

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 730 Session of 2021

INTRODUCED BY R. BROWN, BIZZARRO, HILL-EVANS, ROWE, R. MACKENZIE, MILLARD, M. MACKENZIE, LONGIETTI, BENHAM, PISCIOTTANO, NEILSON, T. DAVIS, CIRESI, ROZZI, GLEIM, A. DAVIS, ZIMMERMAN, FREEMAN, DRISCOLL, O'MARA, SAYLOR, POLINCHOCK, ISAACSON, WARREN, McCLINTON, STRUZZI, SCHLEGEL CULVER, SAINATO, MALAGARI, MADDEN, OTTEN, MARKOSEK, HANBIDGE AND MIZGORSKI, MARCH 3, 2021

AS REPORTED FROM COMMITTEE ON URBAN AFFAIRS, HOUSE OF REPRESENTATIVES, AS AMENDED, MAY 25, 2021

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

1 settlement statement for the purchase of a single-family
2 residence in this Commonwealth by a qualified beneficiary.

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

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

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

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

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

21 ~~"Ineligible use." The sale or lease of a single family~~ <--
22 ~~residence within three years of the settlement date.~~

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

26 ~~"Settlement date." The date on which the seller in a real~~ <--
27 ~~estate transaction executes a deed or signs a settlement~~
28 ~~statement, whichever occurs later, to convey title to the~~
29 ~~purchaser.~~

30 "Settlement statement." A statement of receipts and

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

4 "Single-family residence." A single-family residence owned
5 and occupied by a qualified beneficiary as the qualified
6 beneficiary's principal residence, which may include a
7 manufactured home, trailer, mobile home or unit in a
8 condominium, cooperative or planned community, ~~and provided that~~ <--
9 ~~the qualified beneficiary does not permit an ineligible use of~~
10 ~~the residence.~~

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 six months after the effective date of this section,
17 an individual may open a first-time home buyer savings account
18 with a financial institution.

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

29 (c) Use of first-time home buyer savings account.--Money
30 from a first-time home buyer savings account may only be used to

1 pay or reimburse a qualified beneficiary's eligible costs for
2 the purchase of a single-family residence in this Commonwealth.

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

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

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

15 (g) Contributions to account.--

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

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

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

25 Section 4. Deduction and exclusion from taxable income.

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

30 (1) may not exceed \$5,000 for an account holder who

1 files an individual personal income tax return or \$10,000 for
2 joint account holders who file a joint personal income tax
3 return; and

4 (2) shall be deductible, up to the contribution limits
5 under paragraph (1), from the taxable income of the account
6 holder under Article III of the Tax Reform Code of 1971
7 during the tax year the contribution was made.

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

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

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

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

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

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

27 (e) Remaining money.--Money in a first-time home buyer
28 savings account not expended on eligible costs before expiration
29 of the 10-year period under subsection (c)(1) shall be included
30 in the account holder's taxable income under Article III of the

1 Tax Reform Code of 1971.

2 (f) Application to alternative basis taxation.--The
3 deduction and exclusion from taxable income shall apply to any
4 alternative basis for calculating taxable income under Article
5 III of the Tax Reform Code of 1971.

6 Section 5. Reporting.

7 The account holder shall submit to the department all of the
8 following:

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

13 (2) With the account holder's personal income tax
14 return:

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

18 (ii) the Form 1099 issued by the financial
19 institution holding the account.

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

21 Section 6. Financial institutions.

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

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

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

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

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

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

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

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

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

17 ~~Section 7. Effect of improper withdrawals and ineligible uses. <--~~

18 ~~(a) Purposes other than eligible costs. Except as permitted~~
19 ~~under section 3(h), if an account holder or~~

20 SECTION 7. WITHDRAWAL FOR PURPOSE OTHER THAN ELIGIBLE COSTS. <--

21 EXCEPT AS PERMITTED UNDER SECTION 3(H), IF AN ACCOUNT HOLDER
22 OR beneficiary withdraws any amount from a first-time home buyer
23 savings account and uses the withdrawal for a purpose other than
24 eligible costs:

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

29 (2) The account holder or beneficiary shall pay to the
30 department a penalty equal to 10% of the amount

1 withdrawn. The penalty shall not apply to money withdrawn
2 from an account that was:

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

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

8 ~~(b) Ineligible uses. If an account holder or beneficiary~~ <--
9 ~~withdraws any amount from a first time home buyer savings~~
10 ~~account and after the withdrawal an ineligible use occurs:~~

11 ~~(1) The entire amount withdrawn shall be included in the~~
12 ~~account holder's taxable income as interest income under~~
13 ~~Article III of the Tax Reform Code of 1971 for the tax year~~
14 ~~the withdrawal was made.~~

15 ~~(2) The account holder or beneficiary shall pay to the~~
16 ~~department a penalty equal to 10% of the amount withdrawn.~~

17 Section 8. Department of Revenue.

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

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

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

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

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

1 act.

2 Section 9. Effective date.

3 This act shall take effect in 60 days.