OFFICE OF FISCAL ANALYSIS
Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
http://www.cga.ct.gov/ofa

SB-904
AN ACT REQUIRING THE COMMISSIONER OF REVENUE SERVICES TO ESTABLISH A FIRST-TIME HOMEBUYER SAVINGS ACCOUNT PROGRAM AND ESTABLISHING A TAX DEDUCTION FOR CONTRIBUTIONS TO FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 $	FY 21 $
Revenue Serv., Dept.	GF - Revenue Loss	Up to 4.8 million	Up to 19.1 million
Revenue Serv., Dept.	GF - Cost	191,213-211,213	68,530
State Comptroller - Fringe Benefits[1]	GF - Cost	27,273	28,228

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a first-time homebuyer savings account program and associated income tax deduction, results in: 1) a General Fund revenue loss of up to $4.8 million in FY 20 (partial year) and up to $19.1 million in FY 21, 2) a one-time cost to the Department of Revenue Services (DRS) of $125,000-$145,000 for updates to the online Taxpayer Service Center and internal Integrated Tax Administration System and a durational project manager in FY 20 only, and 3) an ongoing cost to the DRS of $93,486 in FY 20 and $96,758 in FY 21 for salary and fringe benefit costs associated with one Revenue Examiner.

[1]The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.19% of payroll in FY 20 and FY 21.

Primary Analyst: CW 4/1/19
Contributing Analyst(s):
Reviewer: MM

Projected Revenue Loss

The projected revenue loss is derived from 2017 information from the National Realtors Association indicating 34% of homes sold annually are to first-time buyers, which represents approximately 17,800 sales in Connecticut.

As the deduction is available for up to 10 successive years the revenue loss increases from FY 20 through FY 29, at which point the revenue loss annualizes at up to $95.4 million. The revenue loss could be less to the extent that program participants: 1) do not participate in the program for the full 10 years, 2) are not eligible to deduct the maximum amount in any given year, or 3) incur penalties for nonqualified withdrawals.

The Out Years

State Impact:

Agency Affected	Fund-Effect	FY 22 $	FY 23 $	FY 24 $
Revenue Serv., Dept.	GF - Revenue Loss	Up to 28.6 million	Up to 38.2 million	Up to 47.7 million
Revenue Serv., Dept.	GF - Cost*	69,901	71,299	72,725
State Comptroller - Fringe Benefits	GF - Cost*	28,793	29,369	29,956

Note: GF=General Fund
*These figures have been adjusted for inflation at a rate of 2%

Municipal Impact: None

Sources: National Association of Realtors