



# House of Representatives

General Assembly

**File No. 409**

*January Session, 2007*

Substitute House Bill No. 5490

*House of Representatives, April 10, 2007*

The Committee on Planning and Development reported through REP. FELTMAN of the 6th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## ***AN ACT ESTABLISHING A FIRST-TIME HOMEBUYER SAVINGS PROGRAM.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2007*) (a) The Commissioner of  
2 Economic and Community Development, in consultation with the  
3 Commissioner of Revenue Services, shall establish a first-time  
4 homebuyer savings program whereby graduates of a public or  
5 independent institution of higher education in the state, for the period  
6 ending ten years after the date of graduation, may elect to have one  
7 hundred per cent of the amount paid by such graduate for the income  
8 tax under chapter 229 of the general statutes in each calendar year  
9 segregated by the Commissioner of Revenue Services and deposited  
10 into the fund established by section 2 of this act and used for the  
11 purchase of the first home of such graduate. Taxes shall be segregated  
12 for tax years commencing on January 1, 2008. Payments to a graduate  
13 shall equal the amount paid for the income taxes by the graduate.  
14 Enrollment in the program shall begin on January 1, 2008.

15 (b) The Commissioner of Economic Development, in consultation  
16 with the Commissioner of Revenue Services, shall adopt regulations, in  
17 accordance with the provisions of chapter 54 of the general statutes, to  
18 carry out the provisions of this section.

19 (c) Not later than December 1, 2007, within available appropriations,  
20 the Commissioner of Economic and Community Development shall  
21 develop a comprehensive public education program to educate recent  
22 graduates of a public or independent institution of higher education in  
23 the state about the first-time homebuyer savings program established  
24 under this section. The public education program shall include, but not  
25 be limited to, information concerning lifetime savings plans and  
26 information on the purchase of a house. The department shall begin to  
27 implement the outreach program not later than January 1, 2008.

28 (e) Not later than January 1, 2009, and annually thereafter, the  
29 Commissioner of Economic and Community Development shall  
30 submit a report to the select committee of the General Assembly  
31 having cognizance of matters relating to housing on the program  
32 established pursuant to this section. Said report shall review the  
33 program and may include recommendations for legislation.

34 Sec. 2. (NEW) (*Effective July 1, 2007*) There is created a "Connecticut  
35 First-time Homebuyers Fund". Moneys segregated by the  
36 Commissioner of Revenue Services pursuant to section 1 of this act  
37 shall be deposited in the fund. Amounts deposited in the fund shall be  
38 available to the Commissioner of Economic and Community  
39 Development for payments to participants in the first-time home buyer  
40 program established pursuant to section 1 of this act. The State  
41 Treasurer shall invest the proceeds of the fund and investment  
42 earnings shall be credited to and become part of the General Fund.  
43 Annually, on or before September first, the Treasurer shall notify the  
44 Commissioner of Economic and Community Development of the total  
45 amount in the fund. Any balance remaining in the fund at the end of  
46 each fiscal year shall be carried forward in the fund for the succeeding  
47 fiscal year. Any funds segregated for a participant in the program that

48 are not used in the purchase of a home shall be transferred to the  
49 General Fund. Any costs incurred by the State Treasurer in  
50 administering the fund shall be paid from the fund.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	New section
Sec. 2	<i>July 1, 2007</i>	New section

**HSG**      *Joint Favorable C/R*      PD

**PD**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

## **OFA Fiscal Note**

### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 08 \$</b>	<b>FY 09 \$</b>
Department of Economic & Community Development	GF - Cost	See Below	See Below
Department of Revenue Services	GF - Revenue Gain/Cost	See Below	See Below

Note: GF=General Fund

**Municipal Impact:** None

### **Explanation**

The bill requires the Department of Economic and Community Development (DECD) to establish and administer a first time home buyer's savings program for graduates of state public or independent universities and colleges. The bill also requires the DECD to develop a comprehensive public education program within available appropriations. No additional funds are currently available for a new education program. It is estimated that the DECD will require 2 Community Development Specialists starting in FY 08 at a cost of approximately \$128,000 for salaries plus fringe benefits<sup>1</sup> and a secretary at a cost of \$40,500 plus fringe benefits. Additional associated other expense costs estimated at \$15,000 will be needed for program start up and a minimum of \$30,000 in other expenses is anticipated to be required for the public education/outreach effort.

<sup>1</sup> The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate for a new employee as a percentage of average salary is 25.8%, effective July 1, 2006. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2006-07 fringe benefit rate is 34.4%, which when combined with the non pension fringe benefit rate totals 60.2%.

The bill creates a first-time homebuyer savings program for graduates from an in-state public or independent institution of higher education. The program is capitalized with 100% of the personal income taxes paid by program participants.

The program appears to apply to anyone that had ever graduated from an in-state public and private higher education institution who have never owned a home. It is expected to result in a significant General Fund revenue loss that could exceed \$100 million per year.

The bill is expected to result in a cost to the Department of Revenue Services of \$330,000 in FY 08 and \$70,000 in FY 09 to administer reporting and tax provisions contained in the bill. The cost in the first year includes one-time step and programming costs as well as ongoing costs for a Systems Developer.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

**OLR Bill Analysis****sHB 5490*****AN ACT ESTABLISHING A FIRST-TIME HOMEBUYER SAVINGS PROGRAM.*****SUMMARY:**

This bill creates a voluntary first-time homebuyer savings program for graduates of state public or independent universities and colleges that consists of 100% of participating graduates' state income tax for 10 years after graduation. It requires the Department of Economic and Community Development (DECD) to establish the program and regulations for it in consultation with the Department of Revenue Services (DRS).

Under the bill, graduates can enroll in the program beginning January 1, 2008, and DRS will place into a special fund 100% of their state income tax, beginning with tax year 2008, for up to 10 years after their graduation date. The bill creates a "Connecticut First-Time Homebuyers Fund" in which DRS must place funds it segregates for graduates enrolled in the homebuyer program. Under the bill, DECD uses those funds to make payments to program participants who receive the equivalent of their income tax contributions while enrolled in the program when buying their first home.

The bill requires the state treasurer to invest the program's fund proceeds and credit investment earnings to the General Fund.

It requires the DECD commissioner within available appropriations and by December 1, 2007 to develop a comprehensive public education outreach program to inform recent graduates about the program. The public education program must include information concerning lifetime savings plans and information on purchasing a home. DECD

must begin to implement the outreach program by January 1, 2008.

The bill requires DECD to report on the first-time homebuyer program to the Housing Committee by January 1, 2009 and annually thereafter. The report must provide a review of the program and may include recommendations for legislation.

EFFECTIVE DATE: July 1, 2007

**CONNECTICUT FIRST-TIME HOMEBUYERS FUND**

The bill requires the treasurer by September 1 annually to notify the DECD commissioner of the first-time homebuyer fund's balance. Any fund balance at the end of each fiscal year is carried forward in the fund for the succeeding fiscal year. Under the bill, any funds segregated for a program participant that are not used to purchase a home are transferred to the General Fund. The fund pays any costs treasurer incurs in administering it.

Presumably, a program participant forfeits his or her program funds after some period of time or under certain circumstances (e.g., buying a first home in another state).

**COMMITTEE ACTION**

Select Committee on Housing

Joint Favorable Change of Reference  
Yea 10 Nay 0 (03/06/2007)

Planning and Development Committee

Joint Favorable Substitute  
Yea 19 Nay 0 (03/21/2007)