OFFICE OF FISCAL ANALYSIS

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

sHB-5027
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.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 $	FY 23 $
Department of Revenue Services	GF - Revenue Loss	Up to 4.8 million	Up to 19.2 million
Banking Dept.[1]	BF - Cost	138,855	143,020
Department of Revenue Services	GF - Cost	65,000 - 75,000	None

Note: GF=General Fund; BF=Banking Fund

Municipal Impact: None

Explanation

The bill, which establishes a first-time homebuyer savings account program[2] and associated income tax deduction, results in: 1) a General Fund revenue loss of up to $4.8 million in FY 22 (partial year) and up to $19.2 million in FY 23; 2) an ongoing cost to the Department of Banking of $138,855 in FY 22 and $143,020 in FY 23 for salary and fringe benefit costs associated with one Financial Examiner position; and 3) a one-time cost to the Department of Revenue Services of

[1] The fringe benefit costs for employees funded out of other appropriated funds are budgeted within the fringe benefit account of those funds, as opposed to the fringe benefit accounts within the Office of the State Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes for other appropriated fund employees is 95.57% of payroll in FY 22 and FY 23.
[2] Under the bill the program is administered by the Department of Banking.

Primary Analyst: CW 3/16/21
Contributing Analyst(s): CG

$65,000-$75,000 for updates to the online Taxpayer Service Center and internal Integrated Tax Administration System in FY 22 only.

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 18,190 sales in Connecticut.

As the deduction is available for up to 10 successive years the revenue loss increases from FY 22 through FY 31, at which point the revenue loss annualizes at up to $96 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 24 $	FY 25 $	FY 26 $
Department of Revenue Services (DRS16000)	GF - Revenue Loss	Up to 28.8 million	Up to 38.4 million	Up to 48 million
Banking Dept. (DOB37000)	BF - Cost*	145,880	148,798	151,774
Department of Revenue Services (DRS16000)	GF - Cost	None	None	None

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

Municipal Impact: None

Sources: National Association of Realtors