 less than fifty thousand dollars, or for a husband and wife who file a  
211 return under the federal income tax as married individuals filing jointly  
212 whose federal adjusted gross income for such taxable year is less than  
213 sixty thousand dollars or a person who files a return under the federal  
214 income tax as a head of household whose federal adjusted gross income  
215 for such taxable year is less than sixty thousand dollars, an amount  
216 equal to the Social Security benefits includable for federal income tax  
217 purposes;

218 (II) For taxable years commencing prior to January 1, 2019, for a  
219 person who files a return under the federal income tax as an unmarried  
220 individual whose federal adjusted gross income for such taxable year is  
221 fifty thousand dollars or more, or as a married individual filing  
222 separately whose federal adjusted gross income for such taxable year is  
223 fifty thousand dollars or more, or for a husband and wife who file a  
224 return under the federal income tax as married individuals filing jointly  
225 whose federal adjusted gross income from such taxable year is sixty  
226 thousand dollars or more or for a person who files a return under the  
227 federal income tax as a head of household whose federal adjusted gross  
228 income for such taxable year is sixty thousand dollars or more, an  
229 amount equal to the difference between the amount of Social Security  
230 benefits includable for federal income tax purposes and the lesser of  
231 twenty-five per cent of the Social Security benefits received during the  
232 taxable year, or twenty-five per cent of the excess described in Section  
233 86(b)(1) of the Internal Revenue Code;



234 (III) For the taxable year commencing January 1, 2019, and each  
235 taxable year thereafter, for a person who files a return under the federal  
236 income tax as an unmarried individual whose federal adjusted gross  
237 income for such taxable year is less than seventy-five thousand dollars,  
238 or as a married individual filing separately whose federal adjusted gross  
239 income for such taxable year is less than seventy-five thousand dollars,  
240 or for a husband and wife who file a return under the federal income tax  
241 as married individuals filing jointly whose federal adjusted gross  
242 income for such taxable year is less than one hundred thousand dollars  
243 or a person who files a return under the federal income tax as a head of  
244 household whose federal adjusted gross income for such taxable year is  
245 less than one hundred thousand dollars, an amount equal to the Social  
246 Security benefits includable for federal income tax purposes; and

247 (IV) For the taxable year commencing January 1, 2019, and each  
248 taxable year thereafter, for a person who files a return under the federal  
249 income tax as an unmarried individual whose federal adjusted gross  
250 income for such taxable year is seventy-five thousand dollars or more,  
251 or as a married individual filing separately whose federal adjusted gross  
252 income for such taxable year is seventy-five thousand dollars or more,  
253 or for a husband and wife who file a return under the federal income tax  
254 as married individuals filing jointly whose federal adjusted gross  
255 income from such taxable year is one hundred thousand dollars or more  
256 or for a person who files a return under the federal income tax as a head  
257 of household whose federal adjusted gross income for such taxable year  
258 is one hundred thousand dollars or more, an amount equal to the  
259 difference between the amount of Social Security benefits includable for  
260 federal income tax purposes and the lesser of twenty-five per cent of the  
261 Social Security benefits received during the taxable year, or twenty-five  
262 per cent of the excess described in Section 86(b)(1) of the Internal  
263 Revenue Code;

264 (xi) To the extent properly includable in gross income for federal  
265 income tax purposes, any amount rebated to a taxpayer pursuant to  
266 section 12-746;

267 (xii) To the extent properly includable in the gross income for federal  
268 income tax purposes of a designated beneficiary, any distribution to  
269 such beneficiary from any qualified state tuition program, as defined in  
270 Section 529(b) of the Internal Revenue Code, established and  
271 maintained by this state or any official, agency or instrumentality of the  
272 state;

273 (xiii) To the extent allowable under section 12-701a, contributions to  
274 accounts established pursuant to any qualified state tuition program, as  
275 defined in Section 529(b) of the Internal Revenue Code, established and  
276 maintained by this state or any official, agency or instrumentality of the  
277 state;

278 (xiv) To the extent properly includable in gross income for federal  
279 income tax purposes, the amount of any Holocaust victims' settlement  
280 payment received in the taxable year by a Holocaust victim;

281 (xv) To the extent properly includable in gross income for federal  
282 income tax purposes of an account holder, as defined in section 31-  
283 51ww, interest earned on funds deposited in the individual  
284 development account, as defined in section 31-51ww, of such account  
285 holder;

286 (xvi) To the extent properly includable in the gross income for federal  
287 income tax purposes of a designated beneficiary, as defined in section  
288 3-123aa, interest, dividends or capital gains earned on contributions to  
289 accounts established for the designated beneficiary pursuant to the  
290 Connecticut Homecare Option Program for the Elderly established by  
291 sections 3-123aa to 3-123ff, inclusive;

292 (xvii) To the extent properly includable in gross income for federal  
293 income tax purposes, any income received from the United States  
294 government as retirement pay for a retired member of (I) the Armed  
295 Forces of the United States, as defined in Section 101 of Title 10 of the  
296 United States Code, or (II) the National Guard, as defined in Section 101  
297 of Title 10 of the United States Code;

298 (xviii) To the extent properly includable in gross income for federal  
299 income tax purposes for the taxable year, any income from the discharge  
300 of indebtedness in connection with any reacquisition, after December  
301 31, 2008, and before January 1, 2011, of an applicable debt instrument or  
302 instruments, as those terms are defined in Section 108 of the Internal  
303 Revenue Code, as amended by Section 1231 of the American Recovery  
304 and Reinvestment Act of 2009, to the extent any such income was added  
305 to federal adjusted gross income pursuant to subparagraph (A)(xi) of  
306 this subdivision in computing Connecticut adjusted gross income for a  
307 preceding taxable year;

308 (xix) To the extent not deductible in determining federal adjusted  
309 gross income, the amount of any contribution to a manufacturing  
310 reinvestment account established pursuant to section 32-9zz in the  
311 taxable year that such contribution is made;

312 (xx) To the extent properly includable in gross income for federal  
313 income tax purposes, (I) for the taxable year commencing January 1,  
314 2015, ten per cent of the income received from the state teachers'  
315 retirement system, (II) for the taxable years commencing January 1,  
316 2016, to January 1, 2020, inclusive, twenty-five per cent of the income  
317 received from the state teachers' retirement system, and (III) for the  
318 taxable year commencing January 1, 2021, and each taxable year  
319 thereafter, fifty per cent of the income received from the state teachers'  
320 retirement system or, for a taxpayer whose federal adjusted gross  
321 income does not exceed the applicable threshold under clause (xxi) of  
322 this subparagraph, the percentage pursuant to said clause of the income  
323 received from the state teachers' retirement system, whichever  
324 deduction is greater;

325 (xxi) To the extent properly includable in gross income for federal  
326 income tax purposes, except for retirement benefits under clause (iv) of  
327 this subparagraph and retirement pay under clause (xvii) of this  
328 subparagraph, for a person who files a return under the federal income  
329 tax as an unmarried individual whose federal adjusted gross income for  
330 such taxable year is less than seventy-five thousand dollars, or as a

331 married individual filing separately whose federal adjusted gross  
332 income for such taxable year is less than seventy-five thousand dollars,  
333 or as a head of household whose federal adjusted gross income for such  
334 taxable year is less than seventy-five thousand dollars, or for a husband  
335 and wife who file a return under the federal income tax as married  
336 individuals filing jointly whose federal adjusted gross income for such  
337 taxable year is less than one hundred thousand dollars, (I) for the taxable  
338 year commencing January 1, 2019, fourteen per cent of any pension or  
339 annuity income, (II) for the taxable year commencing January 1, 2020,  
340 twenty-eight per cent of any pension or annuity income, (III) for the  
341 taxable year commencing January 1, 2021, forty-two per cent of any  
342 pension or annuity income, (IV) for the taxable year commencing  
343 January 1, 2022, fifty-six per cent of any pension or annuity income, (V)  
344 for the taxable year commencing January 1, 2023, seventy per cent of any  
345 pension or annuity income, (VI) for the taxable year commencing  
346 January 1, 2024, eighty-four per cent of any pension or annuity income,  
347 and (VII) for the taxable year commencing January 1, 2025, and each  
348 taxable year thereafter, any pension or annuity income;

349 (xxii) The amount of lost wages and medical, travel and housing  
350 expenses, not to exceed ten thousand dollars in the aggregate, incurred  
351 by a taxpayer during the taxable year in connection with the donation  
352 to another person of an organ for organ transplantation occurring on or  
353 after January 1, 2017;

354 (xxiii) To the extent properly includable in gross income for federal  
355 income tax purposes, the amount of any financial assistance received  
356 from the Crumbling Foundations Assistance Fund or paid to or on  
357 behalf of the owner of a residential building pursuant to sections 8-442  
358 and 8-443;

359 (xxiv) To the extent properly includable in gross income for federal  
360 income tax purposes, the amount calculated pursuant to subsection (b)  
361 of section 12-704g for income received by a general partner of a venture  
362 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to  
363 time;

364 (xxv) To the extent any portion of a deduction under Section 179 of  
365 the Internal Revenue Code was added to federal adjusted gross income  
366 pursuant to subparagraph (A)(xiv) of this subdivision in computing  
367 Connecticut adjusted gross income, twenty-five per cent of such  
368 disallowed portion of the deduction in each of the four succeeding  
369 taxable years; [and]

370 (xxvi) To the extent properly includable in gross income for federal  
371 income tax purposes, for a person who files a return under the federal  
372 income tax as an unmarried individual whose federal adjusted gross  
373 income for such taxable year is less than seventy-five thousand dollars,  
374 or as a married individual filing separately whose federal adjusted gross  
375 income for such taxable year is less than seventy-five thousand dollars,  
376 or as a head of household whose federal adjusted gross income for such  
377 taxable year is less than seventy-five thousand dollars, or for a husband  
378 and wife who file a return under the federal income tax as married  
379 individuals filing jointly whose federal adjusted gross income for such  
380 taxable year is less than one hundred thousand dollars, (I) for the taxable  
381 year commencing January 1, 2023, twenty-five per cent of any  
382 distribution from an individual retirement account other than a Roth  
383 individual retirement account, (II) for the taxable year commencing  
384 January 1, 2024, fifty per cent of any distribution from an individual  
385 retirement account other than a Roth individual retirement account, (III)  
386 for the taxable year commencing January 1, 2025, seventy-five per cent  
387 of any distribution from an individual retirement account other than a  
388 Roth individual retirement account, and (IV) for the taxable year  
389 commencing January 1, 2026, and each taxable year thereafter, any  
390 distribution from an individual retirement account other than a Roth  
391 individual retirement account; [.]

392 (xxvii) For an account holder, as defined in section 1 of this act, who  
393 files a return under the federal income tax as an unmarried individual,  
394 a married individual filing separately or a head of household whose  
395 federal adjusted gross income for the taxable year is less than one  
396 hundred thousand dollars or who files a return under the federal  
397 income tax as married individuals filing jointly whose federal adjusted

398 gross income for the taxable year is less than two hundred thousand  
399 dollars:

400 (I) To the extent not deductible in determining federal adjusted gross  
401 income and to the extent allowable under the American Rescue Plan Act  
402 of 2021, P.L. 117-2, as amended from time to time, for the taxable year  
403 commencing January 1, 2024, an amount equal to the contributions  
404 deposited during the taxable years commencing January 1, 2023, and  
405 January 1, 2024, in a first-time homebuyer savings account established  
406 pursuant to subsection (c) of section 1 of this act, less any amounts  
407 withdrawn during said taxable years by the account holder from such  
408 account pursuant to subparagraph (D) of subdivision (2) of subsection  
409 (f) of section 1 of this act. The amount allowed to be claimed under this  
410 subclause shall not exceed two thousand five hundred dollars for each  
411 such taxable year for an unmarried individual, a married individual  
412 filing separately or a head of household and five thousand dollars for  
413 each such taxable year for married individuals filing jointly;

414 (II) To the extent not deductible in determining federal adjusted gross  
415 income, for the taxable year commencing January 1, 2025, and each  
416 taxable year thereafter, an amount equal to the contributions deposited  
417 during the taxable year in a first-time homebuyer savings account  
418 established pursuant to subsection (c) of section 1 of this act, less any  
419 amounts withdrawn during the taxable year by the account holder from  
420 such account pursuant to subparagraph (D) of subdivision (2) of  
421 subsection (f) of section 1 of this act. The amount allowed to be claimed  
422 under this subclause for the taxable year shall not exceed two thousand  
423 five hundred dollars for an unmarried individual, a married individual  
424 filing separately or a head of household and five thousand dollars for  
425 married individuals filing jointly; and

426 (III) To the extent properly includable in gross income for federal  
427 income tax purposes, for the taxable year commencing January 1, 2024,  
428 and each taxable year thereafter, an amount equal to the sum of all  
429 interest accrued on a first-time homebuyer savings account, established  
430 pursuant to subsection (c) of section 1 of this act, during the taxable year;

431 and

432 (xxviii) For an account holder who is a qualified beneficiary of a first-  
 433 time homebuyer savings account, as those terms are defined in section  
 434 1 of this act, and who files a return under the federal income tax as an  
 435 unmarried individual, a married individual filing separately or a head  
 436 of household whose federal adjusted gross income for the taxable year  
 437 is less than one hundred thousand dollars or who files a return under  
 438 the federal income tax as married individuals filing jointly whose  
 439 federal adjusted gross income for the taxable year is less than two  
 440 hundred thousand dollars, for taxable years commencing on or after  
 441 January 1, 2024, an amount equal to any withdrawal from such account  
 442 that is used to pay or reimburse such qualified beneficiary for eligible  
 443 costs, as defined in section 1 of this act, incurred by the qualified  
 444 beneficiary.

445 Sec. 3. (*Effective from passage*) On or before July 1, 2023, the Treasurer  
 446 shall make recommendations, in accordance with section 11-4a of the  
 447 general statutes, to the joint standing committee of the General  
 448 Assembly having cognizance of matters relating to banking regarding  
 449 whether and how marketable securities may be held in a first-time  
 450 homebuyer savings account established pursuant to subsection (c) of  
 451 section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2023</i>	New section
Sec. 2	<i>January 1, 2023</i>	12-701(a)(20)(B)
Sec. 3	<i>from passage</i>	New section

**Statement of Legislative Commissioners:**

In Section 1, (e)(1), "first-time homebuyer account" was changed to "first-time homebuyer savings account" for consistency; in Section 2, Subsec. (a)(20)(B)(xxviii) "first-time homebuyers savings account" was changed to "first-time homebuyer savings account" for consistency; and, in Section 3, "(NEW)" was deleted for consistency with standard drafting conventions.

**BA**      *Joint Favorable Subst. -LCO*



The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 23 \$	FY 24 \$
Department of Revenue Services	GF - Cost	None	Less than 100,000
Department of Revenue Services	GF - Revenue Loss	None	None

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill, which establishes a first-time homebuyer savings account program and associated personal income tax deduction, results in: 1) a General Fund revenue loss of less than \$125,000 in FY 25 and less than \$75,000 in FY 26. The revenue loss would grow in FY 27 and beyond subject to program utilization rates.

The bill also results in a one-time cost to the Department of Revenue Services of less than \$100,000 for form preparation and printing/ mailing costs in FY 24 only.

**The Out Years**

The revenue loss would grow in FY 27 and beyond subject to program utilization rates. The bill could result in a revenue loss approaching \$500,000 by FY 33.

Sources: Iowa Department of Revenue

**OLR Bill Analysis****sSB 182*****AN ACT ESTABLISHING A FIRST-TIME HOMEBUYER SAVINGS ACCOUNT AND TAX DEDUCTION.*****SUMMARY**

This bill establishes an income tax deduction for certain individuals who contribute to, or who are the qualified beneficiaries of, funds deposited into a first-time homebuyer savings account. The bill requires the Department of Revenue Services (DRS) commissioner to implement the deduction, including preparing associated forms, and allows him to adopt associated regulations.

Under the bill, individuals may open at financial institutions (i.e., banks, out-of-state banks, credit unions, or their affiliates or third-party providers) savings accounts that are dedicated to paying for or reimbursing the down payment and closing costs of an account holder who is a first-time home buyer and resides (presumably, will reside) in a Connecticut home purchased with account funds (i.e., the “qualified beneficiary”). The bill designates “first-time homebuyers” as those who have not previously owned or purchased, either individually or with someone else, a single-family residence (including a mobile home or residential unit in a cooperative, common interest community or condominium).

To qualify for the bill’s income tax deductions, account holders must have a federal adjusted gross income (AGI) below \$100,000 (for single filers) or \$200,000 (for joint filers) thresholds. Beginning with the 2024 tax year, the bill allows these account holders to deduct (1) the contributions deposited in the account, generally capped at \$2,500 for single filers and \$5,000 for joint filers; (2) any interest that accrues on the accounts; and (3) for an account holder who is also the account’s qualified beneficiary, the amount withdrawn from the account that is

used to pay or reimburse him or her for program eligible costs.

If funds are withdrawn from a first-time homebuyer savings account for a reason other than an allowed purpose, the bill generally imposes a civil penalty of up to 10% of the withdrawn amount.

The bill requires the treasurer, by July 1, 2023, to make recommendations to the Banking Committee about if and how marketable securities may be held in a first-time homebuyer savings account (§ 3).

EFFECTIVE DATE: January 1, 2023, for the homebuyer savings account tax deduction and upon passage for the treasurer's recommendations about marketable securities.

## **ACCOUNT FUNDS**

The bill allows anyone to contribute to a first-time homebuyer savings account with no limit on contributions made to, or contained in, an account. Accounts must only contain cash, but account holders may invest the funds in money market funds.

The bill limits the use of account funds to paying for (1) a qualified beneficiary's down payment and closing costs to purchase a single-family residence in the state as his or her primary residence (i.e., "eligible costs") and (2) the financial institution's account service fees. Allowable closing costs are the disbursements listed on the statement of receipts and disbursements associated with the home purchase.

Under the bill, a "single-family residence" is a single-family residential dwelling and includes a mobile manufactured home or a unit in a cooperative, common interest community, or condominium.

## **ACCOUNT HOLDER POWERS AND RESPONSIBILITIES**

### ***Establishing the Account***

Under the bill, an individual may establish one or more accounts. Individuals who file a joint tax return may jointly establish and serve as account holders, but the bill requires them to jointly file tax returns for

each taxable year that the account exists.

The bill prohibits an account holder from using any funds deposited into an account for administrative fees or expenses, other than the financial institution's service fees.

### ***Designating the Beneficiary***

The bill requires an account holder or joint holders to designate the account's qualified beneficiary. They must do so by April 15 of the year immediately following the taxable year during which the holder or holders established the account.

Under the bill, account holders may designate a new qualified beneficiary at any time but there may be only one qualified beneficiary associated with an account at a time. In addition, the bill prohibits anyone from establishing or serving as an account holder of more than one account with the same qualified beneficiary.

### ***Tax Reporting***

The bill requires an account holder to submit to the DRS commissioner the following information for each tax year during which the holder has a first-time homebuyer savings account:

1. his or her tax return;
2. any information the commissioner requires about the account to implement the tax deduction;
3. the Internal Revenue Service Form 1099 issued by the financial institution for the account; and
4. if the account holder withdrew funds from the account during the taxable year, (a) a detailed accounting of the eligible and ineligible costs paid or reimbursed with account funds and (b) the remaining account balance.

### ***Withdrawing Funds***

The bill allows an account holder to withdraw any amount of the

funds contributed to and deposited in an account, without penalty, as long as the funds are deposited in another first-time homebuyer savings account that the holder established.

The bill establishes a state civil penalty, collectible by the DRS commissioner, of up to 10% of the withdrawn amount for withdrawing from the account for a reason other than transferring the funds to another such account or paying or reimbursing the qualified beneficiary for the home purchase down payment or closing costs. (The bill does not specify how or when the DRS commissioner must set or assess the withdrawal penalty.) If the account holder deducted these withdrawn funds for state income tax purposes (presumably as contributions to or accrued interest on the account), then they are considered income (and presumably must be added to the account holder's AGI for the tax year in which they were withdrawn).

The bill waives the withdrawal penalty and does not consider the withdrawn funds as income under the following four circumstances:

1. the account holder did not claim the funds for a state income tax deduction (presumably, for the deductions established under the bill),
2. the withdrawn funds were subsequently deposited in another account under the first-time homebuyer savings program,
3. the withdrawal was due to the death or disability of an account holder who established the account, or
4. the withdrawal is considered an asset disbursement as part of a bankruptcy proceeding.

### ***Commissioner Responsibilities***

As part of his responsibilities under the bill for implementing the deduction, the DRS commissioner must prepare forms:

1. designating (a) accounts as first-time homebuyer savings accounts and (b) qualified beneficiaries and

2. to collect from account holders information for tax purposes and any other information the commissioner needs to perform his program duties.

### ***Financial Institution Responsibilities***

The bill allows the DRS commissioner to require financial institutions to provide certain (unspecified) information about each first-time homebuyer account. However, the bill also limits the role of financial institutions by specifying that they are not required to:

1. designate an account as a “first-time homebuyer savings account,”
2. track the use of funds withdrawn from an account, or
3. allocate account funds among account holders.

In addition, under the bill, a financial institution is not liable or responsible for:

1. determining if, or ensuring that, an account meets the bill’s requirements;
2. determining if account funds are used to pay for or reimburse eligible costs; and
3. disclosing or remitting taxes or penalties unless applicable law requires it.

However, the bill requires a financial institution to distribute funds in a first-time homebuyer savings account in accordance with the contract governing the account when it receives proof of an account holder’s death and all other information required by the contract.

### **TAX DEDUCTIONS**

Beginning with the 2023 tax year, the bill establishes three tax deductions for first-time homebuyer account holders for single filers (i.e., unmarried individuals, married individuals filing separately, and

heads of household) with a federal AGI of less than \$100,000, and joint filers with a federal AGI of less than \$200,000. The deductions are for (1) qualifying contributions, (2) accrued interest, and (3) withdrawals, and apply only to the extent the income is included in the taxpayer’s federal AGI.

Under the bill, the deduction for contributions generally equals the amount contributed to an account during the applicable tax year, minus any funds withdrawn during the tax year that were not already claimed for a deduction, up to \$2,500 for single filers and \$5,000 for joint filers for each such tax year. For the 2024 tax year, account holders may deduct the amount contributed (less withdrawals) for both the 2023 and 2024 tax years, (i.e., \$5,000 for single filers and \$10,000 for joint filers, in the aggregate). The bill also specifies that the deduction for the 2024 tax year may be claimed to the extent allowable under the federal American Rescue Plan Act of 2021.

The bill also establishes a tax deduction for an account holder who is a qualified beneficiary in the amount of any withdrawal from an account that is used to pay or reimburse for the eligible costs he or she incurs (i.e., the income from a withdrawal used to pay eligible expenses is offset by this tax deduction).

**COMMITTEE ACTION**

Banking Committee

Joint Favorable

Yea 17 Nay 0 (03/08/2022)