



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 126

PRINTER'S NO. 3434

PRIME SPONSOR: **Bizzarro**

COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
General Fund	\$0	See Fiscal Impact

SUMMARY:

Establishes the First-Time Homebuyer Savings Account Program.

ANALYSIS:

House Bill 126 establishes the First-Time Homebuyer Savings Account Program and the First-Time Homebuyers Savings Account Program Fund within the Pennsylvania Treasury Department. The legislation further establishes the Bureau of Savings Programs, also within the Treasury Department, to administer the program.

The First-Time Homebuyer Savings Account Program allows individuals to open and contribute to a savings account to pay for the downpayment or allowable closing costs for the purchase of a single-family residence in the Commonwealth by a qualified beneficiary. A qualified beneficiary is a first-time homebuyer who is designated as a qualified beneficiary by the account holder of the account.

Amounts contributed by an account holder to an account during each tax year may not exceed \$5,000 for an account holder who files an individual personal income tax return or \$10,000 for a joint account holder who files a joint personal income tax return. An account holder may claim a deduction for a period of no more than 10 years for an aggregate amount of \$50,000 for an individual personal income tax filer and \$100,000 for a joint personal income tax filer. The maximum amount of all contributions may not exceed \$150,000. These contributions can be used as a deduction on the account holder's personal income tax. Contributions by individuals who are not the account holder are not tax deductible.

If an account holder or qualified beneficiary withdraws any amount from an account and uses the withdrawal for a purpose other than eligible costs or for an ineligible use, the entire amount withdrawn shall be included in the account holder's taxable income as interest income for the tax year that the withdrawal was made. The legislation provides for certain situations where the department may waive this stipulation.

The First-Time Homebuyer Savings Account Program Fund, established in the Treasury Department, shall consist of all contributions made by account holders, and all interest, earnings, and additions to the fund. The fund may also include 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. Any fees, charges, and investment earnings of money in the fund shall be used to repay operating and administrative expenses of the program.

The First-Time Homebuyer Savings Account Advisory Board, established by the legislation, is tasked with studying and reviewing the work of the program, advising the department upon request, making recommendations on board initiatives for the improvement of the program, and making interim reports.

This legislation would take effect in one year upon enactment.

FISCAL IMPACT:

Enactment of this legislation will have an undetermined impact on Commonwealth funds. This impact would be a function of both increased personnel and operating costs to the Treasury Department to establish and run the Bureau of Savings Programs and decreased personal income tax revenue. The personnel and operating costs would be offset by fees, charges, and interest income earned by the program fund. The extent of the revenue decrease would depend on the use of the program.

According to estimates from the PA Department of Revenue, revenue loss could range from \$13.6 million to \$102.9 million based on the size of the savings account and on how many first-time buyers utilize the account. If half of eligible buyers use the account, and assuming that they are able to save approximately 10% of the median existing home sales price in Pennsylvania, a reasonable estimate of the revenue loss is between \$13.6 million and \$19.9 million. If all first-time homebuyers maximized the deduction limit defined by the legislation, the cost to the Commonwealth would be between \$70.4 million and \$102.9 million.

PREPARED BY: Bradley Keen, Ph.D., Budget Analyst
House Appropriations Committee (D)

DATE: June 27, 2024

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.