



General Assembly

January Session, 2019

***Raised Bill No. 904***

LCO No. 4405



Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by:  
(INS)

***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.***

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

1 Section 1. (NEW) (*Effective July 1, 2019*) (a) For the purposes of this  
2 section:

3 (1) "Account holder" means an individual who, either individually  
4 or jointly with another individual, establishes a first-time homebuyer  
5 savings account;

6 (2) "Allowable closing costs" means the disbursements listed on a  
7 settlement statement concerning a transaction involving the purchase  
8 of a single-family residence in this state by a qualified beneficiary to  
9 serve as the qualified beneficiary's primary residence;

10 (3) "Commissioner" means the Commissioner of Revenue Services;

11 (4) "Eligible costs" means the downpayment and all allowable

12 closing costs paid or reimbursed by a qualified beneficiary to purchase  
13 a single-family residence in this state to serve as the qualified  
14 beneficiary's primary residence;

15 (5) "Financial institution" means a bank, trust company, savings  
16 institution, industrial loan association, consumer finance company,  
17 credit union, benefit association, insurance company, safe deposit  
18 company, money market mutual fund or other similar entity that is  
19 authorized to do business in this state;

20 (6) "First-time homebuyer" means an individual who did not own or  
21 purchase, either individually or jointly with another person, a single-  
22 family residence during the three years immediately preceding the  
23 closing date of a real estate transaction involving the purchase of a  
24 single-family residence in this state by the individual;

25 (7) "First-time homebuyer savings account" means an account  
26 established by one or more account holders with a financial institution  
27 that the account holders designate, on such account holders' return for  
28 the income tax imposed under chapter 229 of the general statutes for a  
29 taxable year beginning on or after January 1, 2019, as an account  
30 exclusively containing funds to pay or reimburse eligible costs  
31 incurred by the eligible beneficiary of the account;

32 (8) "Program" means the first-time homebuyer savings account  
33 program established by the commissioner pursuant to subsection (b) of  
34 this section;

35 (9) "Qualified beneficiary" means a first-time homebuyer who is  
36 designated as the qualified beneficiary of a first-time homebuyer  
37 savings account and resides in the single-family residence in this state  
38 that is purchased with the funds deposited in such account;

39 (10) "Settlement statement" means the statement of receipts and  
40 disbursements for a transaction related to real estate, including, but  
41 not limited to, a statement prescribed pursuant to the Real Estate  
42 Settlement Procedures Act of 1974, 12 USC Section 2601 et seq., as

43 amended from time to time, and regulations adopted thereunder; and

44 (11) "Single-family residence" means a single-family residential  
45 dwelling, including, but not limited to, a mobile manufactured home  
46 or a residential unit in a cooperative, common interest community or  
47 condominium.

48 (b) (1) The commissioner shall, within available appropriations,  
49 establish a first-time homebuyer savings account program. The  
50 purposes of the program shall be to enable first-time homebuyers in  
51 this state to benefit from the state income tax deduction established in  
52 subparagraph (B)(xxvi) of subdivision (20) of subsection (a) of section  
53 12-701 of the general statutes, as amended by this act, and encourage  
54 residents of this state to save for, and purchase, their first home in this  
55 state.

56 (2) As part of the program, the commissioner shall:

57 (A) Prepare forms for (i) the designation of (I) accounts as first-time  
58 homebuyer savings accounts, and (II) qualified beneficiaries, and (ii)  
59 account holders to submit to the commissioner the information  
60 described in subparagraph (B) of subdivision (1) of subsection (d) of  
61 this section and any additional information that the commissioner, in  
62 the commissioner's discretion, reasonably requires to perform the  
63 commissioner's duties under this section; and

64 (B) Prepare and distribute to financial institutions and prospective  
65 first-time homebuyers informational and promotional materials  
66 concerning the program.

67 (c) An individual may, as part of the program, establish one or more  
68 first-time homebuyer savings accounts with financial institutions. Two  
69 individuals may jointly establish and serve as the account holders of a  
70 first-time homebuyer savings account, provided such account holders  
71 shall file a joint return for the income tax imposed under chapter 229 of  
72 the general statutes for each taxable year during which such account  
73 exists. The account holder or account holders shall, not later than April

74 fifteenth of the taxable year immediately following the taxable year  
75 during which such account holder or account holders established a  
76 first-time homebuyer savings account, designate the qualified  
77 beneficiary of such account. The account holder or account holders of a  
78 first-time homebuyer savings account may designate a new qualified  
79 beneficiary of the account at any time, provided there shall not be  
80 more than one qualified beneficiary of such account at any time. No  
81 individual may establish or serve as an account holder of multiple  
82 first-time homebuyer savings accounts that have the same qualified  
83 beneficiary. First-time homebuyer savings accounts shall exclusively  
84 contain cash and other marketable securities, and there shall be no  
85 limit on the amount of contributions made to, or contained in, such  
86 accounts. Any person may contribute to a first-time homebuyer  
87 savings account.

88 (d) (1) Each account holder shall:

89 (A) Not use any portion of the funds contributed to, and deposited  
90 in, a first-time homebuyer savings account to pay any administrative  
91 fees or expenses, other than service fees imposed by the depository  
92 financial institution, for such account;

93 (B) Submit to the commissioner, with such account holder's return  
94 for the income tax imposed under chapter 229 of the general statutes  
95 for each taxable year beginning on or after January 1, 2019, during  
96 which a first-time homebuyer savings account established by such  
97 account holder exists:

98 (i) Detailed information concerning such first-time homebuyer  
99 savings account, including, but not limited to, a list of all transactions  
100 concerning such account that occurred during the taxable year that is  
101 the subject of such return;

102 (ii) The Internal Revenue Service Form 1099 issued by the  
103 depository financial institution for such first-time homebuyer savings  
104 account; and

105 (iii) If such account holder withdrew funds from such first-time  
106 homebuyer savings account during the taxable year that is the subject  
107 of such return, a detailed accounting of all eligible costs paid or  
108 reimbursed using such funds during such taxable year and the balance  
109 of funds remaining in such account.

110 (2) Each account holder may withdraw all, or any portion of, the  
111 funds contributed to, and deposited in, a first-time homebuyer savings  
112 account and deposit such funds in another first-time homebuyer  
113 savings account established by such account holder at any financial  
114 institution.

115 (e) (1) No financial institution shall be required to designate an  
116 account as a first-time homebuyer savings account or an individual as  
117 the qualified beneficiary of a first-time homebuyer savings account,  
118 track the use of any funds withdrawn from a first-time homebuyer  
119 savings account, allocate funds in a first-time homebuyer savings  
120 account among account holders, or disclose any information to the  
121 commissioner or any other governmental agency unless such  
122 disclosure is required by applicable law.

123 (2) No financial institution shall be liable or responsible for (A)  
124 determining whether, or ensuring that, an account satisfies the  
125 requirements established in this section concerning first-time  
126 homebuyer savings accounts or the funds in first-time homebuyer  
127 savings accounts are used to pay or reimburse eligible costs, or (B)  
128 disclosing or remitting taxes or penalties concerning first-time  
129 homebuyer savings accounts unless such disclosure or remittance is  
130 required by applicable law.

131 (3) Upon receiving proof of the death of an account holder and all  
132 other information required by any contract governing a first-time  
133 homebuyer savings account established by the account holder, the  
134 depository financial institution shall distribute the funds in the first-  
135 time homebuyer savings account in accordance with the terms of such  
136 contract.

137 (f) (1) Each account holder who withdraws funds from a first-time  
138 homebuyer savings account for any reason other than paying or  
139 reimbursing the qualified beneficiary of such account for eligible costs  
140 incurred by such qualified beneficiary shall be liable to this state for a  
141 civil penalty in an amount not to exceed ten per cent of the withdrawn  
142 amount.

143 (2) No account holder shall be liable for a penalty under subdivision  
144 (1) of this subsection if the funds withdrawn from the first-time  
145 homebuyer savings account:

146 (A) Were deposited in another first-time homebuyer savings  
147 account pursuant to subdivision (2) of subsection (d) of this section;

148 (B) Were withdrawn due to the death or disability of an account  
149 holder who established such account; or

150 (C) Constitute a disbursement of the assets of such account pursuant  
151 to a filing for protection under the United States Bankruptcy Code, as  
152 amended from time to time.

153 (g) The commissioner may adopt regulations, in accordance with  
154 the provisions of chapter 54 of the general statutes, to implement the  
155 provisions of this section.

156 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of  
157 section 12-701 of the general statutes is repealed and the following is  
158 substituted in lieu thereof (*Effective July 1, 2019, and applicable to taxable*  
159 *years commencing on or after January 1, 2019*):

160 (B) There shall be subtracted therefrom:

161 (i) To the extent properly includable in gross income for federal  
162 income tax purposes, any income with respect to which taxation by  
163 any state is prohibited by federal law;

164 (ii) To the extent allowable under section 12-718, exempt dividends  
165 paid by a regulated investment company;

166 (iii) To the extent properly includable in gross income for federal  
167 income tax purposes, the amount of any refund or credit for  
168 overpayment of income taxes imposed by this state, or any other state  
169 of the United States or a political subdivision thereof, or the District of  
170 Columbia;

171 (iv) To the extent properly includable in gross income for federal  
172 income tax purposes and not otherwise subtracted from federal  
173 adjusted gross income pursuant to clause (x) of this subparagraph in  
174 computing Connecticut adjusted gross income, any tier 1 railroad  
175 retirement benefits;

176 (v) To the extent any additional allowance for depreciation under  
177 Section 168(k) of the Internal Revenue Code for property placed in  
178 service after September 27, 2017, was added to federal adjusted gross  
179 income pursuant to subparagraph (A)(ix) of this subdivision in  
180 computing Connecticut adjusted gross income, twenty-five per cent of  
181 such additional allowance for depreciation in each of the four  
182 succeeding taxable years;

183 (vi) To the extent properly includable in gross income for federal  
184 income tax purposes, any interest income from obligations issued by or  
185 on behalf of the state of Connecticut, any political subdivision thereof,  
186 or public instrumentality, state or local authority, district or similar  
187 public entity created under the laws of the state of Connecticut;

188 (vii) To the extent properly includable in determining the net gain  
189 or loss from the sale or other disposition of capital assets for federal  
190 income tax purposes, any gain from the sale or exchange of obligations  
191 issued by or on behalf of the state of Connecticut, any political  
192 subdivision thereof, or public instrumentality, state or local authority,  
193 district or similar public entity created under the laws of the state of  
194 Connecticut, in the income year such gain was recognized;

195 (viii) Any interest on indebtedness incurred or continued to  
196 purchase or carry obligations or securities the interest on which is  
197 subject to tax under this chapter but exempt from federal income tax,

198 to the extent that such interest on indebtedness is not deductible in  
199 determining federal adjusted gross income and is attributable to a  
200 trade or business carried on by such individual;

201 (ix) Ordinary and necessary expenses paid or incurred during the  
202 taxable year for the production or collection of income which is subject  
203 to taxation under this chapter but exempt from federal income tax, or  
204 the management, conservation or maintenance of property held for the  
205 production of such income, and the amortizable bond premium for the  
206 taxable year on any bond the interest on which is subject to tax under  
207 this chapter but exempt from federal income tax, to the extent that  
208 such expenses and premiums are not deductible in determining federal  
209 adjusted gross income and are attributable to a trade or business  
210 carried on by such individual;

211 (x) (I) For taxable years commencing prior to January 1, 2019, for a  
212 person who files a return under the federal income tax as an  
213 unmarried individual whose federal adjusted gross income for such  
214 taxable year is less than fifty thousand dollars, or as a married  
215 individual filing separately whose federal adjusted gross income for  
216 such taxable year is less than fifty thousand dollars, or for a husband  
217 and wife who file a return under the federal income tax as married  
218 individuals filing jointly whose federal adjusted gross income for such  
219 taxable year is less than sixty thousand dollars or a person who files a  
220 return under the federal income tax as a head of household whose  
221 federal adjusted gross income for such taxable year is less than sixty  
222 thousand dollars, an amount equal to the Social Security benefits  
223 includable for federal income tax purposes;

224 (II) For taxable years commencing prior to January 1, 2019, for a  
225 person who files a return under the federal income tax as an  
226 unmarried individual whose federal adjusted gross income for such  
227 taxable year is fifty thousand dollars or more, or as a married  
228 individual filing separately whose federal adjusted gross income for  
229 such taxable year is fifty thousand dollars or more, or for a husband  
230 and wife who file a return under the federal income tax as married



231 individuals filing jointly whose federal adjusted gross income from  
232 such taxable year is sixty thousand dollars or more or for a person who  
233 files a return under the federal income tax as a head of household  
234 whose federal adjusted gross income for such taxable year is sixty  
235 thousand dollars or more, an amount equal to the difference between  
236 the amount of Social Security benefits includable for federal income tax  
237 purposes and the lesser of twenty-five per cent of the Social Security  
238 benefits received during the taxable year, or twenty-five per cent of the  
239 excess described in Section 86(b)(1) of the Internal Revenue Code;

240 (III) For the taxable year commencing January 1, 2019, and each  
241 taxable year thereafter, for a person who files a return under the  
242 federal income tax as an unmarried individual whose federal adjusted  
243 gross income for such taxable year is less than seventy-five thousand  
244 dollars, or as a married individual filing separately whose federal  
245 adjusted gross income for such taxable year is less than seventy-five  
246 thousand dollars, or for a husband and wife who file a return under  
247 the federal income tax as married individuals filing jointly whose  
248 federal adjusted gross income for such taxable year is less than one  
249 hundred thousand dollars or a person who files a return under the  
250 federal income tax as a head of household whose federal adjusted  
251 gross income for such taxable year is less than one hundred thousand  
252 dollars, an amount equal to the Social Security benefits includable for  
253 federal income tax purposes; and

254 (IV) For the taxable year commencing January 1, 2019, and each  
255 taxable year thereafter, for a person who files a return under the  
256 federal income tax as an unmarried individual whose federal adjusted  
257 gross income for such taxable year is seventy-five thousand dollars or  
258 more, or as a married individual filing separately whose federal  
259 adjusted gross income for such taxable year is seventy-five thousand  
260 dollars or more, or for a husband and wife who file a return under the  
261 federal income tax as married individuals filing jointly whose federal  
262 adjusted gross income from such taxable year is one hundred  
263 thousand dollars or more or for a person who files a return under the  
264 federal income tax as a head of household whose federal adjusted

265 gross income for such taxable year is one hundred thousand dollars or  
266 more, an amount equal to the difference between the amount of Social  
267 Security benefits includable for federal income tax purposes and the  
268 lesser of twenty-five per cent of the Social Security benefits received  
269 during the taxable year, or twenty-five per cent of the excess described  
270 in Section 86(b)(1) of the Internal Revenue Code;

271 (xi) To the extent properly includable in gross income for federal  
272 income tax purposes, any amount rebated to a taxpayer pursuant to  
273 section 12-746;

274 (xii) To the extent properly includable in the gross income for  
275 federal income tax purposes of a designated beneficiary, any  
276 distribution to such beneficiary from any qualified state tuition  
277 program, as defined in Section 529(b) of the Internal Revenue Code,  
278 established and maintained by this state or any official, agency or  
279 instrumentality of the state;

280 (xiii) To the extent allowable under section 12-701a, contributions to  
281 accounts established pursuant to any qualified state tuition program,  
282 as defined in Section 529(b) of the Internal Revenue Code, established  
283 and maintained by this state or any official, agency or instrumentality  
284 of the state;

285 (xiv) To the extent properly includable in gross income for federal  
286 income tax purposes, the amount of any Holocaust victims' settlement  
287 payment received in the taxable year by a Holocaust victim;

288 (xv) To the extent properly includable in gross income for federal  
289 income tax purposes of an account holder, as defined in section 31-  
290 51ww, interest earned on funds deposited in the individual  
291 development account, as defined in section 31-51ww, of such account  
292 holder;

293 (xvi) To the extent properly includable in the gross income for  
294 federal income tax purposes of a designated beneficiary, as defined in  
295 section 3-123aa, interest, dividends or capital gains earned on

296 contributions to accounts established for the designated beneficiary  
297 pursuant to the Connecticut Homecare Option Program for the Elderly  
298 established by sections 3-123aa to 3-123ff, inclusive;

299 (xvii) To the extent properly includable in gross income for federal  
300 income tax purposes, any income received from the United States  
301 government as retirement pay for a retired member of (I) the Armed  
302 Forces of the United States, as defined in Section 101 of Title 10 of the  
303 United States Code, or (II) the National Guard, as defined in Section  
304 101 of Title 10 of the United States Code;

305 (xviii) To the extent properly includable in gross income for federal  
306 income tax purposes for the taxable year, any income from the  
307 discharge of indebtedness in connection with any reacquisition, after  
308 December 31, 2008, and before January 1, 2011, of an applicable debt  
309 instrument or instruments, as those terms are defined in Section 108 of  
310 the Internal Revenue Code, as amended by Section 1231 of the  
311 American Recovery and Reinvestment Act of 2009, to the extent any  
312 such income was added to federal adjusted gross income pursuant to  
313 subparagraph (A)(xi) of this subdivision in computing Connecticut  
314 adjusted gross income for a preceding taxable year;

315 (xix) To the extent not deductible in determining federal adjusted  
316 gross income, the amount of any contribution to a manufacturing  
317 reinvestment account established pursuant to section 32-9zz in the  
318 taxable year that such contribution is made;

319 (xx) To the extent properly includable in gross income for federal  
320 income tax purposes, (I) for the taxable year commencing January 1,  
321 2015, ten per cent of the income received from the state teachers'  
322 retirement system, (II) for the taxable years commencing January 1,  
323 2016, January 1, 2017, and January 1, 2018, twenty-five per cent of the  
324 income received from the state teachers' retirement system, and (III)  
325 for the taxable year commencing January 1, 2019, and each taxable year  
326 thereafter, fifty per cent of the income received from the state teachers'  
327 retirement system or the percentage, if applicable, pursuant to clause

328 (xxi) of this subparagraph;

329 (xxi) To the extent properly includable in gross income for federal  
330 income tax purposes, except for retirement benefits under clause (iv) of  
331 this subparagraph and retirement pay under clause (xvii) of this  
332 subparagraph, for a person who files a return under the federal income  
333 tax as an unmarried individual whose federal adjusted gross income  
334 for such taxable year is less than seventy-five thousand dollars, or as a  
335 married individual filing separately whose federal adjusted gross  
336 income for such taxable year is less than seventy-five thousand dollars,  
337 or as a head of household whose federal adjusted gross income for  
338 such taxable year is less than seventy-five thousand dollars, or for a  
339 husband and wife who file a return under the federal income tax as  
340 married individuals filing jointly whose federal adjusted gross income  
341 for such taxable year is less than one hundred thousand dollars, (I) for  
342 the taxable year commencing January 1, 2019, fourteen per cent of any  
343 pension or annuity income, (II) for the taxable year commencing  
344 January 1, 2020, twenty-eight per cent of any pension or annuity  
345 income, (III) for the taxable year commencing January 1, 2021, forty-  
346 two per cent of any pension or annuity income, (IV) for the taxable  
347 year commencing January 1, 2022, fifty-six per cent of any pension or  
348 annuity income, (V) for the taxable year commencing January 1, 2023,  
349 seventy per cent of any pension or annuity income, (VI) for the taxable  
350 year commencing January 1, 2024, eighty-four per cent of any pension  
351 or annuity income, and (VII) for the taxable year commencing January  
352 1, 2025, and each taxable year thereafter, any pension or annuity  
353 income;

354 (xxii) The amount of lost wages and medical, travel and housing  
355 expenses, not to exceed ten thousand dollars in the aggregate, incurred  
356 by a taxpayer during the taxable year in connection with the donation  
357 to another person of an organ for organ transplantation occurring on  
358 or after January 1, 2017;

359 (xxiii) To the extent properly includable in gross income for federal  
360 income tax purposes, the amount of any financial assistance received

361 from the Crumbling Foundations Assistance Fund or paid to or on  
 362 behalf of the owner of a residential building pursuant to sections 8-442  
 363 and 8-443; [, and]

364 (xxiv) To the extent properly includable in gross income for federal  
 365 income tax purposes, the amount calculated pursuant to subsection (b)  
 366 of section 12-704g for income received by a general partner of a  
 367 venture capital fund, as defined in 17 CFR 275.203(l)-1, as amended  
 368 from time to time; [and]

369 (xxv) To the extent any portion of a deduction under Section 179 of  
 370 the Internal Revenue Code was added to federal adjusted gross income  
 371 pursuant to subparagraph (A)(xiv) of this subdivision in computing  
 372 Connecticut adjusted gross income, twenty-five per cent of such  
 373 disallowed portion of the deduction in each of the four succeeding  
 374 taxable years; [.] and

375 (xxvi) An amount equal to all contributions deposited by an account  
 376 holder in a first-time homebuyer savings account established pursuant  
 377 to subsection (c) of section 1 of this act and all interest accrued thereon  
 378 during the taxable year, provided (I) such contributions and accrued  
 379 interest are exclusively used to pay or reimburse eligible costs incurred  
 380 by the qualified beneficiary of the account, (II) the subtraction  
 381 available under this subparagraph shall not exceed five thousand  
 382 dollars in the aggregate for an individual, or ten thousand dollars in  
 383 the aggregate for individuals married and filing jointly, for the taxable  
 384 year, and (III) the subtraction available under this subparagraph shall  
 385 only be available for the account for ten taxable years.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2019</i>	New section
Sec. 2	<i>July 1, 2019, and applicable to taxable years commencing on or after January 1, 2019</i>	12-701(a)(20)(B)

**Statement of Purpose:**

To require the Commissioner of Revenue Services to establish a first-time homebuyer savings account program and establish a tax deduction for contributions to first-time homebuyer savings accounts.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*