

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1066 Session of 2018

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

SENATOR MCGARRIGLE, URBAN AFFAIRS AND HOUSING, AS AMENDED, APRIL 24, 2018

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 "FINANCIAL INSTITUTION." A BANK, TRUST COMPANY, SAVINGS <--
18 INSTITUTION, CREDIT UNION, BROKER-DEALER, INSURANCE COMPANY AND
19 MUTUAL FUND OR SIMILAR ENTITY AUTHORIZED TO DO BUSINESS IN THIS
20 COMMONWEALTH.

21 "FIRST-TIME HOME BUYER." AN INDIVIDUAL WHO RESIDES IN THIS
22 COMMONWEALTH AND HAS NOT OWNED OR PURCHASED DIRECTLY OR THROUGH
23 A TRUST, LIMITED LIABILITY COMPANY, PARTNERSHIP OR OTHER LEGAL
24 ENTITY, EITHER INDIVIDUALLY OR JOINTLY, A SINGLE-FAMILY
25 RESIDENCE DURING THE THREE-YEAR PERIOD PRIOR TO THE PURCHASE
26 DATE OF A SINGLE-FAMILY RESIDENCE.

27 "First-time home buyer savings account." An account
28 established under section 3.

29 "Qualified beneficiary." A first-time home buyer who is
30 designated as a qualified beneficiary by the account holder of

1 the first-time home buyer savings account.

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

6 "Single-family residence." A single-family residence owned
7 and occupied by a qualified beneficiary as the qualified
8 beneficiary's principal residence, which may include a
9 manufactured home, trailer, mobile home or a unit in a
10 condominium, cooperative or planned community.

11 "Tax Reform Code of 1971." The act of March 4, 1971 (P.L.6,
12 No.2), known as the Tax Reform Code of 1971.
13 Section 3. Establishment of first-time home buyer savings
14 account.

15 (a) Designation of first-time home buyer savings account.--
16 Beginning January 1, 2019, an individual may open a first-time
17 home buyer savings account with a financial institution.

18 (b) Designation of qualified beneficiary.--An account holder
19 shall designate no more than one first-time home buyer as the
20 qualified beneficiary of a first-time home buyer savings
21 account. The account holder may designate himself as the
22 qualified beneficiary and may change the designated qualified
23 beneficiary at any time. The account holder shall declare the
24 qualified beneficiary on the annual personal income tax return
25 required under the Tax Reform Code of 1971 for the tax year in
26 which the first-time home buyer savings account is established
27 and for any year in which the qualified beneficiary is changed.

28 (c) Use of first-time home buyer savings account.--Funds
29 from a first-time home buyer savings account may only be used to
30 pay or reimburse a qualified beneficiary's eligible costs for

1 the purchase of a single-family residence in this Commonwealth.

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

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

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

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

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

21 Section 4. Deduction and exclusion from taxable income.

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

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

30 (2) shall be deductible from the taxable income of the

1 account holder under Article III of the Tax Reform Code of
2 1971 during the tax year the contribution was made.

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

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

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

11 (2) for an aggregate amount of principal and earnings
12 not to exceed \$50,000 within 10 years; ~~or~~ AND <--

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

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

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

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

1 Section 5. Reporting.

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

4 (1) Upon a withdrawal of funds from a first-time home
5 buyer savings account, a detailed account of the eligible
6 costs toward which the funds were applied and a statement of
7 the amount of funds remaining in the 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 account during the tax year; and

13 (ii) the Form 1099 issued by the financial
14 institution holding the account.

15 Section 6. Financial institutions.

16 (a) Limitations on financial institutions.--A financial
17 institution may not be required OR BE HELD LIABLE to do any of <--
18 the following:

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

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

25 (3) Allocate funds in a first-time home buyer savings
26 account among joint account holders or multiple qualified
27 beneficiaries.

28 (4) Report any information to the department or any
29 other governmental agency that is not otherwise required by
30 law.

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

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

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

7 (b) Distribution of funds.--Upon proof of the death of the
8 account holder, a financial institution shall distribute the
9 account in accordance with the contract terms governing the
10 first-time home buyer savings account.

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

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

15 (1) The amount shall be included in the account holder's
16 taxable income under Article III of the Tax Reform Code of
17 1971 for the tax year the withdrawal was made.

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

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

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

26 Section 8. Department of Revenue.

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

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

30 (2) to designate a qualified beneficiary of a first-time

1 home buyer savings account; and

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

8 (b) Rules and regulations.--The department may promulgate
9 rules and regulations necessary to administer and enforce this
10 act.

11 Section 9. Effective date.

12 This act shall take effect in 60 days.