
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 AND FREEMAN,
MARCH 7, 2023

REFERRED TO COMMITTEE ON COMMERCE, MARCH 7, 2023

AN ACT

1 Providing for the establishment of first-time homebuyer savings
2 accounts for first-time homebuyers in this Commonwealth; and
3 imposing duties on the Department of Revenue.

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 Pennsylvania
8 First-Time Homebuyer Savings Account 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 holder." An individual who establishes,
14 individually or jointly, a first-time homebuyer savings account.

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

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

2 "Eligible costs." The down payment and allowable closing
3 costs for the purchase of a single-family residence in this
4 Commonwealth by a qualified beneficiary. The term does not
5 include costs incurred prior to the establishment of a first-
6 time homebuyer savings account.

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

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

17 "First-time homebuyer savings account." An account
18 established under section 3.

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

22 "Settlement statement." A statement of receipts and
23 disbursements from a real estate transaction, including a
24 statement prescribed under the Real Estate Settlement Procedures
25 Act of 1974 (Public Law 93-533, 88 Stat. 1724).

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

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

3 Section 3. Establishment of first-time homebuyer savings
4 account.

5 (a) Designation of first-time homebuyer savings account.--
6 Beginning six months after the effective date of this section,
7 an individual may open a first-time homebuyer savings account
8 with a financial institution.

9 (b) Designation of qualified beneficiary.--An account holder
10 shall designate no more than one first-time homebuyer as the
11 qualified beneficiary of a first-time homebuyer savings account.
12 The account holder may designate himself as the qualified
13 beneficiary and may change the designated qualified beneficiary
14 at any time. The account holder shall declare the qualified
15 beneficiary on the annual personal income tax return required
16 under the Tax Reform Code of 1971 for the tax year in which the
17 first-time homebuyer savings account is established and for any
18 year in which the qualified beneficiary is changed.

19 (c) Use of first-time homebuyer savings account.--Money from
20 a first-time homebuyer savings account may only be used to pay
21 or reimburse a qualified beneficiary's eligible costs for the
22 purchase of a single-family residence in this Commonwealth.

23 (d) Expenses.--The account holder may not use money held in
24 a first-time homebuyer savings account to pay expenses of
25 administering the account, except that a service fee may be
26 deducted from the account by a financial institution in which
27 the first-time homebuyer savings account is held.

28 (e) Joint account holders.--An account holder may jointly
29 own a first-time homebuyer savings account with another person
30 if the joint account holders file a joint personal income tax

1 return under Article III of the Tax Reform Code of 1971.

2 (f) Qualified beneficiary of more than one account.--An
3 individual may be designated as the qualified beneficiary on
4 more than one first-time homebuyer savings account.

5 (g) Contributions to account.--

6 (1) Subject to the limitations under section 4(d), an
7 individual other than the account holder may contribute to a
8 first-time homebuyer savings account.

9 (2) The maximum amount of all contributions to a first-
10 time homebuyer savings account is \$150,000.

11 (h) Transfer of money.--An account holder may withdraw money
12 from a first-time homebuyer savings account and deposit the
13 money into a new first-time homebuyer savings account held by
14 the same or a different financial institution.

15 Section 4. Deduction and exclusion from taxable income.

16 (a) Deduction of contributions.--Except as otherwise
17 provided under subsection (c), the amount contributed by an
18 account holder to a first-time homebuyer savings account during
19 each tax year:

20 (1) may not exceed \$5,000 for an account holder who
21 files an individual personal income tax return or \$10,000 for
22 joint account holders who file a joint personal income tax
23 return; and

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

28 (b) Exclusion of earnings.--Except as otherwise provided
29 under subsection (c), the amount of earnings on a first-time
30 homebuyer savings account during the tax year may be excluded

1 from the taxable income of an account holder under Article III
2 of the Tax Reform Code of 1971.

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

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

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

8 (3) except as otherwise provided in section 3(h), only
9 if the principal and earnings of a first-time homebuyer
10 savings account remain in the account until a withdrawal is
11 made for the eligible costs relating to the purchase of a
12 single-family residence by a qualified beneficiary.

13 (d) Nonaccount holders.--An individual other than the
14 account holder who deposits money into a first-time homebuyer
15 savings account under section 3(g) is not entitled to the
16 deduction and exclusion provided for under this section.

17 (e) Remaining money.--Money in a first-time homebuyer
18 savings account not expended on eligible costs before expiration
19 of the 10-year period under subsection (c)(1) shall be included
20 in the account holder's taxable income under Article III of the
21 Tax Reform Code of 1971.

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

26 Section 5. Reporting.

27 The account holder shall submit to the department all of the
28 following:

29 (1) Upon a withdrawal of money from a first-time
30 homebuyer savings account, a detailed record of the eligible

1 costs toward which the money was applied and a statement of
2 the amount of money remaining in the account.

3 (2) With the account holder's personal income tax
4 return:

5 (i) information regarding the first-time homebuyer
6 savings account, including a list of transactions for the
7 account during the tax year; and

8 (ii) the Form 1099 issued by the financial
9 institution holding the account.

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

11 Section 6. Financial institutions.

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

15 (1) Designate an account as a first-time homebuyer
16 savings account or designate a qualified beneficiary of an
17 account in a financial institution's account contracts or
18 systems.

19 (2) Track the use of money withdrawn from a first-time
20 homebuyer savings account.

21 (3) Allocate money in a first-time homebuyer savings
22 account among joint account holders or multiple qualified
23 beneficiaries.

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

27 (5) Determine if an account satisfies the requirements
28 to be a first-time homebuyer savings account.

29 (6) Ensure that money in a first-time homebuyer savings
30 account is used for eligible costs.

1 (7) Report or remit taxes or penalties related to the
2 use of a first-time homebuyer savings account.

3 (b) Distribution of money.--Upon proof of the death of the
4 account holder, a financial institution shall distribute the
5 account in accordance with the contract terms governing the
6 first-time homebuyer savings account.

7 Section 7. Withdrawal for purpose other than eligible costs.

8 Except as permitted under section 3(h), if an account holder
9 or beneficiary withdraws any amount from a first-time homebuyer
10 savings account and uses the withdrawal for a purpose other than
11 eligible costs:

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

16 (2) The account holder or beneficiary shall pay to the
17 department a penalty equal to 10% of the amount
18 withdrawn. The penalty may not apply to money withdrawn from
19 an account that was:

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

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

24 (relating to Bankruptcy).

25 Section 8. Department of Revenue.

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

27 (1) to designate an account with a financial institution
28 to serve as a first-time homebuyer savings account;

29 (2) to designate a qualified beneficiary of a first-time
30 homebuyer savings account; and

1 (3) for an account holder to annually submit to the
2 department detailed information regarding the first-time
3 homebuyer savings account, including, but not limited to, a
4 list of transactions for the account during the tax year and
5 identifying any supporting documentation that is required to
6 be maintained by the account holder.

7 (b) Rules and regulations.--The department may promulgate
8 rules and regulations necessary to administer and enforce this
9 act.

10 Section 9. Effective date.

11 This act shall take effect in 60 days.