



General Assembly

**Substitute Bill No. 5027**

January Session, 2021



**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, 2021*) (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, 2021, 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) the designation of qualified  
55 beneficiaries, and (iii) account holders to submit to the commissioner the  
56 information described in subparagraph (B) of subdivision (1) of  
57 subsection (d) of this section and any additional information that the  
58 commissioner reasonably requires pursuant to the provisions of this  
59 section; and

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

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

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

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

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

89 (B) Submit to the commissioner such account holder's tax return for  
90 each taxable year beginning on or after January 1, 2021, during which a  
91 first-time homebuyer savings account established by such account  
92 holder exists, along with:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

152 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of  
153 section 12-701 of the general statutes is repealed and the following is  
154 substituted in lieu thereof (*Effective July 1, 2021, and applicable to taxable*  
155 *years commencing on or after January 1, 2021*):

156 (B) There shall be subtracted therefrom:

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

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

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

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

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

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

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

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

197 (ix) Ordinary and necessary expenses paid or incurred during the

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

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

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



231 amount equal to the difference between the amount of Social Security  
232 benefits includable for federal income tax purposes and the lesser of  
233 twenty-five per cent of the Social Security benefits received during the  
234 taxable year, or twenty-five per cent of the excess described in Section  
235 86(b)(1) of the Internal Revenue Code;

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

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

264 per cent of the excess described in Section 86(b)(1) of the Internal  
265 Revenue Code;

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

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

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

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

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

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

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

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

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

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

324 (xxi) To the extent properly includable in gross income for federal  
325 income tax purposes, except for retirement benefits under clause (iv) of

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

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

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

358 (xxiv) To the extent properly includable in gross income for federal

359 income tax purposes, the amount calculated pursuant to subsection (b)  
360 of section 12-704g for income received by a general partner of a venture  
361 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to  
362 time; [and]

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

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

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

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

388 (xxvii) (I) To the extent properly includable in gross income for  
389 federal income tax purposes of a qualified beneficiary of a first-time

390 homebuyer savings account, established pursuant to section 1 of this act,  
391 an amount equal to any withdrawal from such account used to pay or  
392 reimburse such qualified beneficiary for eligible costs incurred by the  
393 qualified beneficiary of such account;

394 (II) As used in this clause, "qualified beneficiary" and "eligible costs"  
395 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, 2021</i>   | New section      |
| Sec. 2  | <i>July 1, 2021, and applicable to taxable years commencing on or after January 1, 2021</i> | 12-701(a)(20)(B) |

**BA**      *Joint Favorable Subst.*