

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 128 Session of 2019

INTRODUCED BY BROWN, BIZZARRO, A. DAVIS, HILL-EVANS, QUINN, FLYNN, BARRAR, READSHAW, MACKENZIE, OBERLANDER, EMRICK, SCHLOSSBERG, LONGIETTI, FREEMAN, KINSEY, BERNSTINE, MULLINS, McNEILL, T. DAVIS, RADER, DAVIDSON, OWLETT, HELM, ZIMMERMAN, STRUZZI, IRVIN, GOODMAN, KAUFER, POLINCHOCK, SAINATO, RAVENSTAHL, DEASY, CIRESI, SIMMONS, KORTZ, NEILSON, TOOHL, WARREN, CALTAGIRONE, SCHMITT, BULLOCK AND WILLIAMS, JANUARY 28, 2019

AS REPORTED FROM COMMITTEE ON URBAN AFFAIRS, HOUSE OF REPRESENTATIVES, AS AMENDED, FEBRUARY 5, 2019

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.

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

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

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

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

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

20 "First-time home buyer savings account." An account  
21 established under section 3.

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

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

29 "Single-family residence." A single-family residence owned  
30 and occupied by a qualified beneficiary as the qualified

1 beneficiary's principal residence, which may include a  
2 manufactured home, trailer, mobile home or unit in a  
3 condominium, cooperative or planned community.

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

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

8 (a) Designation of first-time home buyer savings account.--  
9 Beginning ~~January 1, 2019~~ SIX MONTHS AFTER THE EFFECTIVE DATE OF <--  
10 THIS SECTION, an individual may open a first-time home buyer  
11 savings account with a financial institution.

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

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

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

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

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

8 (g) Contributions to 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 under 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 account until a withdrawal is  
14 made for the eligible costs relating to the purchase of a  
15 single-family residence by a qualified beneficiary.

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

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

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

29 Section 5. Reporting.

30 The account holder shall submit to the department all of the

1 following:

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

6 (2) With the account holder's personal income tax  
7 return:

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

11 (ii) the Form 1099 issued by the financial  
12 institution holding the account.

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

14 Section 6. Financial institutions.

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

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

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

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

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

30 (5) Determine if an account satisfies the requirements

1 to be a first-time home buyer savings account.

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

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

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

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

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

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

19 (2) The account holder or beneficiary shall pay to the  
20 department a penalty equal to 10% of the amount  
21 withdrawn. The penalty shall not apply to money withdrawn  
22 from an account that was:

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

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

28 Section 8. Department of Revenue.

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

30 (1) to designate an account with a financial institution

1 to serve as a first-time home buyer savings account;  
2 (2) to designate a qualified beneficiary of a first-time  
3 home buyer savings account; and

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

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

13 Section 9. Effective date.

14 This act shall take effect in 60 days.