



General Assembly

February Session, 2020

***Raised Bill No. 5429***

LCO No. 1869



Referred to Committee on BANKING

Introduced by:

(BA)

***AN ACT REQUIRING THE BANKING COMMISSIONER 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, 2020*) (a) For the purposes of this  
2 section:

3 (1) "Account holder" means an individual who, either individually or  
4 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 of  
8 a single-family residence in this state by a qualified beneficiary to serve  
9 as the qualified beneficiary's primary residence;

10 (3) "Commissioner" means the Banking Commissioner;

11 (4) "Connecticut bank" and "Connecticut credit union" have the same  
12 meanings as provided in section 36a-2 of the general statutes;

13 (5) "Eligible costs" means the down payment and all allowable closing  
14 costs paid or reimbursed by a qualified beneficiary to purchase a single-  
15 family residence in this state to serve as the qualified beneficiary's  
16 primary residence;

17 (6) "First-time homebuyer" means an individual who did not own or  
18 purchase, either individually or jointly with another person, a single-  
19 family residence prior to the closing date of a real estate transaction  
20 involving the purchase of a single-family residence in this state by the  
21 individual;

22 (7) "First-time homebuyer savings account" means an account  
23 established by one or more account holders with a Connecticut bank or  
24 Connecticut credit union that the account holders designate, on such  
25 account holders' return for the income tax imposed under chapter 229  
26 of the general statutes for a taxable year beginning on or after January  
27 1, 2020, as an account exclusively containing funds to pay or reimburse  
28 eligible costs incurred by the qualified beneficiary of the account;

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

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

36 (10) "Settlement statement" means the statement of receipts and  
37 disbursements for a transaction related to real estate, including, but not  
38 limited to, a statement prescribed pursuant to the Real Estate Settlement  
39 Procedures Act of 1974, 12 USC Section 2601 et seq., as amended from  
40 time to time, and regulations adopted thereunder; and

41 (11) "Single-family residence" means a single-family residential  
42 dwelling, including, but not limited to, a mobile manufactured home or  
43 a residential unit in a cooperative, common interest community or

44 condominium.

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

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

53 (A) Prepare forms for (i) the designation of accounts as first-time  
54 homebuyer savings accounts, (ii) qualified beneficiaries, and (iii)  
55 account holders to submit to the commissioner the information  
56 described in subparagraph (B) of subdivision (1) of subsection (d) of this  
57 section and any additional information that the commissioner  
58 reasonably requires to the provisions of this section; and

59 (B) Prepare and distribute to Connecticut banks, Connecticut credit  
60 unions and prospective first-time homebuyers informational and  
61 promotional materials concerning the program.

62 (c) An individual may, as part of the program, establish one or more  
63 first-time homebuyer savings accounts with a Connecticut bank or  
64 Connecticut credit union. Two individuals may jointly establish and  
65 serve as the account holders of a first-time homebuyer savings account,  
66 provided such account holders shall file a joint return for the income tax  
67 imposed under chapter 229 of the general statutes for each taxable year  
68 during which such account exists. The account holder or account  
69 holders shall, not later than April fifteenth of the taxable year  
70 immediately following the taxable year during which such account  
71 holder or account holders established a first-time homebuyer savings  
72 account, designate the qualified beneficiary of such account. The  
73 account holder or account holders of a first-time homebuyer savings  
74 account may designate a new qualified beneficiary of the account at any  
75 time, provided there shall not be more than one qualified beneficiary of

76 such account at any time. No individual may establish or serve as an  
77 account holder of multiple first-time homebuyer savings accounts that  
78 have the same qualified beneficiary. First-time homebuyer savings  
79 accounts shall exclusively contain cash and other marketable securities,  
80 and there shall be no limit on the amount of contributions made to, or  
81 contained in, such accounts. Any person may contribute to a first-time  
82 homebuyer savings account.

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

84 (A) Not use any portion of the funds deposited in a first-time  
85 homebuyer savings account to pay any administrative fees or expenses,  
86 other than service fees imposed by the depository Connecticut bank or  
87 Connecticut credit union, for such account;

88 (B) Submit to the commissioner such account holder's tax return for  
89 each taxable year beginning on or after January 1, 2020, during which a  
90 first-time homebuyer savings account established by such account  
91 holder exists:

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

96 (ii) The Internal Revenue Service Form 1099 issued by the depository  
97 Connecticut bank or Connecticut credit union for such first-time  
98 homebuyer savings account; and

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

104 (2) Each account holder may withdraw all, or any portion of, the  
105 funds contributed to, and deposited in, a first-time homebuyer savings

106 account and deposit such funds in another first-time homebuyer savings  
107 account established by such account holder at any Connecticut bank or  
108 Connecticut credit union.

109 (e) (1) No Connecticut bank or Connecticut credit union shall be  
110 required to (A) designate an account as a first-time homebuyer savings  
111 account or an individual as the qualified beneficiary of a first-time  
112 homebuyer savings account, (B) track the use of any funds withdrawn  
113 from a first-time homebuyer savings account, (C) allocate funds in a  
114 first-time homebuyer savings account among account holders, or (D)  
115 disclose any information to the commissioner or any other  
116 governmental agency unless such disclosure is required by applicable  
117 law.

118 (2) No Connecticut bank or Connecticut credit union shall be liable or  
119 responsible for (A) determining whether, or ensuring that, an account  
120 satisfies the requirements established in this section concerning first-  
121 time homebuyer savings accounts or the funds in first-time homebuyer  
122 savings accounts are used to pay or reimburse eligible costs, or (B)  
123 disclosing or remitting taxes or penalties concerning first-time  
124 homebuyer savings accounts unless such disclosure or remittance is  
125 required by applicable law.

126 (3) Upon receiving proof of the death of an account holder and all  
127 other information required by any contract governing a first-time  
128 homebuyer savings account established by the account holder, the  
129 depository Connecticut bank or Connecticut credit union shall  
130 distribute the funds in the first-time homebuyer savings account in  
131 accordance with the terms of such contract.

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

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

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

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

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

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

151 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of  
152 section 12-701 of the 2020 supplement to the general statutes is repealed  
153 and the following is substituted in lieu thereof (*Effective July 1, 2020, and*  
154 *applicable to taxable years commencing on or after January 1, 2020*):

155 (B) There shall be subtracted therefrom:

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

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

161 (iii) To the extent properly includable in gross income for federal  
162 income tax purposes, the amount of any refund or credit for  
163 overpayment of income taxes imposed by this state, or any other state  
164 of the United States or a political subdivision thereof, or the District of  
165 Columbia;

166 (iv) To the extent properly includable in gross income for federal  
167 income tax purposes and not otherwise subtracted from federal  
168 adjusted gross income pursuant to clause (x) of this subparagraph in  
169 computing Connecticut adjusted gross income, any tier 1 railroad  
170 retirement benefits;

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

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

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

190 (viii) Any interest on indebtedness incurred or continued to purchase  
191 or carry obligations or securities the interest on which is subject to tax  
192 under this chapter but exempt from federal income tax, to the extent that  
193 such interest on indebtedness is not deductible in determining federal  
194 adjusted gross income and is attributable to a trade or business carried  
195 on by such individual;

196 (ix) Ordinary and necessary expenses paid or incurred during the  
197 taxable year for the production or collection of income which is subject

198 to taxation under this chapter but exempt from federal income tax, or  
199 the management, conservation or maintenance of property held for the  
200 production of such income, and the amortizable bond premium for the  
201 taxable year on any bond the interest on which is subject to tax under  
202 this chapter but exempt from federal income tax, to the extent that such  
203 expenses and premiums are not deductible in determining federal  
204 adjusted gross income and are attributable to a trade or business carried  
205 on by such individual;

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

219 (II) For taxable years commencing prior to January 1, 2019, for a  
220 person who files a return under the federal income tax as an unmarried  
221 individual whose federal adjusted gross income for such taxable year is  
222 fifty thousand dollars or more, or as a married individual filing  
223 separately whose federal adjusted gross income for such taxable year is  
224 fifty thousand dollars or more, or for a husband and wife who file a  
225 return under the federal income tax as married individuals filing jointly  
226 whose federal adjusted gross income from such taxable year is sixty  
227 thousand dollars or more or for a person who files a return under the  
228 federal income tax as a head of household whose federal adjusted gross  
229 income for such taxable year is sixty thousand dollars or more, an  
230 amount equal to the difference between the amount of Social Security  
231 benefits includable for federal income tax purposes and the lesser of

232 twenty-five per cent of the Social Security benefits received during the  
233 taxable year, or twenty-five per cent of the excess described in Section  
234 86(b)(1) of the Internal Revenue Code;

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

248 (IV) For the taxable year commencing January 1, 2019, and each  
249 taxable year thereafter, for a person who files a return under the federal  
250 income tax as an unmarried individual whose federal adjusted gross  
251 income for such taxable year is seventy-five thousand dollars or more,  
252 or as a married individual filing separately whose federal adjusted gross  
253 income for such taxable year is seventy-five thousand dollars or more,  
254 or for a husband and wife who file a return under the federal income tax  
255 as married individuals filing jointly whose federal adjusted gross  
256 income from such taxable year is one hundred thousand dollars or more  
257 or for a person who files a return under the federal income tax as a head  
258 of household whose federal adjusted gross income for such taxable year  
259 is one hundred thousand dollars or more, an amount equal to the  
260 difference between the amount of Social Security benefits includable for  
261 federal income tax purposes and the lesser of twenty-five per cent of the  
262 Social Security benefits received during the taxable year, or twenty-five  
263 per cent of the excess described in Section 86(b)(1) of the Internal  
264 Revenue Code;

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

268 (xii) To the extent properly includable in the gross income for federal  
269 income tax purposes of a designated beneficiary, any distribution to  
270 such beneficiary from any qualified state tuition program, as defined in  
271 Section 529(b) of the Internal Revenue Code, established and  
272 maintained by this state or any official, agency or instrumentality of the  
273 state;

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

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

282 (xv) To the extent properly includable in gross income for federal  
283 income tax purposes of an account holder, as defined in section 31-  
284 51ww, interest earned on funds deposited in the individual  
285 development account, as defined in section 31-51ww, of such account  
286 holder;

287 (xvi) To the extent properly includable in the gross income for federal  
288 income tax purposes of a designated beneficiary, as defined in section  
289 3-123aa, interest, dividends or capital gains earned on contributions to  
290 accounts established for the designated beneficiary pursuant to the  
291 Connecticut Homecare Option Program for the Elderly established by  
292 sections 3-123aa to 3-123ff, inclusive;

293 (xvii) To the extent properly includable in gross income for federal  
294 income tax purposes, any income received from the United States  
295 government as retirement pay for a retired member of (I) the Armed

296 Forces of the United States, as defined in Section 101 of Title 10 of the  
297 United States Code, or (II) the National Guard, as defined in Section 101  
298 of Title 10 of the United States Code;

299 (xviii) To the extent properly includable in gross income for federal  
300 income tax purposes for the taxable year, any income from the discharge  
301 of indebtedness in connection with any reacquisition, after December  
302 31, 2008, and before January 1, 2011, of an applicable debt instrument or  
303 instruments, as those terms are defined in Section 108 of the Internal  
304 Revenue Code, as amended by Section 1231 of the American Recovery  
305 and Reinvestment Act of 2009, to the extent any such income was added  
306 to federal adjusted gross income pursuant to subparagraph (A)(xi) of  
307 this subdivision in computing Connecticut adjusted gross income for a  
308 preceding taxable year;

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

313 (xx) To the extent properly includable in gross income for federal  
314 income tax purposes, (I) for the taxable year commencing January 1,  
315 2015, ten per cent of the income received from the state teachers'  
316 retirement system, (II) for the taxable years commencing January 1,  
317 2016, to January 1, 2020, inclusive, twenty-five per cent of the income  
318 received from the state teachers' retirement system, and (III) for the  
319 taxable year commencing January 1, 2021, and each taxable year  
320 thereafter, fifty per cent of the income received from the state teachers'  
321 retirement system or the percentage, if applicable, pursuant to clause  
322 (xxi) of this subparagraph;

323 (xxi) To the extent properly includable in gross income for federal  
324 income tax purposes, except for retirement benefits under clause (iv) of  
325 this subparagraph and retirement pay under clause (xvii) of this  
326 subparagraph, for a person who files a return under the federal income  
327 tax as an unmarried individual whose federal adjusted gross income for

328 such taxable year is less than seventy-five thousand dollars, or as a  
329 married individual filing separately whose federal adjusted gross  
330 income for such taxable year is less than seventy-five thousand dollars,  
331 or as a head of household whose federal adjusted gross income for such  
332 taxable year is less than seventy-five thousand dollars, or for a husband  
333 and wife who file a return under the federal income tax as married  
334 individuals filing jointly whose federal adjusted gross income for such  
335 taxable year is less than one hundred thousand dollars, (I) for the taxable  
336 year commencing January 1, 2019, fourteen per cent of any pension or  
337 annuity income, (II) for the taxable year commencing January 1, 2020,  
338 twenty-eight per cent of any pension or annuity income, (III) for the  
339 taxable year commencing January 1, 2021, forty-two per cent of any  
340 pension or annuity income, (IV) for the taxable year commencing  
341 January 1, 2022, fifty-six per cent of any pension or annuity income, (V)  
342 for the taxable year commencing January 1, 2023, seventy per cent of any  
343 pension or annuity income, (VI) for the taxable year commencing  
344 January 1, 2024, eighty-four per cent of any pension or annuity income,  
345 and (VII) for the taxable year commencing January 1, 2025, and each  
346 taxable year thereafter, any pension or annuity income;

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

352 (xxiii) To the extent properly includable in gross income for federal  
353 income tax purposes, the amount of any financial assistance received  
354 from the Crumbling Foundations Assistance Fund or paid to or on  
355 behalf of the owner of a residential building pursuant to sections 8-442  
356 and 8-443;

357 (xxiv) To the extent properly includable in gross income for federal  
358 income tax purposes, the amount calculated pursuant to subsection (b)  
359 of section 12-704g for income received by a general partner of a venture  
360 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to

361 time; [and]

362 (xxv) To the extent any portion of a deduction under Section 179 of  
363 the Internal Revenue Code was added to federal adjusted gross income  
364 pursuant to subparagraph (A)(xiv) of this subdivision in computing  
365 Connecticut adjusted gross income, twenty-five per cent of such  
366 disallowed portion of the deduction in each of the four succeeding  
367 taxable years;

368 (xxvi) (I) To the extent not otherwise deductible, an amount equal to  
369 the contributions deposited during the taxable year by an account  
370 holder in a first-time homebuyer savings account, established pursuant  
371 to subsection (c) of section 1 of this act, not to exceed five thousand  
372 dollars for an unmarried individual, a married individual filing  
373 separately or a head of household, or ten thousand dollars for married  
374 individuals filing jointly. The deduction under this clause shall be  
375 allowed for up to ten taxable years or for the taxable years up to and  
376 including the taxable year in which the funds in such account are used  
377 to pay or reimburse eligible costs incurred by the qualified beneficiary  
378 of the account, whichever is sooner;

379 (II) To the extent properly includable in the gross income for federal  
380 income tax purposes, an amount equal to the sum of all interest accrued  
381 on and investment earnings derived from a first-time homebuyer  
382 savings account, established pursuant to subsection (c) of section 1 of  
383 this act, during the taxable year;

384 (III) As used in this clause, "account holder", "eligible costs" and  
385 "qualified beneficiary" have the same meanings as provided in section 1  
386 of this act; and

387 (xxvii) (I) To the extent properly includable in the gross income for  
388 federal income tax purposes of a qualified beneficiary of a first-time  
389 homebuyer savings account, established pursuant to section 1 of this act,  
390 an amount equal to any withdrawal from such account used to pay or  
391 reimburse such qualified beneficiary for eligible costs incurred by the  
392 qualified beneficiary of such account;

393 (II) as used in this clause, "qualified beneficiary" and "eligible costs"  
394 have the same meanings as provided in section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2020</i>	New section
Sec. 2	<i>July 1, 2020, and applicable to taxable years commencing on or after January 1, 2020</i>	12-701(a)(20)(B)

**Statement of Purpose:**

To require the Banking Commissioner 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.]*