

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 295 Session of
2023

INTRODUCED BY BROWN, ARGALL, STEFANO, SCHWANK, DUSH, BOSCOLA,
BARTOLOTTA, FONTANA, PENNYCUICK, ROBINSON, KANE, SANTARSIERO,
COMITTA, TARTAGLIONE, VOGEL AND FARRY, JANUARY 31, 2023

REFERRED TO URBAN AFFAIRS AND HOUSING, JANUARY 31, 2023

AN ACT

1 Providing for the establishment of first-time home buyer savings
2 accounts for first-time home buyers in this Commonwealth.

3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the First-Time
7 Home Buyer Savings Account Act.

8 Section 2. Definitions.

9 The following words and phrases when used in this act shall
10 have the meanings given to them in this section unless the
11 context clearly indicates otherwise:

12 "Account holder." An individual who establishes,
13 individually or jointly, a first-time home buyer savings
14 account.

15 "Allowable closing costs." A disbursement listed on a
16 settlement statement for the purchase of a single-family
17 residence in this Commonwealth by a qualified beneficiary.

1 "Department." The Department of Revenue of the Commonwealth.

2 "Eligible costs." The down payment and allowable closing
3 costs for the purchase of a single-family residence in this
4 Commonwealth by a qualified beneficiary. Eligible costs shall
5 not include costs incurred prior to the establishment of a
6 first-time home buyer savings account.

7 "Financial institution." A bank, trust company, savings
8 institution, credit union, broker-dealer, insurance company and
9 mutual fund or similar entity authorized to do business in this
10 Commonwealth.

11 "First-time home buyer." An individual who resides in this
12 Commonwealth and has not owned or purchased directly or through
13 a trust, limited liability company, partnership or other legal
14 entity, either individually or jointly, a single-family
15 residence during the three-year period prior to the purchase
16 date of a single-family residence.

17 "First-time home buyer savings account." An account
18 established under section 3.

19 "Qualified beneficiary." A first-time home buyer who is
20 designated as a qualified beneficiary by the account holder of
21 the first-time home buyer savings account.

22 "Settlement statement." A statement of receipts and
23 disbursements from a real estate transaction, including a
24 statement prescribed under the Real Estate Settlement Procedures
25 Act of 1974 (Public Law 93-533, 88 Stat. 1724).

26 "Single-family residence." A single-family residence owned
27 and occupied by a qualified beneficiary as the qualified
28 beneficiary's principal residence, which may include a
29 manufactured home, trailer, mobile home or a unit in a
30 condominium, cooperative or planned community.

1 "Tax Reform Code of 1971." The act of March 4, 1971 (P.L.6,
2 No.2), known as the Tax Reform Code of 1971.

3 Section 3. Establishment of first-time home buyer savings
4 account.

5 (a) Designation of first-time home buyer savings account.--
6 Beginning six months after the effective date of this
7 subsection, an individual may open a first-time home buyer
8 savings account with a financial institution.

9 (b) Designation of qualified beneficiary.--An account holder
10 shall designate no more than one first-time home buyer as the
11 qualified beneficiary of a first-time home buyer savings
12 account. The account holder may designate himself as the
13 qualified beneficiary and may change the designated qualified
14 beneficiary at any time. The account holder shall declare the
15 qualified beneficiary on the annual personal income tax return
16 required under the Tax Reform Code of 1971 for the tax year in
17 which the first-time home buyer savings account is established
18 and for any year in which the qualified beneficiary is changed.

19 (c) Use of first-time home buyer savings account.--Money
20 from a first-time home buyer savings account may only be used to
21 pay or reimburse a qualified beneficiary's eligible costs for
22 the purchase of a single-family residence in this Commonwealth.

23 (d) Expenses.--The account holder may not use money held in
24 a first-time home buyer savings account to pay expenses of
25 administering the first-time home buyer savings account, except
26 that a service fee may be deducted from the first-time home
27 buyer savings account by a financial institution in which the
28 first-time home buyer savings account is held.

29 (e) Joint account holders.--An account holder may jointly
30 own a first-time home buyer savings account with another person

1 if the joint account holders file a joint personal income tax
2 return under Article III of the Tax Reform Code of 1971.

3 (f) Qualified beneficiary of more than one first-time home
4 buyer savings account.--An individual may be designated as the
5 qualified beneficiary on more than one first-time home buyer
6 savings account.

7 (g) Contributions to first-time home buyer savings
8 account.--

9 (1) Subject to the limitations under section 4(d), an
10 individual other than the account holder may contribute to a
11 first-time home buyer savings account.

12 (2) The maximum amount of all contributions to a first-
13 time home buyer savings account is \$150,000.

14 (h) Transfer of money.--An account holder may withdraw money
15 from a first-time home buyer savings account and deposit the
16 money in a new first-time home buyer savings account held by the
17 same or a different financial institution.

18 Section 4. Deduction and exclusion from taxable income.

19 (a) Deduction of contributions.--Except as otherwise
20 provided under subsection (c), the amount contributed by an
21 account holder to a first-time home buyer savings account during
22 each tax year:

23 (1) may not exceed \$5,000 for an account holder who
24 files an individual personal income tax return or \$10,000 for
25 joint account holders who file a joint personal income tax
26 return; and

27 (2) shall be deductible, up to the contribution limits
28 in paragraph (1), from the taxable income of the account
29 holder under Article III of the Tax Reform Code of 1971
30 during the tax year the contribution was made.

1 (b) Exclusion of earnings.--Except as otherwise provided
2 under subsection (c), the amount of earnings on a first-time
3 home buyer savings account during the tax year may be excluded
4 from the taxable income of an account holder under Article III
5 of the Tax Reform Code of 1971.

6 (c) Limitations on deductions and exclusions.--An account
7 holder may claim a deduction and exclusion under this section:

8 (1) for a period of no more than 10 years;

9 (2) for an aggregate amount of principal and earnings
10 not to exceed \$50,000 within 10 years; and

11 (3) except as otherwise provided in section 3(h), only
12 if the principal and earnings of a first-time home buyer
13 savings account remain in the first-time home buyer savings
14 account until a withdrawal is made for the eligible costs
15 relating to the purchase of a single-family residence by a
16 qualified beneficiary.

17 (d) Nonaccount holders.--An individual other than the
18 account holder who deposits money in a first-time home buyer
19 savings account under section 3(g) is not entitled to the
20 deduction and exclusion provided for under this section.

21 (e) Remaining money.--Money in a first-time home buyer
22 savings account not expended on eligible costs before expiration
23 of the 10-year period under subsection (c)(1) shall be included
24 in the account holder's taxable income under Article III of the
25 Tax Reform Code of 1971.

26 (f) Application to alternative basis taxation.--The
27 deduction and exclusion from taxable income shall apply to any
28 alternative basis for calculating taxable income under Article
29 III of the Tax Reform Code of 1971.

30 Section 5. Reporting.

1 The account holder shall submit to the department all of the
2 following:

3 (1) Upon a withdrawal of money from a first-time home
4 buyer savings account, a detailed account of the eligible
5 costs toward which the money was applied and a statement of
6 the amount of money remaining in the first-time home buyer
7 savings account.

8 (2) With the account holder's personal income tax
9 return:

10 (i) information regarding the first-time home buyer
11 savings account, including a list of transactions for the
12 first-time home buyer savings account during the tax
13 year; and

14 (ii) the form 1099 issued by the financial
15 institution holding the first-time home buyer savings
16 account.

17 (3) Any other information as required by the department.

18 Section 6. Financial institutions.

19 (a) Limitations on financial institutions.--A financial
20 institution may not be required or be held liable to do any of
21 the following:

22 (1) Designate an account as a first-time home buyer
23 savings account or designate a qualified beneficiary of a
24 first-time home buyer savings account in a financial
25 institution's account contracts or systems.

26 (2) Track the use of money withdrawn from a first-time
27 home buyer savings account.

28 (3) Allocate money in a first-time home buyer savings
29 account among joint account holders or multiple qualified
30 beneficiaries.

1 (4) Report any information to the department or any
2 other governmental agency that is not otherwise required by
3 law.

4 (5) Determine if an account satisfies the requirements
5 to be a first-time home buyer savings account.

6 (6) Ensure that money in a first-time home buyer savings
7 account is used for eligible costs.

8 (7) Report or remit taxes or penalties related to the
9 use of a first-time home buyer savings account.

10 (b) Distribution of money.--Upon proof of the death of the
11 account holder, a financial institution shall distribute the
12 first-time home buyer savings account in accordance with the
13 contract terms governing the first-time home buyer savings
14 account.

15 Section 7. Withdrawal for purpose other than eligible costs.

16 Except as permitted under section 3(h), if an account holder
17 or beneficiary withdraws any amount from a first-time home buyer
18 savings account and uses the withdrawal for a purpose other than
19 eligible costs:

20 (1) The entire amount withdrawn shall be included in the
21 account holder's taxable income as interest income under
22 Article III of the Tax Reform Code of 1971 for the tax year
23 the withdrawal was made.

24 (2) The account holder or beneficiary shall pay to the
25 department a penalty equal to 10% of the amount
26 withdrawn. The penalty shall not apply to money withdrawn
27 from a first-time home buyer savings account that was:

28 (i) withdrawn by reason of the account holder's or
29 the beneficiary's death or disability; or

30 (ii) a disbursement of assets of the first-time home

1 buyer savings account pursuant to a filing for protection
2 under the Bankruptcy Code (11 U.S.C. § 101 et seq.).

3 Section 8. Department of Revenue.

4 (a) Duties.--The department shall prepare forms:

5 (1) to designate an account with a financial institution
6 to serve as a first-time home buyer savings account;

7 (2) to designate a qualified beneficiary of a first-time
8 home buyer savings account; and

9 (3) for an account holder to annually submit to the
10 department detailed information regarding the first-time home
11 buyer savings account, including, but not limited to, a list
12 of transactions for the first-time home buyer savings account
13 during the tax year and identifying any supporting
14 documentation that is required to be maintained by the
15 account holder.

16 (b) Rules and regulations.--The department may promulgate
17 rules and regulations necessary to administer and enforce this
18 act.

19 Section 9. Effective date.

20 This act shall take effect in 60 days.