

SENATE No. 1787

The Commonwealth of Massachusetts

PRESENTED BY:

Julian Cyr

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to first time homebuyer and rental savings accounts.

PETITION OF:

NAME:

Julian Cyr

DISTRICT/ADDRESS:

Cape and Islands

SENATE No. 1787

By Mr. Cyr, a petition (accompanied by bill, Senate, No. 1787) of Julian Cyr for legislation relative to first time homebuyer and rental savings accounts. Revenue.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Third General Court
(2023-2024)**

An Act relative to first time homebuyer and rental savings accounts.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 62 of the General Laws, as appearing in the 2020 Official Edition,
2 is hereby amended by inserting after section 5D the following new section:-

3 Section 5E. (a) For the purposes of this section, unless the context clearly requires
4 otherwise, the following words and phrases shall have the following meanings:-

5 “Account holder” means an individual who establishes, individually or jointly with one
6 or more other individuals, a rental savings account.

7 “Allowable costs” means fee paid for accessing a rental that will be a permanent
8 residence limited to the first and last month's rent, a security deposit equal to one month's rent
9 and money for the purchase and installation costs for a lock and key.

10 “Eligible costs” means fees paid for accessing a rental that will be a permanent residence
11 limited to the first and last month's rent, a security deposit equal to one month's rent and money
12 for the purchase and installation costs for a lock and key.

13 “Financial institution” means any bank, trust company, savings institution, industrial loan
14 association, consumer finance company, credit union, or any benefit association, insurance
15 company, safe deposit company, money market mutual fund, or similar entity authorized to do
16 business in Massachusetts.

17 “Qualified Beneficiary” means anyone seeking to rent a permanent residence.

18 (b) Beginning January 1, 2023, any individual may open an account with a financial
19 institution and designate the account, in its entirety, as a rental savings account to be used to pay
20 or reimburse a qualified beneficiary’s eligible costs for the costs of renting a permanent
21 residence in Massachusetts.

22 (c) An account holder must designate no later than April 15 of the year following the tax
23 year during which the account is established, a resident as the qualified beneficiary of the rental
24 savings account. The account holder may designate himself or herself as the qualified
25 beneficiary and may change the designated qualified beneficiary at any time, but there may not
26 be more than one qualified beneficiary at any one time.

27 (d) An individual may jointly own a rental savings account with another person if the
28 joint account holders file a joint income tax return.

29 (e) An individual may be the account holder of more than one rental savings account.
30 However, an account holder cannot have multiple accounts that designate the same qualified
31 beneficiary.

32 (f) An individual may be designated as the qualified beneficiary on more than one rental
33 savings account.

34 (g) Only cash and marketable securities may be contributed to a rental savings account.
35 Subject to the limitations of this section, persons other than the account holder may contribute
36 funds to a rental savings account. There is no limitation on the amount of contributions that may
37 be made to or retained in a rental savings account.

38 (h) The funds held in a rental savings account shall not be used to pay expenses of
39 administering the account, except that a service fee may be deducted from the account by a
40 financial institution in which the account is held;

41 (i) The account holder shall submit the following to the department of revenue:

42 (1) detailed information regarding the rental savings account, including a list of
43 transactions for the account during the tax year and the Form 1099 issued by the financial
44 institution for such account with the account holder's Massachusetts income tax return on forms
45 prepared by the department of revenue; and

46 (2) a detailed account of the eligible costs toward which the account funds were applied,
47 if there was a withdrawal from the account, and a statement of the amount of funds remaining in
48 the account, if any.

49 (j) Under this section and section 5D of this chapter, a financial institution shall not be
50 required to:

51 (1) Designate an account as a rental savings account, or designate the qualified
52 beneficiaries of an account, in the financial institution's account contracts or systems or in any
53 other way;

54 (2) Track the use of funds withdrawn from a rental savings account;

55 (3) Allocate funds in a rental savings account among joint account holders or multiple
56 qualified beneficiaries; or

57 (4) Report any information to the Department of Revenue or any other governmental
58 agency that is not otherwise required by law.

59 (k) A financial institution is not responsible or liable for:

60 (1) Determining or ensuring that an account satisfies the requirements to be a rental
61 savings account;

62 (2) Determining or ensuring that funds in a rental savings account are used for eligible
63 costs; or

64 (3) Reporting or remitting taxes or penalties related to the use of a rental savings account.

65 (l) Except as otherwise provided in this section and subject to the limitations under this
66 subsection, there shall be deducted from taxable income of an account holder, for Massachusetts
67 income tax purposes:

68 (1) the amount contributed to a first-time home buyer savings account during each tax
69 year, not to exceed \$15,000 for an account holder who files an individual tax return or \$30,000
70 for joint account holders who file a joint tax return.

71 (2) the amount of earnings, including interest and other income on the principal, from the
72 rental savings account during the tax year.

73 (m) An account holder may claim the deduction and exclusion under subsection (k):

74 (1) For a period not to exceed 15 years;

75 (2) For an aggregate total amount of principal and earnings, not to exceed \$50,000 during
76 that 15-year period; and

77 (3) Only if the principal and earnings of the account remain in the account until a
78 withdrawal is made for eligible costs related to the securing a rental intended as a permanent
79 residence.

80 (n) Any funds in a rental savings account not expended on eligible costs by December 31
81 of the last year of the 15-year period under Subsection 7(2)(a) of this Chapter shall thereafter be
82 included in the account holder's taxable income.

83 (o) A person other than the account holder who deposits funds in a rental savings account
84 shall not be entitled to the deduction and exclusion provided for under this Chapter.

85 (p) The deduction and exclusion from taxable income provided for by this Section shall
86 apply to any alternative bases for calculating taxable income for Massachusetts income tax
87 purposes.

88 (q) Except as otherwise authorized in this of this section, if the account holder withdraws
89 any funds from a rental savings account for a purpose other than eligible costs for the securing a
90 rental property to be used as a permanent residence

91 (1) Those funds shall be included in the account holder's taxable income; and

92 (2) The account holder shall pay a penalty to the Department of Revenue equal to the tax
93 that would have been collected had the withdrawn funds been subject to income tax. Such
94 penalty shall not apply to funds withdrawn from an account that were:

95 (i) Withdrawn by reason of the account holder's death or disability;

96 (ii) A disbursement of assets of the account pursuant to a filing for protection under the
97 United States Bankruptcy Code, 11 U.S.C. § 101 et seq.; or

98 (iii) A transfer of the funds from a rental savings account to a new rental savings account
99 held by a different financial institution or the same financial institution.

100 (r) The Department of Revenue shall prepare forms for:

101 (1) The designation of an account with a financial institution to serve as a first-time home
102 buyer savings account;

103 (2) The designation of a qualified beneficiary of a rental savings account; and

104 (3) For an account holder to annually submit to the Department of Revenue detailed
105 information regarding the rental savings account, including but not limited to a list of
106 transactions for the account during the tax year, and identifying any supporting documentation
107 that is required to be maintained by the account holder.

108 SECTION 2. Said Chapter 62 of the General Laws is hereby amended by inserting after
109 section 5E the following new section:-

110 Section 5F. (a) For the purposes of this section, unless the context clearly requires
111 otherwise, the following words and phrases shall have the following meanings:-

112 “Account holder” means an individual who establishes, individually or jointly with one
113 or more other individuals, a first-time homebuyer savings account.

114 “Allowable closing costs” means a disbursement listed on a settlement statement for the
115 purchase of a single-family residence in Massachusetts by a qualified beneficiary.

116 “Eligible costs” means the down payment and allowable closing costs for the purchase of
117 a single-family residence in Massachusetts by a qualified beneficiary.

118 “Financial institution” means any bank, trust company, savings institution, industrial loan
119 association, consumer finance company, credit union, or any benefit association, insurance
120 company, safe deposit company, money market mutual fund, or similar entity authorized to do
121 business in Massachusetts.

122 “First-Time Homebuyer” means an individual who resides in Massachusetts and has not
123 owned or purchased, either individually or jointly, a single-family residence during a period of
124 three (3) years prior to the date of the purchase of a single-family residence.

125 “First-Time Home Buyer Savings Account” or “account” means an account with a
126 financial institution that an account holder designates as a first-time home buyer savings account
127 on the account holder’s Massachusetts income tax return for tax year 2017 or any tax year
128 thereafter, pursuant to this Chapter for the purpose of paying or reimbursing eligible costs for the
129 purchase of a single-family residence in Massachusetts by a qualified beneficiary.

130 “Qualified Beneficiary” means a first-time home buyer who is designated as the qualified
131 beneficiary of an account designated by the account holder as a first-time home buyer savings
132 account.

133 “Settlement Statement” means the statement of receipts and disbursements for a
134 transaction related to real estate, including a statement prescribed under the Real Estate
135 Settlement Procedures Act of 1974, 12 U.S.C. 2601 et seq., as amended, and regulations
136 thereunder.

137 “Single-Family Residence” means a single-family residence owned and occupied by a
138 qualified beneficiary as the qualified beneficiary’s principal residence, which may include a
139 manufactured home, trailer, mobile home, condominium unit, or cooperative.

140 (b) Beginning January 1, 2023, any individual may open an account with a financial
141 institution and designate the account, in its entirety, as a first-time home buyer savings account
142 to be used to pay or reimburse a qualified beneficiary’s eligible costs for the purchase of a
143 single-family residence in Massachusetts.

144 (c) An account holder must designate no later than April 15 of the year following the tax
145 year during which the account is established, a first-time home buyer as the qualified beneficiary
146 of the first-time home buyer savings account. The account holder may designate himself or
147 herself as the qualified beneficiary and may change the designated qualified beneficiary at any
148 time, but there may not be more than one qualified beneficiary at any one time.

149 (d) An individual may jointly own a first-time home buyer savings account with another
150 person if the joint account holders file a joint income tax return.

151 (e) An individual may be the account holder of more than one first-time home buyer
152 savings account. However, an account holder cannot have multiple accounts that designate the
153 same qualified beneficiary.

154 (f) An individual may be designated as the qualified beneficiary on more than one first-
155 time home buyer savings account.

156 (g) Only cash and marketable securities may be contributed to a first-time home buyer
157 savings account. Subject to the limitations of this section, persons other than the account holder

158 may contribute funds to a first-time home buyer savings account. There is no limitation on the
159 amount of contributions that may be made to or retained in a first-time home buyer savings
160 account.

161 (h) The funds held in a first-time home buyer savings account shall not be used to pay
162 expenses of administering the account, except that a service fee may be deducted from the
163 account by a financial institution in which the account is held;

164 (i) The account holder shall submit the following to the department of revenue:

165 (1) detailed information regarding the first-time home buyer savings account, including a
166 list of transactions for the account during the tax year and the Form 1099 issued by the financial
167 institution for such account with the account holder's Massachusetts income tax return on forms
168 prepared by the department of revenue; and

169 (2) a detailed account of the eligible costs toward which the account funds were applied,
170 if there was a withdrawal from the account, and a statement of the amount of funds remaining in
171 the account, if any.

172 (j) Under this section and section 5D of this chapter, a financial institution shall not be
173 required to:

174 (1) Designate an account as a first-time home buyer savings account, or designate the
175 qualified beneficiaries of an account, in the financial institution's account contracts or systems or
176 in any other way;

177 (2) Track the use of funds withdrawn from a first-time home buyer savings account;

178 (3) Allocate funds in a first-time home buyer savings account among joint account
179 holders or multiple qualified beneficiaries; or

180 (4) Report any information to the Department of Revenue or any other governmental
181 agency that is not otherwise required by law.

182 (k) A financial institution is not responsible or liable for:

183 (1) Determining or ensuring that an account satisfies the requirements to be a first-time
184 home buyer savings account;

185 (2) Determining or ensuring that funds in a first-time home buyer savings account are
186 used for eligible costs; or

187 (3) Reporting or remitting taxes or penalties related to the use of a first-time home buyer
188 savings account.

189 (l) Except as otherwise provided in this section and subject to the limitations under this
190 subsection, there shall be deducted from taxable income of an account holder, for Massachusetts
191 income tax purposes:

192 (1) the amount contributed to a first-time home buyer savings account during each tax
193 year, not to exceed \$25,000 for an account holder who files an individual tax return or \$50,000
194 for joint account holders who file a joint tax return.

195 (2) the amount of earnings, including interest and other income on the principal, from the
196 first-time home buyer savings account during the tax year.

197 (m) An account holder may claim the deduction and exclusion under subsection (k):

198 (1) For a period not to exceed 15 years;

199 (2) For an aggregate total amount of principal and earnings, not to exceed \$250,000
200 during that 15-year period; and

201 (3) Only if the principal and earnings of the account remain in the account until a
202 withdrawal is made for eligible costs related to the purchase of a single-family residence by a
203 qualified beneficiary, except as otherwise provided in this section.

204 (n) Any funds in a first-time home buyer savings account not expended on eligible costs
205 by December 31 of the last year of the 15-year period under Subsection 7(2)(a) of this Chapter
206 shall thereafter be included in the account holder's taxable income.

207 (o) A person other than the account holder who deposits funds in a first-time home buyer
208 savings account shall not be entitled to the deduction and exclusion provided for under this
209 Chapter.

210 (p) The deduction and exclusion from taxable income provided for by this Section shall
211 apply to any alternative bases for calculating taxable income for Massachusetts income tax
212 purposes.

213 (q) Except as otherwise authorized in this of this section, if the account holder withdraws
214 any funds from a first-time home buyer savings account for a purpose other than eligible costs
215 for the purchase of a single-family residence:

216 (1) Those funds shall be included in the account holder's taxable income; and

217 (2) The account holder shall pay a penalty to the Department of Revenue equal to the tax
218 that would have been collected had the withdrawn funds been subject to income tax. Such
219 penalty shall not apply to funds withdrawn from an account that were:

220 (i) Withdrawn by reason of the account holder's death or disability;

221 (ii) A disbursement of assets of the account pursuant to a filing for protection under the
222 United States Bankruptcy Code, 11 U.S.C. § 101 et seq.; or

223 (iii) A transfer of the funds from a first-time home buyer savings account to a new first-
224 time home buyer savings account held by a different financial institution or the same financial
225 institution.

226 (r) The Department of Revenue shall prepare forms for:

227 (1) The designation of an account with a financial institution to serve as a first-time home
228 buyer savings account;

229 (2) The designation of a qualified beneficiary of a first-time home buyer savings account;

230 and

231 (3) For an account holder to annually submit to the Department of Revenue detailed
232 information regarding the first-time home buyer savings account, including but not limited to a
233 list of transactions for the account during the tax year, and identifying any supporting
234 documentation that is required to be maintained by the account holder.