AMENDMENTS TO HOUSE BILL NO. 126

Sponsor: REPRESENTATIVE STURLA

Printer's No. 109

Amend Bill, page 1, lines 1 through 3, by striking out all of said lines and inserting

Establishing the First-time Homebuyer Savings Account Program and the First-time Homebuyer Savings Account Program Fund; and imposing duties on the Treasury Department.

Amend Bill, page 1, lines 6 through 17; pages 2 through 7, lines 1 through 30; page 8, lines 1 through 11; by striking out all of said lines on said pages and inserting

Section 1. Short title.

This act shall be known and may be cited as the First-Time Homebuyer Savings Account Program Act.

Section 2. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Account." A first-time homebuyer savings account established under section 6.

"Account holder." An individual who establishes, individually or jointly, an account.

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

"Bureau." The Bureau of Savings Programs established under section 3.

"Department." The Treasury Department of the Commonwealth.

"Disability." The inability to engage in any substantial activity because of medically determinable physical or mental impairment that can be expected to result in death or to be of long-continued and indefinite duration.

"Eligible costs." The down payment and allowable closing costs for the purchase of a single-family residence in this Commonwealth by a qualified beneficiary. The term does not include costs incurred prior to the establishment of an account.

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

"First-time homebuyer." An individual who resides in this Commonwealth, is certified as a first-time homebuyer and has not owned or purchased directly or through a trust, limited liability company, partnership or other legal entity, either individually or jointly, a single-family residence in this Commonwealth or another state.

"Fund." The First-time Homebuyer Savings Account Program Fund established under section 4.

"Program." The First-time Homebuyer Savings Account Program established under section 4.

"Qualified beneficiary." A first-time homebuyer who is designated as a qualified beneficiary by the account holder of an account.

"Settlement statement." A statement of receipts and disbursements from a real estate transaction, including a statement prescribed under 12 U.S.C. Ch. 27 (relating to real estate settlement procedures).

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

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

Section 3. Bureau of Savings Programs.

The Bureau of Savings Programs is established within the department to administer the program.

Section 4. First-time Homebuyer Savings Account Program.

(a) Establishment.--The Bureau of Savings Programs is established within the department to administer the program.

(b) Purpose.--The program shall allow an individual to open an account under section 6 for a qualified beneficiary. An individual may contribute money into an account to save for eligible costs.

(c) Application.--The application for the program shall be on a form and in a manner prescribed by the department. The department shall make the application available on the department's publicly accessible Internet website.

(d) Fund.--The First-time Homebuyer Savings Account Program Fund is established in the department. The following apply:

(1) The fund shall consist of:

(i) All contributions made by account holders and all interest, earnings and additions to the fund.

(ii) Any other money, public or private, appropriated or made available to the department for the fund from any source and all interest, earnings and additions to the fund.

(2) The department shall annually submit to the General Assembly a budget request outlining the operating and

administrative expenses of the program. Upon appropriation by the General Assembly, expenses incurred by the department and the bureau shall be paid from the fees, charges and investment earnings of money in the fund.

(3) Assets of the fund shall be preserved, invested and expended solely for the purposes specified in this act.

(4) The department shall repay from the fees, charges and investment earnings of the fund to the General Fund any money appropriated for the initial planning, organization and administration of the program. The repayment must occur within a 10-year period commencing on September 1, 2030. Notwithstanding any other provision of law, the department may not pledge the credit or taxing powers of the Commonwealth. Any obligation of debt under this section shall not be deemed an obligation or debt of the Commonwealth, nor shall the Commonwealth be liable to pay principal and interest on obligations or to offset any loss of principal and interest earnings on investments made by the department.

(5) The policies governing the investment of the fund shall be directed to obtaining sufficient income to meet the fund's obligations under this act, maintaining necessary reserves and covering operating expenses. The policies governing the fund shall be directed to providing for an appropriate balance of risk, liquidity and return commensurate with the management of a prudent investor. The department, its investment managers, program managers and trustees shall have the authority to invest and reinvest money in the fund. The department may use a third party to invest the assets and maintain the fund.

Section 5. First-time Homebuyer Savings Account Advisory Board.

(a) Establishment.--The First-time Homebuyer Savings Account Advisory Board is established within the department.

(b) Composition of board.--The board shall consist of the following members:

(1) The Governor or a designee.

(2) The State Treasurer or a designee.

(3) Four members who have knowledge, skill and expertise in financial planning and saving for retirement as follows:

(i) one appointed by the President pro tempore of the Senate;

(ii) one appointed by the Speaker of the House of Representatives;

(iii) one appointed by the Minority Leader of the Senate; and

(iv) one appointed by the Minority Leader of the House of Representatives.

(c) Chairperson.--The State Treasurer, or a designee, shall serve as chairperson of the board.

(d) Terms of board members.--Each appointed board member shall serve a term of four years.

(e) Vacancy.--A vacancy on the board shall be filled for the unexpired term of an appointed member of the board in the same manner as the original appointment.

(f) Meetings of board.--

(1) The State Treasurer, or the designee, shall call the organizational meeting of the board.

(2) Meetings of the board shall be held at the call of the chairperson.

(g) Employees.--The department shall have the power and its duty shall be to provide the board with experts, stenographers and assistants as necessary to carry out the work of the board. The board may enlist voluntary assistance, research organizations and other agencies.

(h) Duties.--The board shall:

(1) Study and review the work of the program.

(2) Advise the department upon request.

(3) Make recommendations on board initiatives for the improvement of the program.

(4) Make interim reports as the board deems advisable.

(i) Prohibitions.--A board member may not:

(1) Directly or indirectly have an interest in the making of an investment under the program or in gains or profits accruing from an investment under the program.

(2) Borrow program-related money or deposits or use program-related money or deposits in any manner.

(3) Become an endorser, surety or obligor on an investment made under the program.

Section 6. First-time homebuyers savings account.

(a) Approval.--The bureau shall review an application submitted by an individual for an account and, if approved by the bureau, the individual may establish an account.

(b) Designation of qualified beneficiary.--An account holder may designate one first-time homebuyer as the qualified beneficiary of an account. The account holder may designate themself as the qualified beneficiary and may change the designated qualified beneficiary at any time. The account holder shall declare the qualified beneficiary on the annual personal income tax return required under the Tax Reform Code of 1971 for the tax year in which the account is established and for any year in which the qualified beneficiary is changed.

(c) Use of account.--Money from an account may only be used to pay or reimburse a qualified beneficiary's eligible costs for the purchase of a single-family residence in this Commonwealth.

(d) Joint account holders.--An account holder may jointly own an account with another individual if the joint account holders file a joint personal income tax return under Article III of the Tax Reform Code of 1971.

(e) Qualified beneficiary of more than one account.--An individual may be designated as the qualified beneficiary on more than one account.

(f) Contributions to account.--

(1) Subject to the limitations under section 7(d), an

individual other than the account holder may contribute to an account.

(2) The maximum amount of all contributions to an account shall be $150,000.

Section 7. Deduction and exclusion from taxable income.

(a) Deduction of contributions.--Except as provided under subsection (c), the amount contributed by an account holder to an account during each tax year:

(1) May not exceed $5,000 for an account holder who files an individual personal income tax return or $10,000 for joint account holders who file a joint personal income tax return.

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

(b) Exclusion of earnings.--Except as provided under subsection (c), the amount of earnings on an account during the tax year may be excluded from the taxable income of an account holder under Article III of the Tax Reform Code of 1971.

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

(1) For a period of no more than 10 years.

(2) For an aggregate amount of principal and earnings not to exceed $50,000 for individual personal income tax filers and $100,000 for joint personal income tax filers within 10 years.

(3) If the principal and earnings of an account remain in the account until a withdrawal is made for the eligible costs relating to the purchase of a single-family residence by a qualified beneficiary.

(d) Nonaccount holders.--An individual other than the account holder who deposits money into an account under section 6(f) is not entitled to the deduction and exclusion provided for under this section.

(e) Remaining money.--Money in an account not expended on eligible costs before expiration of the 10-year period under subsection (c)(1) shall be included in the account holder's taxable income under Article III of the Tax Reform Code of 1971.

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

Section 8. Distribution of money.

Upon proof of death of an account holder, a financial institution shall distribute the account in accordance with the contract terms governing the account.

Section 9. Withdrawal for purpose other than eligible costs.

If an account holder or qualified beneficiary withdraws any amount from an account and uses the withdrawal for a purpose other than eligible costs:

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

(2) The account holder or qualified beneficiary shall pay to the Department of Revenue a penalty equal to 10% of the amount withdrawn. The penalty may not apply to money withdrawn from an account that was:

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

(ii) a disbursement of assets of the account pursuant to a filing for protection under 11 U.S.C. (relating to bankruptcy).

Section 10. Effective date.

This act shall take effect in one year.