

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 126 Session of 2023

INTRODUCED BY BIZZARRO, ZABEL, HILL-EVANS, CIRESI, SANCHEZ, T. DAVIS, ISAACSON, D. WILLIAMS, PISCIOTTANO, GUENST, DELLOSO, R. MACKENZIE, MADDEN, NEILSON, DEASY, FREEMAN, OTTEN, KUTZ, KINKEAD, GILLEN, BRENNAN AND KHAN, MARCH 7, 2023

AS AMENDED ON SECOND CONSIDERATION, HOUSE OF REPRESENTATIVES, JUNE 27, 2024

AN ACT

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

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby enacts as follows:

6 Section 1. Short title.

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

9 Section 2. Definitions.

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

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

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

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

5 "Department." The Treasury Department of the Commonwealth.

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

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

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

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

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

26 "INELIGIBLE USE." THE SALE OR LEASE OF A SINGLE-FAMILY
27 RESIDENCE WITHIN THREE YEARS OF THE SETTLEMENT DATE. <--

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

30 "Qualified beneficiary." A first-time homebuyer who is

1 designated as a qualified beneficiary by the account holder of
2 an account.

3 "SETTLEMENT DATE." THE DATE ON WHICH A SELLER IN A REAL <--
4 ESTATE TRANSACTION EXECUTES A DEED OR SIGNS A SETTLEMENT
5 STATEMENT, WHICHEVER OCCURS LATER, TO CONVEY TITLE TO A
6 PURCHASER.

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

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

16 "Tax Reform Code of 1971." The act of March 4, 1971 (P.L.6,
17 No.2), known as the Tax Reform Code of 1971.
18 Section 3. Bureau of Savings Programs.

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

21 Section 4. First-time Homebuyer Savings Account Program.

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

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

28 (c) Application.--The application for the program shall be
29 on a form and in a manner prescribed by the department. The
30 department shall make the application available on the

1 department's publicly accessible Internet website.

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

4 (1) The fund shall consist of:

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

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

11 (2) The department shall annually submit to the General
12 Assembly a budget request outlining the operating and
13 administrative expenses of the program. Upon appropriation by
14 the General Assembly, expenses incurred by the department and
15 the bureau shall be paid from the fees, charges and
16 investment earnings of money in the fund.

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

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

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

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

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

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

17 (1) The Governor or a designee.

18 (2) The State Treasurer or a designee.

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

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

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

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

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

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

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

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

6 (f) Meetings of board.--

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

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

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

16 (h) Duties.--The board shall:

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

18 (2) Advise the department upon request.

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

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

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

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

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

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

30 Section 6. First-time homebuyers savings account.

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

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

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

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

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

23 (f) Contributions to account.--

24 (1) Subject to the limitations under section 7(d), an
25 individual other than the account holder may contribute to an
26 account.

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

29 Section 7. Deduction and exclusion from taxable income.

30 (a) Deduction of contributions.--Except as provided under

1 subsection (c), the amount contributed by an account holder to
2 an account during each tax year:

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

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

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

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

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

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

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

26 (d) Nonaccount holders.--An individual other than the
27 account holder who deposits money into an account under section
28 6(f) is not entitled to the deduction and exclusion provided for
29 under this section.

30 (e) Remaining money.--Money in an account not expended on

1 eligible costs before expiration of the 10-year period under
2 subsection (c)(1) shall be included in the account holder's
3 taxable income under Article III of the Tax Reform Code of 1971.

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

8 Section 8. Distribution of money.

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

12 Section 9. Withdrawal for purpose other than eligible costs.

13 (A) OTHER THAN ELIGIBLE COSTS.--If an account holder or <--
14 qualified beneficiary withdraws any amount from an account and
15 uses the withdrawal for a purpose other than eligible costs:

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

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

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

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

29 (B) INELIGIBLE COSTS.--IF AN ACCOUNT HOLDER OR QUALIFIED <--
30 BENEFICIARY WITHDRAWS ANY AMOUNT FROM AN ACCOUNT AND USES THE

1 WITHDRAWAL FOR AN INELIGIBLE USE, THE ENTIRE AMOUNT WITHDRAWN
2 SHALL BE INCLUDED IN THE ACCOUNT HOLDER'S TAXABLE INCOME AS
3 INTEREST INCOME UNDER ARTICLE III OF THE TAX REFORM CODE OF 1971
4 FOR THE TAX YEAR THE WITHDRAWAL WAS MADE. THE DEPARTMENT MAY
5 WAIVE THE TAXABLE INCOME REQUIREMENT UNDER THIS SUBSECTION IF
6 THE ACCOUNT HOLDER OR QUALIFIED BENEFICIARY USES THE WITHDRAWAL
7 FOR AN INELIGIBLE USE DUE TO ANY OF THE FOLLOWING:

8 (1) LOSS OF HOUSEHOLD INCOME AS A RESULT OF THE
9 TERMINATION OF EMPLOYMENT, WHICH WAS NOT CAUSED BY THE
10 PERSONAL ACTIONS OF THE ACCOUNT HOLDER OR QUALIFIED
11 BENEFICIARY.

12 (2) LOSS OF AN INCOME EARNER IN THE HOUSEHOLD.

13 (3) TRANSFER FOR EMPLOYMENT PURPOSES.

14 (4) ANY OTHER ECONOMIC OR PERSONAL HARDSHIP.

15 Section 10. Effective date.

16 This act shall take effect in one year.