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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 157 Session of  
2021

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INTRODUCED BY MENSCH, AUMENT, GORDNER, ARGALL, DUSH, BARTOLOTTA,  
MARTIN, MASTRIANO, STEFANO, J. WARD, BLAKE, CAPPELLETTI,  
FONTANA, SANTARSIERO, SCHWANK, STREET AND TARTAGLIONE,  
FEBRUARY 2, 2021

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REFERRED TO URBAN AFFAIRS AND HOUSING, FEBRUARY 2, 2021

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AN ACT

1 Providing for the establishment of first-time home buyer savings  
2 accounts for first-time home buyers in this Commonwealth.

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

5 Section 1. Short title.

6 This act shall be known and may be cited as the Pennsylvania  
7 First-Time Home Buyer Savings Account Act.

8 Section 2. Definitions.

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

12 "Account holder." An individual who establishes,  
13 individually or jointly, a first-time home buyer savings  
14 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. Eligible costs shall  
5 not include costs incurred prior to the establishment of a  
6 first-time home buyer 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 home buyer." 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 home buyer savings account." An account  
18 established under section 3.

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

5 (a) Designation of first-time home buyer savings account.--  
6 Beginning six months after the effective date of this section,  
7 an individual may open a first-time home buyer 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 home buyer as the  
11 qualified beneficiary of a first-time home buyer savings  
12 account. The account holder may designate himself as the  
13 qualified beneficiary and may change the designated qualified  
14 beneficiary at any time. The account holder shall declare the  
15 qualified beneficiary on the annual personal income tax return  
16 required under the Tax Reform Code of 1971 for the tax year in  
17 which the first-time home buyer savings account is established  
18 and for any year in which the qualified beneficiary is changed.

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

23 (d) Expenses.--The account holder may not use funds held in  
24 a first-time home buyer 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 home buyer savings account is held.

28 (e) Joint account holders.--An account holder may jointly  
29 own a first-time home buyer 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 home buyer 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 home buyer savings account.

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

11 (h) Transfer of funds.--An account holder may withdraw funds  
12 from a first-time home buyer savings account and deposit the  
13 funds in a new first-time home buyer savings account held by the  
14 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 home buyer 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 in 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 home buyer 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 home buyer  
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 funds in a first-time home buyer  
15 savings account under section 3(g) is not entitled to the  
16 deduction and exclusion provided for under this section.

17 (e) Remaining funds.--Funds in a first-time home buyer  
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 funds from a first-time home  
30 buyer savings account, a detailed account of the eligible

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

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

5 (i) information regarding the first-time home buyer  
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 home buyer  
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 home buyer savings account.

21 (3) Allocate funds in a first-time home buyer 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 home buyer savings account.

29 (6) Ensure that funds in a first-time home buyer savings  
30 account are used for eligible costs.

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

3 (b) Distribution of funds.--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 home buyer 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 home buyer  
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 shall not apply to funds withdrawn  
19 from an account that were:

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 the Bankruptcy  
24 Code (11 U.S.C. § 101 et seq.).

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 home buyer savings account;

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

1           (3) for an account holder to annually submit to the  
2 department detailed information regarding the first-time home  
3 buyer savings account, including, but not limited to, a list  
4 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.