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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 1066 Session of  
2018

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INTRODUCED BY MENSCH, FONTANA, SCARNATI, GORDNER, COSTA,  
SCHWANK, TARTAGLIONE, RAFFERTY, RESCHENTHALER, MARTIN,  
ARGALL, YUDICHAK, VULAKOVICH, SCAVELLO, BOSCOLA, BLAKE,  
HUGHES, STEFANO, WARD, BROOKS, BARTOLOTTA AND BREWSTER,  
MARCH 16, 2018

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REFERRED TO URBAN AFFAIRS AND HOUSING, MARCH 16, 2018

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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 Pennsylvania  
7 First-Time 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

1 residence in this Commonwealth by a qualified beneficiary.

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

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

8 "Financial institution." A bank, trust company, savings  
9 institution, industrial loan association, consumer finance  
10 company, credit union, insurance company, safe deposit company,  
11 money market mutual fund, benefit association or similar entity  
12 authorized to do business in this Commonwealth.

13 "First-time home buyer." An individual who resides in this  
14 Commonwealth and has not owned or purchased, either individually  
15 or jointly, a single-family residence during the three-year  
16 period prior to the purchase 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 January 1, 2019, an individual may open a first-time  
7 home buyer savings account with a financial institution.

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

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

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

27 (e) Joint account holders.--An account holder may jointly  
28 own a first-time home buyer savings account with another person  
29 if the joint account holders file a joint personal income tax  
30 return under Article III of the Tax Reform Code of 1971.

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

4 (g) Contributions to account.--Subject to the limitations  
5 under section 4(d), an individual other than the account holder  
6 may contribute to a first-time home buyer savings account.

7 (h) Transfer of funds.--An account holder may withdraw funds  
8 from a first-time home buyer savings account and deposit the  
9 funds in a new first-time home buyer savings account held by the  
10 same or a different financial institution.

11 Section 4. Deduction and exclusion from taxable income.

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

16 (1) may not exceed \$5,000 for an account holder who  
17 files an individual personal income tax return or \$10,000 for  
18 joint account holders who file a joint personal income tax  
19 return; and

20 (2) shall be deductible from the taxable income of the  
21 account holder under Article III of the Tax Reform Code of  
22 1971 during the tax year the contribution was made.

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

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

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

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

3           (3) except as otherwise provided in section 3(h), if the  
4 principal and earnings of a first-time home buyer savings  
5 account remain in the account until a withdrawal is made for  
6 the eligible costs relating to the purchase of a single-  
7 family residence by a qualified beneficiary.

8           (d) Nonaccount holders.--An individual other than the  
9 account holder who deposits funds in a first-time home buyer  
10 savings account under section 3(g) is not entitled to the  
11 deduction and exclusion provided for under this section.

12           (e) Remaining funds.--Funds in a first-time home buyer  
13 savings account not expended on eligible costs before expiration  
14 of the 10-year period under subsection (c)(1) shall be included  
15 in the account holder's taxable income under Article III of the  
16 Tax Reform Code of 1971.

17           (f) Application to alternative basis taxation.--The  
18 deduction and exclusion from taxable income shall apply to any  
19 alternative basis for calculating taxable income under Article  
20 III of the Tax Reform Code of 1971.

21 Section 5. Reporting.

22           The account holder shall submit to the department all of the  
23 following:

24           (1) Upon a withdrawal of funds from a first-time home  
25 buyer savings account, a detailed account of the eligible  
26 costs toward which the funds were applied and a statement of  
27 the amount of funds remaining in the account.

28           (2) With the account holder's personal income tax  
29 return:

30           (i) information regarding the first-time home buyer

1 savings account, including a list of transactions for the  
2 account during the tax year; and  
3 (ii) the Form 1099 issued by the financial  
4 institution holding the account.

5 Section 6. Financial institutions.

6 (a) Limitations on financial institutions.--A financial  
7 institution may not be required to do any of the following:

8 (1) Designate an account as a first-time home buyer  
9 savings account or designate a qualified beneficiary of an  
10 account in a financial institution's account contracts or  
11 systems.

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

14 (3) Allocate funds in a first-time home buyer savings  
15 account among joint account holders or multiple qualified  
16 beneficiaries.

17 (4) Report any information to the department or any  
18 other governmental agency that is not otherwise required by  
19 law.

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

22 (6) Ensure that funds in a first-time home buyer savings  
23 account are used for eligible costs.

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

26 (b) Distribution of funds.--Upon proof of the death of the  
27 account holder, a financial institution shall distribute the  
28 account in accordance with the contract terms governing the  
29 first-time home buyer savings account.

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

1 Except as permitted under section 3(h), if an account holder  
2 withdraws any amount from a first-time home buyer savings  
3 account for a purpose other than eligible costs:

4 (1) The amount shall be included in the account holder's  
5 taxable income under Article III of the Tax Reform Code of  
6 1971 for the tax year the withdrawal was made.

7 (2) The account holder shall pay to the department a  
8 penalty equal to 10% of the amount withdrawn. The penalty  
9 shall not apply to funds withdrawn from an account that were:

10 (i) withdrawn by reason of the account holder's  
11 death or disability; or

12 (ii) a disbursement of assets of the account  
13 pursuant to a filing for protection under the Bankruptcy  
14 Code (11 U.S.C. § 101 et seq.).

15 Section 8. Department of Revenue.

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

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

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

21 (3) for an account holder to annually submit to the  
22 department detailed information regarding the first-time home  
23 buyer savings account, including, but not limited to, a list  
24 of transactions for the account during the tax year and  
25 identifying any supporting documentation that is required to  
26 be maintained by the account holder.

27 (b) Rules and regulations.--The department may promulgate  
28 rules and regulations necessary to administer and enforce this  
29 act.

30 Section 9. Effective date.

1        This act shall take effect in 60 days.