



# House of Representatives

General Assembly

**File No. 189**

January Session, 2025

Substitute House Bill No. 6876

*House of Representatives, March 24, 2025*

The Committee on Banking reported through REP. DOUCETTE of the 13th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT ESTABLISHING FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS AND A RELATED TAX DEDUCTION AND CREDIT.***

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

1 Section 1. (NEW) (*Effective January 1, 2026*) (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 one-to-four family residence in this state by a qualified beneficiary to  
9 serve 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 one-

13 to-four family residence in this state to serve as the qualified  
14 beneficiary's 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 one-to-  
21 four family residence prior to the closing date of a real estate transaction  
22 involving the purchase of a one-to-four family residence in this state by  
23 the 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 as an account exclusively containing  
27 funds to pay or reimburse eligible costs incurred by the qualified  
28 beneficiary of the account;

29 (8) "One-to-four family residence" means a residential dwelling  
30 consisting of not more than four dwelling units, including, but not  
31 limited to, a mobile manufactured home, as defined in section 21-64 of  
32 the general statutes, or a residential unit in a cooperative, common  
33 interest community or condominium, as such terms are defined in  
34 section 47-202 of the general statutes;

35 (9) "Qualified beneficiary" means a first-time homebuyer who (A) is  
36 an account holder and designated as the qualified beneficiary of a first-  
37 time homebuyer savings account, and (B) resides in the one-to-four  
38 family residence in this state that is purchased with the funds deposited  
39 in such account; and

40 (10) "Settlement statement" means the statement of receipts and  
41 disbursements for a transaction related to real estate, including, but not  
42 limited to, a statement prescribed pursuant to the Real Estate Settlement  
43 Procedures Act of 1974, 12 USC Section 2601 et seq., as amended from

44 time to time, and regulations adopted thereunder.

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

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

78 employer, such employer shall not seek reimbursement of any  
79 contribution to such account. The account holder or account holders  
80 may invest funds deposited in a first-time homebuyer savings account  
81 in money market funds.

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

83 (A) Not use any portion of the funds deposited in a first-time  
84 homebuyer savings account to pay any administrative fees or expenses,  
85 other than service fees imposed by the depository financial institution,  
86 for such account; and

87 (B) Submit to the commissioner such account holder's tax return for  
88 each taxable year beginning on or after January 1, 2026, during which a  
89 first-time homebuyer savings account established by such account  
90 holder exists, along with:

91 (i) Any information required by the commissioner concerning such  
92 first-time homebuyer savings account for purposes of implementing the  
93 deduction allowed under subparagraph (B) of subdivision (20) of  
94 subsection (a) of section 12-701 of the general statutes, as amended by  
95 this act, and the credit allowed under section 3 of this act;

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

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

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

107 (e) (1) The commissioner may require that financial institutions

108 furnish certain information about each first-time homebuyer savings  
109 account.

110 (2) No financial institution shall be required to (A) designate an  
111 account as a first-time homebuyer savings account, (B) track the use of  
112 any funds withdrawn from a first-time homebuyer savings account, or  
113 (C) allocate funds in a first-time homebuyer savings account among  
114 account holders.

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

123 (4) Upon receiving proof of the death of an account holder and all  
124 other information required by any contract governing a first-time  
125 homebuyer savings account established by the account holder, the  
126 depository financial institution shall distribute the funds in the first-  
127 time homebuyer savings account in accordance with the terms of such  
128 contract.

129 (f) (1) Except as provided in subdivision (2) of this subsection, each  
130 account holder who withdraws funds from a first-time homebuyer  
131 savings account for any reason other than paying or reimbursing the  
132 qualified beneficiary of such account for eligible costs incurred by such  
133 qualified beneficiary shall be liable to this state for a civil penalty in an  
134 amount equal to ten per cent of the withdrawn amount. Such civil  
135 penalty shall be collectible by the commissioner. If such funds were  
136 deducted by an account holder in accordance with subparagraph (B) of  
137 subdivision (20) of subsection (a) of section 12-701 of the general  
138 statutes, as amended by this act, then such withdrawn funds shall be  
139 considered income.

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

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

146 (B) Are withdrawn due to the death or disability of an account holder  
147 who established such account;

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

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

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

158 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of  
159 section 12-701 of the general statutes is repealed and the following is  
160 substituted in lieu thereof (*Effective January 1, 2026*):

161 (B) There shall be subtracted therefrom:

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

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

167 (iii) To the extent properly includable in gross income for federal  
168 income tax purposes, the amount of any refund or credit for

169 overpayment of income taxes imposed by this state, or any other state  
170 of the United States or a political subdivision thereof, or the District of  
171 Columbia;

172 (iv) To the extent properly includable in gross income for federal  
173 income tax purposes and not otherwise subtracted from federal  
174 adjusted gross income pursuant to clause (x) of this subparagraph in  
175 computing Connecticut adjusted gross income, any tier 1 railroad  
176 retirement benefits;

177 (v) To the extent any additional allowance for depreciation under  
178 Section 168(k) of the Internal Revenue Code for property placed in  
179 service after September 27, 2017, was added to federal adjusted gross  
180 income pursuant to subparagraph (A)(ix) of this subdivision in  
181 computing Connecticut adjusted gross income, twenty-five per cent of  
182 such additional allowance for depreciation in each of the four  
183 succeeding taxable years;

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

189 (vii) To the extent properly includable in determining the net gain or  
190 loss from the sale or other disposition of capital assets for federal income  
191 tax purposes, any gain from the sale or exchange of obligations issued  
192 by or on behalf of the state of Connecticut, any political subdivision  
193 thereof, or public instrumentality, state or local authority, district or  
194 similar public entity created under the laws of the state of Connecticut,  
195 in the income year such gain was recognized;

196 (viii) Any interest on indebtedness incurred or continued to purchase  
197 or carry obligations or securities the interest on which is subject to tax  
198 under this chapter but exempt from federal income tax, to the extent that  
199 such interest on indebtedness is not deductible in determining federal  
200 adjusted gross income and is attributable to a trade or business carried

201 on by such individual;

202 (ix) Ordinary and necessary expenses paid or incurred during the  
203 taxable year for the production or collection of income which is subject  
204 to taxation under this chapter but exempt from federal income tax, or  
205 the management, conservation or maintenance of property held for the  
206 production of such income, and the amortizable bond premium for the  
207 taxable year on any bond the interest on which is subject to tax under  
208 this chapter but exempt from federal income tax, to the extent that such  
209 expenses and premiums are not deductible in determining federal  
210 adjusted gross income and are attributable to a trade or business carried  
211 on by such individual;

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

225 (II) For taxable years commencing prior to January 1, 2019, for a  
226 person who files a return under the federal income tax as an unmarried  
227 individual whose federal adjusted gross income for such taxable year is  
228 fifty thousand dollars or more, or as a married individual filing  
229 separately whose federal adjusted gross income for such taxable year is  
230 fifty thousand dollars or more, or for a husband and wife who file a  
231 return under the federal income tax as married individuals filing jointly  
232 whose federal adjusted gross income from such taxable year is sixty  
233 thousand dollars or more or for a person who files a return under the



234 federal income tax as a head of household whose federal adjusted gross  
235 income for such taxable year is sixty thousand dollars or more, an  
236 amount equal to the difference between the amount of Social Security  
237 benefits includable for federal income tax purposes and the lesser of  
238 twenty-five per cent of the Social Security benefits received during the  
239 taxable year, or twenty-five per cent of the excess described in Section  
240 86(b)(1) of the Internal Revenue Code;

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

254 (IV) For the taxable year commencing January 1, 2019, and each  
255 taxable year thereafter, for a person who files a return under the federal  
256 income tax as an unmarried individual whose federal adjusted gross  
257 income for such taxable year is seventy-five thousand dollars or more,  
258 or as a married individual filing separately whose federal adjusted gross  
259 income for such taxable year is seventy-five thousand dollars or more,  
260 or for a husband and wife who file a return under the federal income tax  
261 as married individuals filing jointly whose federal adjusted gross  
262 income from such taxable year is one hundred thousand dollars or more  
263 or for a person who files a return under the federal income tax as a head  
264 of household whose federal adjusted gross income for such taxable year  
265 is one hundred thousand dollars or more, an amount equal to the  
266 difference between the amount of Social Security benefits includable for  
267 federal income tax purposes and the lesser of twenty-five per cent of the

268 Social Security benefits received during the taxable year, or twenty-five  
269 per cent of the excess described in Section 86(b)(1) of the Internal  
270 Revenue Code;

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

274 (xii) To the extent properly includable in the gross income for federal  
275 income tax purposes of a designated beneficiary, any distribution to  
276 such beneficiary from any qualified state tuition program, as defined in  
277 Section 529(b) of the Internal Revenue Code, established and  
278 maintained by this state or any official, agency or instrumentality of the  
279 state;

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

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

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

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

299 of Title 10 of the United States Code;

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

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

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

327 (xx) To the extent properly includable in gross income for federal  
328 income tax purposes, except for retirement benefits under clause (iv) of  
329 this subparagraph and retirement pay under clause (xvi) of this  
330 subparagraph, for a person who files a return under the federal income  
331 tax as an unmarried individual whose federal adjusted gross income for

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

347 (xxi) To the extent properly includable in gross income for federal  
 348 income tax purposes, except for retirement benefits under clause (iv) of  
 349 this subparagraph and retirement pay under clause (xvi) of this  
 350 subparagraph, any pension or annuity income for the taxable year  
 351 commencing on or after January 1, 2024, and each taxable year  
 352 thereafter, in accordance with the following schedule, for a person who  
 353 files a return under the federal income tax as an unmarried individual  
 354 whose federal adjusted gross income for such taxable year is less than  
 355 one hundred thousand dollars, or as a married individual filing  
 356 separately whose federal adjusted gross income for such taxable year is  
 357 less than one hundred thousand dollars, or as a head of household  
 358 whose federal adjusted gross income for such taxable year is less than  
 359 one hundred thousand dollars:

T1	Federal Adjusted Gross Income	Deduction
T2	Less than \$75,000	100.0%
T3	\$75,000 but not over \$77,499	85.0%
T4	\$77,500 but not over \$79,999	70.0%
T5	\$80,000 but not over \$82,499	55.0%

T6	\$82,500 but not over \$84,999	40.0%
T7	\$85,000 but not over \$87,499	25.0%
T8	\$87,500 but not over \$89,999	10.0%
T9	\$90,000 but not over \$94,999	5.0%
T10	\$95,000 but not over \$99,999	2.5%
T11	\$100,000 and over	0.0%

360 (xxii) To the extent properly includable in gross income for federal  
361 income tax purposes, except for retirement benefits under clause (iv) of  
362 this subparagraph and retirement pay under clause (xvi) of this  
363 subparagraph, any pension or annuity income for the taxable year  
364 commencing on or after January 1, 2024, and each taxable year  
365 thereafter, in accordance with the following schedule for married  
366 individuals who file a return under the federal income tax as married  
367 individuals filing jointly whose federal adjusted gross income for such  
368 taxable year is less than one hundred fifty thousand dollars:

T12	Federal Adjusted Gross Income	Deduction
T13	Less than \$100,000	100.0%
T14	\$100,000 but not over \$104,999	85.0%
T15	\$105,000 but not over \$109,999	70.0%
T16	\$110,000 but not over \$114,999	55.0%
T17	\$115,000 but not over \$119,999	40.0%
T18	\$120,000 but not over \$124,999	25.0%
T19	\$125,000 but not over \$129,999	10.0%
T20	\$130,000 but not over \$139,999	5.0%
T21	\$140,000 but not over \$149,999	2.5%
T22	\$150,000 and over	0.0%

369 (xxiii) The amount of lost wages and medical, travel and housing  
370 expenses, not to exceed ten thousand dollars in the aggregate, incurred  
371 by a taxpayer during the taxable year in connection with the donation  
372 to another person of an organ for organ transplantation occurring on or  
373 after January 1, 2017;

374 (xxiv) To the extent properly includable in gross income for federal

375 income tax purposes, the amount of any financial assistance received  
376 from the Crumbling Foundations Assistance Fund or paid to or on  
377 behalf of the owner of a residential building pursuant to sections 8-442  
378 and 8-443;

379 (xxv) To the extent properly includable in gross income for federal  
380 income tax purposes, the amount calculated pursuant to subsection (b)  
381 of section 12-704g for income received by a general partner of a venture  
382 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to  
383 time;

384 (xxvi) To the extent any portion of a deduction under Section 179 of  
385 the Internal Revenue Code was added to federal adjusted gross income  
386 pursuant to subparagraph (A)(xiv) of this subdivision in computing  
387 Connecticut adjusted gross income, twenty-five per cent of such  
388 disallowed portion of the deduction in each of the four succeeding  
389 taxable years;

390 (xxvii) To the extent properly includable in gross income for federal  
391 income tax purposes, for a person who files a return under the federal  
392 income tax as an unmarried individual whose federal adjusted gross  
393 income for such taxable year is less than seventy-five thousand dollars,  
394 or as a married individual filing separately whose federal adjusted gross  
395 income for such taxable year is less than seventy-five thousand dollars,  
396 or as a head of household whose federal adjusted gross income for such  
397 taxable year is less than seventy-five thousand dollars, or for a husband  
398 and wife who file a return under the federal income tax as married  
399 individuals filing jointly whose federal adjusted gross income for such  
400 taxable year is less than one hundred thousand dollars, for the taxable  
401 year commencing January 1, 2023, twenty-five per cent of any  
402 distribution from an individual retirement account other than a Roth  
403 individual retirement account;

404 (xxviii) To the extent properly includable in gross income for federal  
405 income tax purposes, for a person who files a return under the federal  
406 income tax as an unmarried individual whose federal adjusted gross  
407 income for such taxable year is less than one hundred thousand dollars,

408 or as a married individual filing separately whose federal adjusted gross  
 409 income for such taxable year is less than one hundred thousand dollars,  
 410 or as a head of household whose federal adjusted gross income for such  
 411 taxable year is less than one hundred thousand dollars, (I) for the taxable  
 412 year commencing January 1, 2024, fifty per cent of any distribution from  
 413 an individual retirement account other than a Roth individual  
 414 retirement account, (II) for the taxable year commencing January 1, 2025,  
 415 seventy-five per cent of any distribution from an individual retirement  
 416 account other than a Roth individual retirement account, and (III) for  
 417 the taxable year commencing January 1, 2026, and each taxable year  
 418 thereafter, any distribution from an individual retirement account other  
 419 than a Roth individual retirement account. The subtraction under this  
 420 clause shall be made in accordance with the following schedule:

T23	Federal Adjusted Gross Income	Deduction
T24	Less than \$75,000	100.0%
T25	\$75,000 but not over \$77,499	85.0%
T26	\$77,500 but not over \$79,999	70.0%
T27	\$80,000 but not over \$82,499	55.0%
T28	\$82,500 but not over \$84,999	40.0%
T29	\$85,000 but not over \$87,499	25.0%
T30	\$87,500 but not over \$89,999	10.0%
T31	\$90,000 but not over \$94,999	5.0%
T32	\$95,000 but not over \$99,999	2.5%
T33	\$100,000 and over	0.0%

421 (xxix) To the extent properly includable in gross income for federal  
 422 income tax purposes, for married individuals who file a return under  
 423 the federal income tax as married individuals filing jointly whose  
 424 federal adjusted gross income for such taxable year is less than one  
 425 hundred fifty thousand dollars, (I) for the taxable year commencing  
 426 January 1, 2024, fifty per cent of any distribution from an individual  
 427 retirement account other than a Roth individual retirement account, (II)  
 428 for the taxable year commencing January 1, 2025, seventy-five per cent  
 429 of any distribution from an individual retirement account other than a

430 Roth individual retirement account, and (III) for the taxable year  
 431 commencing January 1, 2026, and each taxable year thereafter, any  
 432 distribution from an individual retirement account other than a Roth  
 433 individual retirement account. The subtraction under this clause shall  
 434 be made in accordance with the following schedule:

T34	Federal Adjusted Gross Income	Deduction
T35	Less than \$100,000	100.0%
T36	\$100,000 but not over \$104,999	85.0%
T37	\$105,000 but not over \$109,999	70.0%
T38	\$110,000 but not over \$114,999	55.0%
T39	\$115,000 but not over \$119,999	40.0%
T40	\$120,000 but not over \$124,999	25.0%
T41	\$125,000 but not over \$129,999	10.0%
T42	\$130,000 but not over \$139,999	5.0%
T43	\$140,000 but not over \$149,999	2.5%
T44	\$150,000 and over	0.0%

435 (xxx) To the extent properly includable in gross income for federal  
 436 income tax purposes, for the taxable year commencing January 1, 2022,  
 437 the amount or amounts paid or otherwise credited to any eligible  
 438 resident of this state under (I) the 2020 Earned Income Tax Credit  
 439 enhancement program from funding allocated to the state through the  
 440 Coronavirus Relief Fund established under the Coronavirus Aid, Relief,  
 441 and Economic Security Act, P.L. 116-136, and (II) the 2021 Earned  
 442 Income Tax Credit enhancement program from funding allocated to the  
 443 state pursuant to Section 9901 of Subtitle M of Title IX of the American  
 444 Rescue Plan Act of 2021, P.L. 117-2;

445 (xxxi) For the taxable year commencing January 1, 2023, and each  
 446 taxable year thereafter, for a taxpayer licensed under the provisions of  
 447 chapter 420f or 420h, the amount of ordinary and necessary expenses  
 448 that would be eligible to be claimed as a deduction for federal income  
 449 tax purposes under Section 162(a) of the Internal Revenue Code but that  
 450 are disallowed under Section 280E of the Internal Revenue Code  
 451 because marijuana is a controlled substance under the federal



452 Controlled Substance Act;

453 (xxxii) To the extent properly includable in gross income for federal  
454 income tax purposes, for the taxable year commencing on or after  
455 January 1, 2025, and each taxable year thereafter, any common stock  
456 received by the taxpayer during the taxable year under a share plan, as  
457 defined in section 12-217ss;

458 (xxxiii) To the extent properly includable in gross income for federal  
459 income tax purposes, the amount of any student loan reimbursement  
460 payment received by a taxpayer pursuant to section 10a-19m;

461 (xxxiv) Contributions to an ABLE account established pursuant to  
462 sections 3-39k to 3-39q, inclusive, not to exceed five thousand dollars for  
463 each individual taxpayer or ten thousand dollars for taxpayers filing a  
464 joint return; [and]

465 (xxxv) To the extent properly includable in gross income for federal  
466 income tax purposes, the amount of any payment received pursuant to  
467 subsection (c) of section 3-122a;

468 (xxxvi) For an account holder, as defined in section 1 of this act, who  
469 files a return under the federal income tax as an unmarried individual,  
470 a married individual filing separately or a head of household, whose  
471 federal adjusted gross income for the taxable year is less than one  
472 hundred thousand dollars or who files a return under the federal  
473 income tax as married individuals filing jointly whose federal adjusted  
474 gross income for the taxable year is less than two hundred thousand  
475 dollars:

476 (I) To the extent not deductible in determining federal adjusted gross  
477 income, for the taxable year commencing January 1, 2027, an amount  
478 equal to the contributions deposited during the taxable years  
479 commencing January 1, 2026, and January 1, 2027, in a first-time  
480 homebuyer savings account established pursuant to subsection (c) of  
481 section 1 of this act, less any amounts withdrawn during said taxable  
482 years by the account holder from such account under subparagraph (D)

483 of subdivision (2) of subsection (f) of section 1 of this act. The amount  
484 claimed under this subclause shall not exceed two thousand five  
485 hundred dollars for each such taxable year for an unmarried individual,  
486 a married individual filing separately or a head of household and five  
487 thousand dollars for each such taxable year for married individuals  
488 filing jointly;

489 (II) To the extent not deductible in determining federal adjusted gross  
490 income, for the taxable year commencing January 1, 2028, and each  
491 taxable year thereafter, an amount equal to the contributions deposited  
492 during the taxable year in a first-time homebuyer savings account  
493 established pursuant to subsection (c) of section 1 of this act, less any  
494 amounts withdrawn during the taxable year by the account holder from  
495 such account pursuant to subparagraph (D) of subdivision (2) of  
496 subsection (f) of section 1 of this act. The amount allowed to be claimed  
497 under this subclause for the taxable year shall not exceed two thousand  
498 five hundred dollars for an unmarried individual, a married individual  
499 filing separately or a head of household and five thousand dollars for  
500 married individuals filing jointly; and

501 (III) To the extent properly includable in gross income for federal  
502 income tax purposes, for the taxable year commencing January 1, 2027,  
503 and each taxable year thereafter, an amount equal to the sum of all  
504 interest accrued on a first-time homebuyer savings account, established  
505 pursuant to subsection (c) of section 1 of this act, during the taxable year;  
506 and

507 (xxxvii) To the extent properly includable in gross income for federal  
508 income tax purposes, for an account holder who is a qualified  
509 beneficiary of a first-time homebuyer savings account, as those terms  
510 are defined in section 1 of this act, and who files a return under the  
511 federal income tax as an unmarried individual, a married individual  
512 filing separately or a head of household, whose federal adjusted gross  
513 income for the taxable year is less than one hundred thousand dollars  
514 or who files a return under the federal income tax as married individuals  
515 filing jointly whose federal adjusted gross income for the taxable year is

516 less than two hundred thousand dollars, for taxable years commencing  
517 on or after January 1, 2027, an amount equal to any withdrawal from  
518 such account that is used to pay or reimburse such qualified beneficiary  
519 for eligible costs, as defined in section 1 of this act, incurred by the  
520 qualified beneficiary.

521       Sec. 3. (NEW) (*Effective January 1, 2026*) (a) (1) For the taxable or  
522 income year commencing on or after January 1, 2027, but prior to  
523 January 1, 2028, there shall be allowed a credit against the tax imposed  
524 under chapter 208 or 229 of the general statutes, other than the liability  
525 imposed by section 12-707 of the general statutes, for contributions  
526 deposited by the employer of an account holder in a first-time  
527 homebuyer savings account established pursuant to subsection (c) of  
528 section 1 of this act during the taxable or income years commencing on  
529 or after January 1, 2026, but prior to January 1, 2028, provided such  
530 account holder was employed by such employer at the time such  
531 contributions were made.

532       (2) For the taxable or income years commencing on or after January  
533 1, 2028, there shall be allowed a credit against the tax imposed under  
534 chapter 208 or 229 of the general statutes, other than the liability  
535 imposed by section 12-707 of the general statutes, for contributions  
536 deposited by the employer of an account holder in a first-time  
537 homebuyer savings account established pursuant to subsection (c) of  
538 section 1 of this act during the taxable or income year, provided such  
539 account holder was employed by such employer at the time such  
540 contributions were made.

541       (3) The amount of the credit allowed under subdivisions (1) and (2)  
542 of this subsection shall be equal to ten per cent of the amount of the  
543 contributions made by the taxpayer into the first-time homebuyer  
544 savings accounts of account holders of such accounts during the income  
545 or taxable year, provided the amount of the credit allowed for any  
546 income or taxable year with respect to a specific account holder shall not  
547 exceed two thousand five hundred dollars.

548       (b) If the taxpayer is an S corporation or an entity treated as a

549 partnership for federal income tax purposes, the credit may be claimed  
 550 by the shareholders or partners of the taxpayer. If the taxpayer is a single  
 551 member limited liability company that is disregarded as an entity  
 552 separate from its owner, the credit may be claimed by such limited  
 553 liability company's owner, provided such owner is a person subject to  
 554 the tax imposed under chapter 208 or 229 of the general statutes. Any  
 555 taxpayer claiming the credit shall provide to the Department of Revenue  
 556 Services documentation supporting such claim in the form and manner  
 557 prescribed by the Commissioner of Revenue Services.

This act shall take effect as follows and shall amend the following sections:		
Section 1	January 1, 2026	New section
Sec. 2	January 1, 2026	12-701(a)(20)(B)
Sec. 3	January 1, 2026	New section

**BA**            *Joint Favorable Subst.*

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 26 \$	FY 27 \$
Department of Revenue Services	GF - Cost	None	Up to 175,000
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 and business tax credit, results in a General Fund revenue loss of up to \$713,000 in FY 28 and up to \$970,000 in FY 29. The revenue loss would grow in FY 30 and beyond subject to program utilization rates.

The bill also results in a one-time cost of up to \$175,000 to the Department of Revenue Services in FY 27 associated with programming updates to the CTax tax administration system and myconneCT online portal, form modification, and printing/ mailing costs.

**The Out Years**

**Personal Income Tax Deduction**

The personal income tax deduction for qualifying account contributions, accrued interest, and withdrawals is estimated to result

in a revenue loss of up to \$113,000 in FY 28 and up to \$80,000 in FY 29.<sup>1</sup> The revenue loss could approach \$430,000 by FY 36.

### **Business Tax Credit**

The credit for employer contributions is estimated to result in a revenue loss of up to \$600,000 in FY 28 and up to \$890,500 in FY 29. The revenue loss could annualize to approximately \$800,000 beginning in FY 31. This estimate assumes that the same level of qualifying accounts as the estimate for the personal income tax deduction.

*Sources: Iowa Department of Revenue*

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<sup>1</sup> The estimated revenue loss is larger in FY 28 as the bill specifies that, for the 2027 tax year only, account holders may deduct the amount contributed (less withdrawals) for both the 2026 and 2027 tax years.

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**OLR Bill Analysis****sHB 6876*****AN ACT ESTABLISHING FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS AND A RELATED TAX DEDUCTION AND CREDIT.*****SUMMARY**

This bill creates a first-time homebuyer savings program, generally allowing individuals and employers to contribute into specialized savings accounts to be used for a beneficiary's eligible homebuying expenses and receive tax benefits for doing so.

Specifically, the bill creates (1) personal income tax deductions for certain individuals who contribute to, or are the qualified beneficiaries of, funds deposited into a first-time homebuyer savings account and (2) a tax credit for employers who similarly contribute to the accounts of their employees. It requires the Department of Revenue Services (DRS) commissioner to implement the tax deduction and credit, including by preparing associated forms, and allows him to adopt implementing 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 homebuyer and resides in a Connecticut one- to four-family residence 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 one- to four-family residence (including a mobile manufactured home or a unit in a cooperative, common interest community, or condominium).

To qualify for the bill's tax deductions, account holders must have a

federal adjusted gross income (AGI) below \$100,000 for single filers or \$200,000 for joint filers. They may deduct (1) the contributions deposited in the account, generally capped at \$2,500 for single filers and \$5,000 for joint filers annually; (2) accrued interest; and (3) for an account holder who is also the account's qualified beneficiary, the amount withdrawn that is used to pay or reimburse him or her for program eligible costs. For the bill's tax credit, employers may annually claim 10% of their contributions to employees' accounts against the corporation business or personal income tax, but the amount is capped at \$2,500 for any specific employee. Deductions and credits start in the 2027 tax or income year, as applicable, but the 2027 deduction or credit may include contributions made in the 2026 tax or income year.

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 10% of the withdrawn amount.

EFFECTIVE DATE: January 1, 2026

### **ACCOUNT CONTRIBUTIONS**

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.

It prohibits employers of account holders from seeking reimbursement for contributions they make to an employee's account if his or her employment is terminated.

### **USE OF ACCOUNT FUNDS**

The bill limits the use of account funds to (1) a qualified beneficiary's down payment and closing costs to purchase a one- to four-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 settlement statement associated with the home purchase. The bill allows an account holder to withdraw funds from an account to be deposited into another account



established for the same purpose.

## **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 hold accounts, so long as they 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 individual or joint account holders to designate the account's qualified beneficiary. They must do so by April 15 of the year immediately after the taxable year during which the account was established.

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 holding 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 and credit;
3. the IRS 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 establishes a civil penalty, collectible by the DRS commissioner, of 10% of the withdrawn amount for an account holder who withdraws account funds 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. If the account holder deducted these withdrawn funds for state income tax purposes, the withdrawn funds are considered income.

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

1. the account holder did not claim the funds for a state income tax deduction,
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***

To implement the deduction and credit, the bill requires the DRS commissioner to prepare forms to:

1. designate (a) accounts as first-time homebuyer savings accounts and (b) qualified beneficiaries and
2. 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 authorizes the DRS commissioner to require that financial institutions provide certain unspecified information about each first-time homebuyer account. However, it 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.

Additionally, 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; or
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 BENEFIT – INDIVIDUAL DEDUCTION**

Beginning with the 2027 tax year, the bill establishes three tax deductions for first-time homebuyer account holders for (1) qualifying contributions, (2) accrued interest, and (3) withdrawals. The deductions apply only to the extent the income is included in the taxpayer’s federal AGI.

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**Income Thresholds**

To qualify for the deductions, account holders must meet the following income thresholds:

1. for single filers (i.e. unmarried individuals, married individuals filing separately, and heads of household), a federal AGI of less than \$100,000 and
2. for joint filers, a federal AGI of less than \$200,000.

**Deduction Amounts**

**Contributions.** The bill establishes a deduction for contributions that 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 2027 tax year only, account holders may deduct the amount contributed (less withdrawals) for both the 2026 and 2027 tax years, so allowing an aggregate deduction of up to \$5,000 for single filers and \$10,000 for joint filers.

**Accrued Interest.** The bill allows account holders to deduct the total interest accrued on their accounts during each tax year.

**Qualified Beneficiary Deduction.** For an account holder who is a qualified beneficiary, the bill establishes a tax deduction in the amount of any withdrawal from an account that is used to pay, or reimburse, 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).

**TAX BENEFIT – EMPLOYER CREDIT**

Beginning with the 2027 tax or income year, as applicable, the bill establishes a tax credit for employers that contribute to a current employee's first-time homebuyer savings account, which they may claim against the corporation business tax or personal income tax (but not the withholding tax). The bill sets the annual credit amount at 10%

of the employer’s contributions to the employees’ accounts, capped at \$2,500 for any specific employee. (Corresponding with the bill’s individual deductions, the 2027 credit includes contributions made during the 2026 and 2027 tax or income years.)

Under the bill, if the employer is an S corporation or a partnership for federal income tax purposes, the employer’s shareholders or partners may claim the credit. For a single-member limited liability company that is disregarded as an entity separate from its owner, the owner may claim the credit if he or she is subject to business corporation or income tax. Taxpayers claiming the credit must provide DRS supporting documentation, as the commissioner requires.

**COMMITTEE ACTION**

Banking Committee

Joint Favorable Substitute

Yea 12 Nay 0 (03/06/2025)