

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, KILLION AND SABATINA, MARCH 16, 2018

AS AMENDED ON THIRD CONSIDERATION, SEPTEMBER 25, 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, credit union, broker-dealer, insurance company and
10 mutual fund or similar entity authorized to do business in this
11 Commonwealth.

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

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

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

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

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

1 condominium, cooperative or planned community.

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

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

6 (a) Designation of first-time home buyer savings account.--
7 Beginning January 1, 2019, an individual may open a first-time
8 home buyer 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.--Funds
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 funds held in
24 a first-time home buyer savings account to pay expenses of
25 administering the account, except that a service fee may be
26 deducted from the account by a financial institution in which
27 the first-time home buyer savings account is held.

28 (e) Joint account holders.--An account holder may jointly
29 own a first-time home buyer savings account with another person
30 if the joint account holders file a joint personal income tax

1 return under Article III of the Tax Reform Code of 1971.

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

5 ~~(g) Contributions to account. Subject to the limitations~~ <--

6 (G) CONTRIBUTIONS TO ACCOUNT.-- <--

7 (1) SUBJECT TO THE LIMITATIONS under section 4(d), an
8 individual other than the account holder may contribute to a
9 first-time home buyer savings account.

10 (2) THE MAXIMUM AMOUNT OF ALL CONTRIBUTIONS TO A FIRST- <--
11 TIME HOME BUYER SAVINGS ACCOUNT IS \$150,000.

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

16 Section 4. Deduction and exclusion from taxable income.

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

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

25 (2) shall be deductible, UP TO THE CONTRIBUTION LIMITS <--
26 IN ~~SUBSECTION (A)(1)~~ PARAGRAPH (1), from the taxable income
27 of the account holder under Article III of the Tax Reform <--
28 Code of 1971 during the tax year the contribution was made.

29 (b) Exclusion of earnings.--Except as otherwise provided
30 under subsection (c), the amount of earnings on a first-time

1 home buyer savings account during the tax year may be excluded
2 from the taxable income of an account holder under Article III
3 of the Tax Reform Code of 1971.

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

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

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

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

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

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

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

27 Section 5. Reporting.

28 The account holder shall submit to the department all of the
29 following:

30 (1) Upon a withdrawal of funds from a first-time home

1 buyer savings account, a detailed account of the eligible
2 costs toward which the funds were applied and a statement of
3 the amount of funds remaining in the account.

4 (2) With the account holder's personal income tax
5 return:

6 (i) information regarding the first-time home buyer
7 savings account, including a list of transactions for the
8 account during the tax year; and

9 (ii) the Form 1099 issued by the financial
10 institution holding the account.

11 (3) ANY OTHER INFORMATION AS REQUIRED BY THE DEPARTMENT. <--
12 Section 6. Financial institutions.

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

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

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

22 (3) Allocate funds in a first-time home buyer savings
23 account among joint account holders or multiple qualified
24 beneficiaries.

25 (4) Report any information to the department or any
26 other governmental agency that is not otherwise required by
27 law.

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

30 (6) Ensure that funds in a first-time home buyer savings

1 account are used for eligible costs.

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

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

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

9 Except as permitted under section 3(h), if an account holder
10 OR BENEFICIARY withdraws any amount from a first-time home buyer <--
11 savings account AND USES THE WITHDRAWAL for a purpose other than <--
12 eligible costs:

13 (1) The ENTIRE amount WITHDRAWN shall be included in the <--
14 account holder's taxable income AS INTEREST INCOME under <--
15 Article III of the Tax Reform Code of 1971 for the tax year
16 the withdrawal was made.

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

21 (i) withdrawn by reason of the account holder's OR <--
22 THE BENEFICIARY'S 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.