



General Assembly

Amendment

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LCO No. 9508



Offered by:

REP. DOUCETTE, 13th Dist.

REP. DELNICKI, 14th Dist.

To: Subst. House Bill No. 5027

File No. 66

Cal. No. 85

"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."

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. (NEW) (*Effective January 1, 2022*) (a) For the purposes of
4 this section:

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

8 (2) "Allowable closing costs" means the disbursements listed on a

9 settlement statement concerning a transaction involving the purchase of
10 a single-family residence in this state by a qualified beneficiary to serve
11 as the qualified beneficiary's primary residence;

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

13 (4) "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 (5) "Financial institution" means a bank, out-of-state bank,
18 Connecticut credit union, federal credit union or out-of-state credit
19 union, as those terms are defined in section 36a-2 of the general statutes,
20 and any affiliate or third-party provider of such entities;

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

26 (7) "First-time homebuyer savings account" means an account
27 established by one or more account holders with a financial institution
28 that the account holders designate, on such account holders' return for
29 the tax imposed under chapter 229 of the general statutes for a taxable
30 year beginning on or after January 1, 2023, as an account exclusively
31 containing funds to pay or reimburse eligible costs incurred by the
32 qualified beneficiary of the account;

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

36 (9) "Qualified beneficiary" means a first-time homebuyer who is an
37 account holder and designated as the qualified beneficiary of a first-time
38 homebuyer savings account and resides in the single-family residence

39 in this state that is purchased with the funds deposited in such account;

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

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

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

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

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

64 (B) Prepare and distribute to a financial institution 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 a financial institution. 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 tax imposed under chapter 229 of the
72 general statutes for each taxable year during which such account exists.
73 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 first-
76 time homebuyer savings account, designate the qualified beneficiary of
77 such account. The account holder or account holders of a first-time
78 homebuyer savings account may designate a new qualified beneficiary
79 of the account at any time, provided there shall not be more than one
80 qualified beneficiary of such account at any time. No individual may
81 establish or serve as an account holder of multiple first-time homebuyer
82 savings accounts that have the same qualified beneficiary. First-time
83 homebuyer savings accounts shall exclusively contain cash and other
84 marketable securities, and there shall be no limit on the amount of
85 contributions made to, or contained in, such accounts. Any person may
86 contribute to a first-time homebuyer savings account.

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

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

92 (B) Submit to the commissioner such account holder's tax return for
93 each taxable year beginning on or after January 1, 2022, during which a
94 first-time homebuyer savings account established by such account
95 holder exists, along with:

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

100 (ii) The Internal Revenue Service Form 1099 issued by the depository

101 financial institution for such first-time homebuyer savings account; and

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

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

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

119 (2) No financial institution shall be liable or responsible for (A)
120 determining whether, or ensuring that, an account satisfies the
121 requirements established in this section concerning first-time
122 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 financial institution shall distribute the funds in the first-
131 time homebuyer savings account in accordance with the terms of such
132 contract.

133 (f) (1) Except as provided in subdivision (2) of this subsection, each
134 account holder who withdraws funds from a first-time homebuyer
135 savings account for any reason other than paying or reimbursing the
136 qualified beneficiary of such account for eligible costs incurred by such
137 qualified beneficiary shall be liable to this state for a civil penalty in an
138 amount not to exceed ten per cent of the withdrawn 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;

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; or

149 (D) Were not claimed as a deduction pursuant to subparagraph (B)
150 (xxvi) of subdivision (20) of subsection (a) of section 12-701 of the
151 general statutes, as amended by this act, by the account holder on a
152 return for the tax imposed under chapter 229 of the general statutes.

153 (g) The commissioner shall adopt regulations, in accordance with the
154 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 January 1, 2022*):

159 (B) There shall be subtracted therefrom:

160 (i) To the extent properly includable in gross income for federal
161 income tax purposes, any income with respect to which taxation by any

- 162 state is prohibited by federal law;
- 163 (ii) To the extent allowable under section 12-718, exempt dividends
164 paid by a regulated investment company;
- 165 (iii) To the extent properly includable in gross income for federal
166 income tax purposes, the amount of any refund or credit for
167 overpayment of income taxes imposed by this state, or any other state
168 of the United States or a political subdivision thereof, or the District of
169 Columbia;
- 170 (iv) To the extent properly includable in gross income for federal
171 income tax purposes and not otherwise subtracted from federal
172 adjusted gross income pursuant to clause (x) of this subparagraph in
173 computing Connecticut adjusted gross income, any tier 1 railroad
174 retirement benefits;
- 175 (v) To the extent any additional allowance for depreciation under
176 Section 168(k) of the Internal Revenue Code for property placed in
177 service after September 27, 2017, was added to federal adjusted gross
178 income pursuant to subparagraph (A)(ix) of this subdivision in
179 computing Connecticut adjusted gross income, twenty-five per cent of
180 such additional allowance for depreciation in each of the four
181 succeeding taxable years;
- 182 (vi) To the extent properly includable in gross income for federal
183 income tax purposes, any interest income from obligations issued by or
184 on behalf of the state of Connecticut, any political subdivision thereof,
185 or public instrumentality, state or local authority, district or similar
186 public entity created under the laws of the state of Connecticut;
- 187 (vii) To the extent properly includable in determining the net gain or
188 loss from the sale or other disposition of capital assets for federal income
189 tax purposes, any gain from the sale or exchange of obligations issued
190 by or on behalf of the state of Connecticut, any political subdivision
191 thereof, or public instrumentality, state or local authority, district or
192 similar public entity created under the laws of the state of Connecticut,

193 in the income year such gain was recognized;

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

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

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

223 (II) For taxable years commencing prior to January 1, 2019, for a
224 person who files a return under the federal income tax as an unmarried

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

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

252 (IV) For the taxable year commencing January 1, 2019, and each
253 taxable year thereafter, for a person who files a return under the federal
254 income tax as an unmarried individual whose federal adjusted gross
255 income for such taxable year is seventy-five thousand dollars or more,
256 or as a married individual filing separately whose federal adjusted gross
257 income for such taxable year is seventy-five thousand dollars or more,
258 or for a husband and wife who file a return under the federal income tax

259 as married individuals filing jointly whose federal adjusted gross
260 income from such taxable year is one hundred thousand dollars or more
261 or for a person who files a return under the federal income tax as a head
262 of household whose federal adjusted gross income for such taxable year
263 is one hundred thousand dollars or more, an amount equal to the
264 difference between the amount of Social Security benefits includable for
265 federal income tax purposes and the lesser of twenty-five per cent of the
266 Social Security benefits received during the taxable year, or twenty-five
267 per cent of the excess described in Section 86(b)(1) of the Internal
268 Revenue Code;

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

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

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

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

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

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

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

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

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

317 (xx) To the extent properly includable in gross income for federal
318 income tax purposes, (I) for the taxable year commencing January 1,
319 2015, ten per cent of the income received from the state teachers'
320 retirement system, (II) for the taxable years commencing January 1,
321 2016, to January 1, 2020, inclusive, twenty-five per cent of the income
322 received from the state teachers' retirement system, and (III) for the

323 taxable year commencing January 1, 2021, and each taxable year
324 thereafter, fifty per cent of the income received from the state teachers'
325 retirement system or the percentage, if applicable, pursuant to clause
326 (xxi) of this subparagraph;

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

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

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

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

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

372 (xxvi) For an account holder, as defined in section 1 of this act, who
373 files a return under the federal income tax as an unmarried individual,
374 a married individual filing separately or a head of household whose
375 federal adjusted gross income for the taxable year is less than one
376 hundred sixty-two thousand five hundred dollars or who files a return
377 under the federal income tax as married individuals filing jointly whose
378 federal adjusted gross income for the taxable year is less than two
379 hundred seventy-five thousand dollars:

380 (I) To the extent not deductible in determining federal adjusted gross
381 income and to the extent allowable under the American Rescue Plan Act
382 of 2021, P.L. 117-2, as amended from time to time, for the taxable year
383 commencing January 1, 2023, an amount equal to the contributions
384 deposited during the taxable years commencing January 1, 2022, and
385 January 1, 2023, in a first-time homebuyer savings account established
386 pursuant to subsection (c) of section 1 of this act, less any amounts
387 withdrawn during said taxable years by the account holder from such

388 account pursuant to subparagraph (D) of subdivision (2) of subsection
389 (f) of section 1 of this act. The amount allowed to be claimed under this
390 subclause shall not exceed two thousand five hundred dollars for each
391 said taxable year for an unmarried individual, a married individual
392 filing separately or a head of household and five thousand dollars for
393 each said taxable year for married individuals filing jointly;

394 (II) To the extent not deductible in determining federal adjusted gross
395 income, for the taxable year commencing January 1, 2024, and each
396 taxable year thereafter, an amount equal to the contributions deposited
397 during the taxable year in a first-time homebuyer savings account
398 established pursuant to subsection (c) of section 1 of this act, less any
399 amounts withdrawn during the taxable year by the account holder from
400 such account pursuant to subparagraph (D) of subdivision (2) of
401 subsection (f) of section 1 of this act. The amount allowed to be claimed
402 under this subclause for the taxable year shall not exceed two thousand
403 five hundred dollars for an unmarried individual, a married individual
404 filing separately or a head of household and five thousand dollars for
405 married individuals filing jointly; and

406 (III) To the extent properly includable in gross income for federal
407 income tax purposes, for the taxable year commencing January 1, 2023,
408 and each taxable year thereafter, an amount equal to the sum of all
409 interest accrued on and investment earnings derived from a first-time
410 homebuyer savings account, established pursuant to subsection (c) of
411 section 1 of this act, during the taxable year; and

412 (xxvii) For an account holder who is a qualified beneficiary of a first-
413 time homebuyers savings account, as those terms are defined in section
414 1 of this act, and who files a return under the federal income tax as an
415 unmarried individual, a married individual filing separately or a head
416 of household whose federal adjusted gross income for the taxable year
417 is less than one hundred sixty-two thousand five hundred dollars or
418 who files a return under the federal income tax as married individuals
419 filing jointly whose federal adjusted gross income for the taxable year is
420 less than two hundred seventy-five thousand dollars, for taxable years

421 commencing on or after January 1, 2023, an amount equal to any
 422 withdrawal from such account that is used to pay or reimburse such
 423 qualified beneficiary for eligible costs, as defined in section 1 of this act,
 424 incurred by the qualified beneficiary.

425 Sec. 3. (NEW) (*Effective from passage*) (a) There is established a fund to
 426 be known as the "Financial Literacy Trust Fund" to promote the financial
 427 literacy of residents of the state, which shall be a nonlapsing fund held
 428 by the Treasurer separate and apart from all other moneys, funds and
 429 accounts. The trust fund shall constitute an instrumentality of the state
 430 and shall perform essential governmental functions. The trust fund shall
 431 receive and hold all payments and deposits or contributions intended
 432 for the trust fund, including gifts, bequests, endowments or federal,
 433 state or local grants and any other funds from any public or private
 434 source and all earnings until disbursed in accordance with this section.

435 (b) The Treasurer shall use the funds deposited into the Financial
 436 Literacy Trust Fund for the purpose of promoting and raising awareness
 437 of financial literacy to residents of the state."

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2022</i>	New section
Sec. 2	<i>January 1, 2022</i>	12-701(a)(20)(B)
Sec. 3	<i>from passage</i>	New section