



House of Representatives

General Assembly

File No. 129

February Session, 2024

Substitute House Bill No. 5344

House of Representatives, March 26, 2024

The Committee on Banking reported through REP. DOUCETTE of the 13th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ESTABLISHING FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS AND A RELATED TAX DEDUCTION AND CREDIT.

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

1 Section 1. (NEW) (*Effective January 1, 2025*) (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 Commissioner of Revenue Services;

11 (4) "Eligible costs" means the down payment and all allowable closing
12 costs paid or reimbursed by a qualified beneficiary to purchase a single-

13 family residence in this state to serve as the qualified beneficiary's
14 primary residence;

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

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

24 (7) "First-time homebuyer savings account" means an account
25 established by one or more account holders with a financial institution
26 that the account holders designate as an account exclusively containing
27 funds to pay or reimburse eligible costs incurred by the qualified
28 beneficiary of the account;

29 (8) "Qualified beneficiary" means a first-time homebuyer who (A) is
30 an account holder and designated as the qualified beneficiary of a first-
31 time homebuyer savings account, and (B) resides in the single-family
32 residence in this state that is purchased with the funds deposited in such
33 account;

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

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

43 (b) For purposes of implementing the deduction allowed under

44 subparagraph (B) of subdivision (20) of subsection (a) of section 12-701
45 of the general statutes, as amended by this act, and the credit allowed
46 under section 3 of this act, the commissioner shall prepare forms for (1)
47 the designation of accounts as first-time homebuyer savings accounts,
48 (2) the designation of qualified beneficiaries, and (3) account holders to
49 submit to the commissioner the information described in subparagraph
50 (B) of subdivision (1) of subsection (d) of this section and any additional
51 information that the commissioner reasonably requires pursuant to the
52 provisions of this section.

53 (c) An individual may establish one or more first-time homebuyer
54 savings accounts with a financial institution. Two individuals may
55 jointly establish and serve as the account holders of a first-time
56 homebuyer savings account, provided such account holders shall file a
57 joint return for the tax imposed under chapter 229 of the general statutes
58 for each taxable year during which such account exists. The account
59 holder or account holders shall, not later than April fifteenth of the
60 taxable year immediately following the taxable year during which such
61 account holder or account holders established a first-time homebuyer
62 savings account, designate the qualified beneficiary of such account.
63 The account holder or account holders of a first-time homebuyer savings
64 account may designate a new qualified beneficiary of the account at any
65 time, provided there shall not be more than one qualified beneficiary of
66 such account at any time. No individual may establish or serve as an
67 account holder of multiple first-time homebuyer savings accounts that
68 have the same qualified beneficiary. First-time homebuyer savings
69 accounts shall exclusively contain cash and there shall be no limit on the
70 amount of contributions made to, or contained in, such accounts. Any
71 person may contribute to a first-time homebuyer savings account,
72 including, but not limited to, employers of the account holder or account
73 holders of such account. If an account holder of a first-time homebuyer
74 savings account leaves employment with an employer that contributed
75 to such account while such account holder was employed by such
76 employer, such employer shall not seek reimbursement of any
77 contribution to such account. The account holder or account holders
78 may invest funds deposited in a first-time homebuyer savings account

79 in money market funds.

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

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

85 (B) Submit to the commissioner such account holder's tax return for
86 each taxable year beginning on or after January 1, 2025, during which a
87 first-time homebuyer savings account established by such account
88 holder exists, along with:

89 (i) Any information required by the commissioner concerning such
90 first-time homebuyer savings account for purposes of implementing the
91 deduction allowed under subparagraph (B) of subdivision (20) of
92 subsection (a) of section 12-701 of the general statutes, as amended by
93 this act, and the credit allowed under section 3 of this act;

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

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

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

105 (e) (1) The commissioner may require that financial institutions
106 furnish certain information about each first-time homebuyer savings
107 account.

108 (2) No financial institution shall be required to (A) designate an
109 account as a first-time homebuyer savings account, (B) track the use of
110 any funds withdrawn from a first-time homebuyer savings account, or
111 (C) allocate funds in a first-time homebuyer savings account among
112 account holders.

113 (3) No financial institution shall be liable or responsible for (A)
114 determining whether, or ensuring that, an account satisfies the
115 requirements established in this section concerning first-time
116 homebuyer savings accounts or the funds in first-time homebuyer
117 savings accounts are used to pay or reimburse eligible costs, or (B)
118 disclosing or remitting taxes or penalties concerning first-time
119 homebuyer savings accounts unless such disclosure or remittance is
120 required by applicable law.

121 (4) Upon receiving proof of the death of an account holder and all
122 other information required by any contract governing a first-time
123 homebuyer savings account established by the account holder, the
124 depository financial institution shall distribute the funds in the first-
125 time homebuyer savings account in accordance with the terms of such
126 contract.

127 (f) (1) Except as provided in subdivision (2) of this subsection, each
128 account holder who withdraws funds from a first-time homebuyer
129 savings account for any reason other than paying or reimbursing the
130 qualified beneficiary of such account for eligible costs incurred by such
131 qualified beneficiary shall be liable to this state for a civil penalty in an
132 amount equal to ten per cent of the withdrawn amount. Such civil
133 penalty shall be collectible by the commissioner. If such funds were
134 deducted by an account holder in accordance with subparagraph (B) of
135 subdivision (20) of subsection (a) of section 12-701 of the general
136 statutes, as amended by this act, then such withdrawn funds shall be
137 considered income.

138 (2) No account holder shall be liable for a penalty under subdivision
139 (1) of this subsection, nor shall funds withdrawn from a first-time
140 homebuyer savings account be considered income, if the funds

141 withdrawn from the first-time homebuyer savings account:

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

144 (B) Are withdrawn due to the death or disability of an account holder
145 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) Are not claimed as a deduction pursuant to subparagraph (B) of
150 subdivision (20) of subsection (a) of section 12-701 of the general
151 statutes, as amended by this act, by the account holder on a return for
152 the tax imposed under chapter 229 of the general statutes.

153 (g) The commissioner may 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 2024 supplement to the general statutes is repealed
158 and the following is substituted in lieu thereof (*Effective January 1, 2025*):

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

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

298 (xvii) To the extent properly includable in gross income for federal
299 income tax purposes for the taxable year, any income from the discharge

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

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

312 (xix) To the extent properly includable in gross income for federal
313 income tax purposes, (I) for the taxable year commencing January 1,
314 2015, ten per cent of the income received from the state teachers'
315 retirement system, (II) for the taxable years commencing January 1,
316 2016, to January 1, 2020, inclusive, twenty-five per cent of the income
317 received from the state teachers' retirement system, and (III) for the
318 taxable year commencing January 1, 2021, and each taxable year
319 thereafter, fifty per cent of the income received from the state teachers'
320 retirement system or, for a taxpayer whose federal adjusted gross
321 income does not exceed the applicable threshold under clause (xx) of
322 this subparagraph, the percentage pursuant to said clause of the income
323 received from the state teachers' retirement system, whichever
324 deduction is greater;

325 (xx) To the extent properly includable in gross income for federal
326 income tax purposes, except for retirement benefits under clause (iv) of
327 this subparagraph and retirement pay under clause (xvi) of this
328 subparagraph, for a person who files a return under the federal income
329 tax as an unmarried individual whose federal adjusted gross income for
330 such taxable year is less than seventy-five thousand dollars, or as a
331 married individual filing separately whose federal adjusted gross
332 income for such taxable year is less than seventy-five thousand dollars,

333 or as a head of household whose federal adjusted gross income for such
 334 taxable year is less than seventy-five thousand dollars, or for a husband
 335 and wife who file a return under the federal income tax as married
 336 individuals filing jointly whose federal adjusted gross income for such
 337 taxable year is less than one hundred thousand dollars, (I) for the taxable
 338 year commencing January 1, 2019, fourteen per cent of any pension or
 339 annuity income, (II) for the taxable year commencing January 1, 2020,
 340 twenty-eight per cent of any pension or annuity income, (III) for the
 341 taxable year commencing January 1, 2021, forty-two per cent of any
 342 pension or annuity income, and (IV) for the taxable years commencing
 343 January 1, 2022, and January 1, 2023, one hundred per cent of any
 344 pension or annuity income;

345 (xxi) To the extent properly includable in gross income for federal
 346 income tax purposes, except for retirement benefits under clause (iv) of
 347 this subparagraph and retirement pay under clause (xvi) of this
 348 subparagraph, any pension or annuity income for the taxable year
 349 commencing on or after January 1, 2024, and each taxable year
 350 thereafter, in accordance with the following schedule, for a person who
 351 files a return under the federal income tax as an unmarried individual
 352 whose federal adjusted gross income for such taxable year is less than
 353 one hundred thousand dollars, or as a married individual filing
 354 separately whose federal adjusted gross income for such taxable year is
 355 less than one hundred thousand dollars, or as a head of household
 356 whose federal adjusted gross income for such taxable year is less than
 357 one hundred thousand dollars:

T1	Federal Adjusted Gross Income	Deduction
T2	Less than \$75,000	100.0%
T3	\$75,000 but not over \$77,499	85.0%
T4	\$77,500 but not over \$79,999	70.0%
T5	\$80,000 but not over \$82,499	55.0%
T6	\$82,500 but not over \$84,999	40.0%
T7	\$85,000 but not over \$87,499	25.0%
T8	\$87,500 but not over \$89,999	10.0%
T9	\$90,000 but not over \$94,999	5.0%
T10	\$95,000 but not over \$99,999	2.5%

T11 \$100,000 and over 0.0%

358 (xxii) To the extent properly includable in gross income for federal
359 income tax purposes, except for retirement benefits under clause (iv) of
360 this subparagraph and retirement pay under clause (xvi) of this
361 subparagraph, any pension or annuity income for the taxable year
362 commencing on or after January 1, 2024, and each taxable year
363 thereafter, in accordance with the following schedule for married
364 individuals who file a return under the federal income tax as married
365 individuals filing jointly whose federal adjusted gross income for such
366 taxable year is less than one hundred fifty thousand dollars:

T12	Federal Adjusted Gross Income	Deduction
T13	Less than \$100,000	100.0%
T14	\$100,000 but not over \$104,999	85.0%
T15	\$105,000 but not over \$109,999	70.0%
T16	\$110,000 but not over \$114,999	55.0%
T17	\$115,000 but not over \$119,999	40.0%
T18	\$120,000 but not over \$124,999	25.0%
T19	\$125,000 but not over \$129,999	10.0%
T20	\$130,000 but not over \$139,999	5.0%
T21	\$140,000 but not over \$149,999	2.5%
T22	\$150,000 and over	0.0%

367 (xxiii) The amount of lost wages and medical, travel and housing
368 expenses, not to exceed ten thousand dollars in the aggregate, incurred
369 by a taxpayer during the taxable year in connection with the donation
370 to another person of an organ for organ transplantation occurring on or
371 after January 1, 2017;

372 (xxiv) To the extent properly includable in gross income for federal
373 income tax purposes, the amount of any financial assistance received
374 from the Crumbling Foundations Assistance Fund or paid to or on
375 behalf of the owner of a residential building pursuant to sections 8-442
376 and 8-443;

377 (xxv) To the extent properly includable in gross income for federal
378 income tax purposes, the amount calculated pursuant to subsection (b)

379 of section 12-704g for income received by a general partner of a venture
380 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to
381 time;

382 (xxvi) To the extent any portion of a deduction under Section 179 of
383 the Internal Revenue Code was added to federal adjusted gross income
384 pursuant to subparagraph (A)(xiv) of this subdivision in computing
385 Connecticut adjusted gross income, twenty-five per cent of such
386 disallowed portion of the deduction in each of the four succeeding
387 taxable years;

388 (xxvii) To the extent properly includable in gross income for federal
389 income tax purposes, for a person who files a return under the federal
390 income tax as an unmarried individual whose federal adjusted gross
391 income for such taxable year is less than seventy-five thousand dollars,
392 or as a married individual filing separately whose federal adjusted gross
393 income for such taxable year is less than seventy-five thousand dollars,
394 or as a head of household whose federal adjusted gross income for such
395 taxable year is less than seventy-five thousand dollars, or for a husband
396 and wife who file a return under the federal income tax as married
397 individuals filing jointly whose federal adjusted gross income for such
398 taxable year is less than one hundred thousand dollars, for the taxable
399 year commencing January 1, 2023, twenty-five per cent of any
400 distribution from an individual retirement account other than a Roth
401 individual retirement account;

402 (xxviii) To the extent properly includable in gross income for federal
403 income tax purposes, for a person who files a return under the federal
404 income tax as an unmarried individual whose federal adjusted gross
405 income for such taxable year is less than one hundred thousand dollars,
406 or as a married individual filing separately whose federal adjusted gross
407 income for such taxable year is less than one hundred thousand dollars,
408 or as a head of household whose federal adjusted gross income for such
409 taxable year is less than one hundred thousand dollars, (I) for the taxable
410 year commencing January 1, 2024, fifty per cent of any distribution from
411 an individual retirement account other than a Roth individual

412 retirement account, (II) for the taxable year commencing January 1, 2025,
 413 seventy-five per cent of any distribution from an individual retirement
 414 account other than a Roth individual retirement account, and (III) for
 415 the taxable year commencing January 1, 2026, and each taxable year
 416 thereafter, any distribution from an individual retirement account other
 417 than a Roth individual retirement account. The subtraction under this
 418 clause shall be made in accordance with the following schedule:

T23	Federal Adjusted Gross Income	Deduction
T24	Less than \$75,000	100.0%
T25	\$75,000 but not over \$77,499	85.0%
T26	\$77,500 but not over \$79,999	70.0%
T27	\$80,000 but not over \$82,499	55.0%
T28	\$82,500 but not over \$84,999	40.0%
T29	\$85,000 but not over \$87,499	25.0%
T30	\$87,500 but not over \$89,999	10.0%
T31	\$90,000 but not over \$94,999	5.0%
T32	\$95,000 but not over \$99,999	2.5%
T33	\$100,000 and over	0.0%

419 (xxix) To the extent properly includable in gross income for federal
 420 income tax purposes, for married individuals who file a return under
 421 the federal income tax as married individuals filing jointly whose
 422 federal adjusted gross income for such taxable year is less than one
 423 hundred fifty thousand dollars, (I) for the taxable year commencing
 424 January 1, 2024, fifty per cent of any distribution from an individual
 425 retirement account other than a Roth individual retirement account, (II)
 426 for the taxable year commencing January 1, 2025, seventy-five per cent
 427 of any distribution from an individual retirement account other than a
 428 Roth individual retirement account, and (III) for the taxable year
 429 commencing January 1, 2026, and each taxable year thereafter, any
 430 distribution from an individual retirement account other than a Roth
 431 individual retirement account. The subtraction under this clause shall
 432 be made in accordance with the following schedule:

T34	Federal Adjusted Gross Income	Deduction
T35	Less than \$100,000	100.0%

T36	\$100,000 but not over \$104,999	85.0%
T37	\$105,000 but not over \$109,999	70.0%
T38	\$110,000 but not over \$114,999	55.0%
T39	\$115,000 but not over \$119,999	40.0%
T40	\$120,000 but not over \$124,999	25.0%
T41	\$125,000 but not over \$129,999	10.0%
T42	\$130,000 but not over \$139,999	5.0%
T43	\$140,000 but not over \$149,999	2.5%
T44	\$150,000 and over	0.0%

433 (xxx) To the extent properly includable in gross income for federal
434 income tax purposes, for the taxable year commencing January 1, 2022,
435 the amount or amounts paid or otherwise credited to any eligible
436 resident of this state under (I) the 2020 Earned Income Tax Credit
437 enhancement program from funding allocated to the state through the
438 Coronavirus Relief Fund established under the Coronavirus Aid, Relief,
439 and Economic Security Act, P.L. 116-136, and (II) the 2021 Earned
440 Income Tax Credit enhancement program from funding allocated to the
441 state pursuant to Section 9901 of Subtitle M of Title IX of the American
442 Rescue Plan Act of 2021, P.L. 117-2;

443 (xxxii) For the taxable year commencing January 1, 2023, and each
444 taxable year thereafter, for a taxpayer licensed under the provisions of
445 chapter 420f or 420h, the amount of ordinary and necessary expenses
446 that would be eligible to be claimed as a deduction for federal income
447 tax purposes under Section 162(a) of the Internal Revenue Code but that
448 are disallowed under Section 280E of the Internal Revenue Code
449 because marijuana is a controlled substance under the federal
450 Controlled Substance Act;

451 (xxxiii) To the extent properly includable in gross income for federal
452 income tax purposes, for the taxable year commencing on or after
453 January 1, 2025, and each taxable year thereafter, any common stock
454 received by the taxpayer during the taxable year under a share plan, as
455 defined in section 12-217ss;

456 (xxxiiii) To the extent properly includable in gross income for federal
457 income tax purposes, the amount of any student loan reimbursement

458 payment received by a taxpayer pursuant to section 10a-19m; [and]

459 (xxxiv) Contributions to an ABLE account established pursuant to
460 sections 3-39k to 3-39q, inclusive, not to exceed five thousand dollars for
461 each individual taxpayer or ten thousand dollars for taxpayers filing a
462 joint return;

463 (xxxv) For an account holder, as defined in section 1 of this act, who
464 files a return under the federal income tax as an unmarried individual,
465 a married individual filing separately or a head of household, whose
466 federal adjusted gross income for the taxable year is less than one
467 hundred thousand dollars or who files a return under the federal
468 income tax as married individuals filing jointly whose federal adjusted
469 gross income for the taxable year is less than two hundred thousand
470 dollars:

471 (I) To the extent not deductible in determining federal adjusted gross
472 income, for the taxable year commencing January 1, 2026, an amount
473 equal to the contributions deposited during the taxable years
474 commencing January 1, 2025, and January 1, 2026, in a first-time
475 homebuyer savings account established pursuant to subsection (c) of
476 section 1 of this act, less any amounts withdrawn during said taxable
477 years by the account holder from such account under subparagraph (D)
478 of subdivision (2) of subsection (f) of section 1 of this act. The amount
479 claimed under this subclause shall not exceed two thousand five
480 hundred dollars for each such taxable year for an unmarried individual,
481 a married individual filing separately or a head of household and five
482 thousand dollars for each such taxable year for married individuals
483 filing jointly;

484 (II) To the extent not deductible in determining federal adjusted gross
485 income, for the taxable year commencing January 1, 2027, and each
486 taxable year thereafter, an amount equal to the contributions deposited
487 during the taxable year in a first-time homebuyer savings account
488 established pursuant to subsection (c) of section 1 of this act, less any
489 amounts withdrawn during the taxable year by the account holder from
490 such account pursuant to subparagraph (D) of subdivision (2) of

491 subsection (f) of section 1 of this act. The amount allowed to be claimed
492 under this subclause for the taxable year shall not exceed two thousand
493 five hundred dollars for an unmarried individual, a married individual
494 filing separately or a head of household and five thousand dollars for
495 married individuals filing jointly; and

496 (III) To the extent properly includable in gross income for federal
497 income tax purposes, for the taxable year commencing January 1, 2026,
498 and each taxable year thereafter, an amount equal to the sum of all
499 interest accrued on a first-time homebuyer savings account, established
500 pursuant to subsection (c) of section 1 of this act, during the taxable year;
501 and

502 (xxxvi) To the extent properly includable in gross income for federal
503 income tax purposes, for an account holder who is a qualified
504 beneficiary of a first-time homebuyer savings account, as those terms
505 are defined in section 1 of this act, and who files a return under the
506 federal income tax as an unmarried individual, a married individual
507 filing separately or a head of household, whose federal adjusted gross
508 income for the taxable year is less than one hundred thousand dollars
509 or who files a return under the federal income tax as married individuals
510 filing jointly whose federal adjusted gross income for the taxable year is
511 less than two hundred thousand dollars, for taxable years commencing
512 on or after January 1, 2026, an amount equal to any withdrawal from
513 such account that is used to pay or reimburse such qualified beneficiary
514 for eligible costs, as defined in section 1 of this act, incurred by the
515 qualified beneficiary.

516 Sec. 3. (NEW) (*Effective January 1, 2025*) (a) (1) For the taxable or
517 income year commencing on or after January 1, 2026, but prior to
518 January 1, 2027, there shall be allowed a credit against the tax imposed
519 under chapter 208 or 229 of the general statutes, other than the liability
520 imposed by section 12-707 of the general statutes, for contributions
521 deposited by the employer of an account holder in a first-time
522 homebuyer savings account established pursuant to subsection (c) of
523 section 1 of this act during the taxable or income years commencing on

524 or after January 1, 2025, but prior to January 1, 2027, provided such
525 account holder was employed by such employer at the time such
526 contributions were made.

527 (2) For the taxable or income years commencing on or after January
528 1, 2027, there shall be allowed a credit against the tax imposed under
529 chapter 208 or 229 of the general statutes, other than the liability
530 imposed by section 12-707 of the general statutes, for contributions
531 deposited by the employer of an account holder in a first-time
532 homebuyer savings account established pursuant to subsection (c) of
533 section 1 of this act during the taxable or income year, provided such
534 account holder was employed by such employer at the time such
535 contributions were made.

536 (3) The amount of the credit allowed under subdivisions (1) and (2)
537 of this subsection shall be equal to ten per cent of the amount of the
538 contributions made by the taxpayer into the first-time homebuyer
539 savings accounts of account holders of such accounts during the income
540 or taxable year, provided the amount of the credit allowed for any
541 income or taxable year with respect to a specific account holder shall not
542 exceed two thousand five hundred dollars.

543 (b) If the taxpayer is an S corporation or an entity treated as a
544 partnership for federal income tax purposes, the credit may be claimed
545 by the shareholders or partners of the taxpayer. If the taxpayer is a single
546 member limited liability company that is disregarded as an entity
547 separate from its owner, the credit may be claimed by such limited
548 liability company's owner, provided such owner is a person subject to
549 the tax imposed under chapter 208 or 229 of the general statutes. Any
550 taxpayer claiming the credit shall provide to the Department of Revenue
551 Services documentation supporting such claim in the form and manner
552 prescribed by the Commissioner of Revenue Services.

553 Sec. 4. (*Effective from passage*) Not later than July 1, 2025, the Treasurer
554 shall make recommendations, in accordance with section 11-4a of the
555 general statutes, to the joint standing committee of the General
556 Assembly having cognizance of matters relating to banking regarding

557 whether and how marketable securities may be held in a first-time
558 homebuyer savings account established pursuant to subsection (c) of
559 section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2025</i>	New section
Sec. 2	<i>January 1, 2025</i>	12-701(a)(20)(B)
Sec. 3	<i>January 1, 2025</i>	New section
Sec. 4	<i>from passage</i>	New section

BA *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Revenue Serv., Dept.	GF - Cost	None	Up to 175,000
Revenue Serv., Dept.	GF - Revenue Loss	None	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a first-time homebuyer savings account program and associated personal income tax deduction and business tax credit, results in a General Fund revenue loss of up to \$712,000 in FY 27 and up to \$960,000 in FY 28. The revenue loss would grow in FY 29 and beyond subject to program utilization rates.

The bill also results in a one-time cost of up to \$175,000 to the Department of Revenue Services in FY 26 associated with programming updates to the CTax tax administration system and myconneCT online portal, form modification, and printing/ mailing costs.

The Out Years

Personal Income Tax Deduction

The personal income tax deduction for qualifying account contributions, accrued interest, and withdrawals is estimated to result

in a revenue loss of up to \$112,000 in FY 27 and up to \$79,500 in FY 28.¹ The revenue loss could approach \$425,000 by FY 35.

Business Tax Credit

The credit for employer contributions is estimated to result in a revenue loss of up to \$600,000 in FY 27 and up to \$880,500 in FY 28. The revenue loss could annualize to approximately \$800,000 beginning in FY 30. This estimate assumes that the same level of qualifying accounts as the estimate for the personal income tax deduction.

Sources: Iowa Department of Revenue

¹ The estimated revenue loss is larger in FY 27 as the bill specifies that, for the 2026 tax year only, account holders may deduct the amount contributed (less withdrawals) for both the 2025 and 2026 tax years.

OLR Bill Analysis**sHB 5344*****AN ACT ESTABLISHING FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS AND A RELATED TAX DEDUCTION AND CREDIT.*****SUMMARY**

This bill creates a first-time homebuyer savings program, generally allowing individuals and employers to contribute into specialized accounts to be used for eligible homebuying expenses and receive tax benefits for doing so.

Specifically, the bill creates (1) personal income tax deductions for certain individuals who contribute to, or are the qualified beneficiaries of, funds deposited into a first-time homebuyer savings account and (2) a business tax credit for employers who similarly contribute to the account of their employees. The bill requires the Department of Revenue Services (DRS) commissioner to implement the tax deduction and credit, including by preparing associated forms, and allows him to adopt implementing regulations.

Under the bill, individuals may open at financial institutions (i.e., banks, out-of-state banks, credit unions, or their affiliates or third-party providers) savings accounts that are dedicated to paying for or reimbursing the down payment and closing costs of an account holder who is a first-time homebuyer and resides in a Connecticut home purchased with account funds (i.e., the “qualified beneficiary”). The bill designates “first-time homebuyers” as those who have not previously owned or purchased, either individually or with someone else, a single-family residence (including a mobile manufactured home or a unit in a cooperative, common interest community, or condominium).

To qualify for the bill’s tax deductions, account holders must have a

federal adjusted gross income (AGI) below \$100,000 for single filers or \$200,000 for joint filers. They may deduct (1) the contributions deposited in the account, generally capped at \$2,500 for single filers and \$5,000 for joint filers; (2) accrued interest; and (3) for an account holder who is also the account's qualified beneficiary, the amount withdrawn that is used to pay or reimburse him or her for program eligible costs. For the bill's tax credit, employers may annually claim 10% of their contributions to employees' accounts, but the amount is capped at \$2,500 for any specific employee.

If funds are withdrawn from a first-time homebuyer savings account for a reason other than an allowed purpose, the bill generally imposes a civil penalty of 10% of the withdrawn amount.

The bill also requires the treasurer, by July 1, 2025, to recommend to the Banking Committee whether and how marketable securities may be held in a first-time homebuyer savings account (§ 4).

EFFECTIVE DATE: January 1, 2025, except the provision on the treasurer's recommendations to the Banking Committee is effective upon passage.

ACCOUNT CONTRIBUTIONS

The bill allows anyone to contribute to a first-time homebuyer savings account with no limit on contributions made to, or contained in, an account. Accounts must only contain cash, but account holders may invest the funds in money market funds.

It prohibits employers of account holders from seeking reimbursement for contributions they make to an employee's account if the employee leaves their employment.

USE OF ACCOUNT FUNDS

The bill limits the use of account funds to paying for (1) a qualified beneficiary's down payment and closing costs to purchase a single-family residence in the state as his or her primary residence (i.e., "eligible costs") and (2) the financial institution's account service fees.

Allowable closing costs are the disbursements listed on the statement of receipts and disbursements associated with the home purchase. The bill allows an account holder to withdraw funds from an account to be deposited into another account established for the same purpose.

ACCOUNT HOLDER POWERS AND RESPONSIBILITIES

Establishing the Account

Under the bill, an individual may establish one or more accounts. Individuals who file a joint tax return may jointly establish and hold accounts, so long as they jointly file tax returns for each taxable year that the account exists.

The bill prohibits an account holder from using any funds deposited into an account for administrative fees or expenses, other than the financial institution's service fees.

Designating the Beneficiary

The bill requires individual or joint account holders to designate the account's qualified beneficiary. They must do so by April 15 of the taxable year immediately after the taxable year during which the account was established.

Under the bill, account holders may designate a new qualified beneficiary at any time, but there may be only one qualified beneficiary associated with an account at a time. In addition, the bill prohibits anyone from establishing or holding more than one account with the same qualified beneficiary.

Tax Reporting

The bill requires an account holder to submit to the DRS commissioner the following information for each tax year during which the holder has a first-time homebuyer savings account:

1. his or her tax return;
2. any information the commissioner requires about the account to implement the tax deduction and credit;

3. the IRS Form 1099 issued by the financial institution for the account; and
4. if the account holder withdrew funds, (a) a detailed accounting of the eligible and ineligible costs paid or reimbursed with account funds and (b) the remaining account balance.

Withdrawing Funds

The bill establishes a civil penalty, collectible by the DRS commissioner, of 10% of the withdrawn amount for an account holder who withdraws account funds for a reason other than transferring the funds to another such account or paying or reimbursing the qualified beneficiary for the home purchase down payment or closing costs. If the account holder deducted these withdrawn funds for state income tax purposes, the withdrawn funds are considered income.

The bill waives the withdrawal penalty and does not consider the withdrawn funds as income under the following circumstances:

1. the account holder did not claim the funds for a state income tax deduction,
2. the withdrawn funds were subsequently deposited in another program account,
3. the withdrawal was due to the death or disability of an account holder who established the account, or
4. the withdrawal is considered an asset disbursement as part of a bankruptcy proceeding.

Commissioner Responsibilities

To implement the deduction and credit, the bill requires the DRS commissioner to prepare forms to:

1. designate (a) accounts as first-time homebuyer savings accounts and (b) qualified beneficiaries and

2. collect from account holders information for tax purposes and any other information the commissioner needs to perform his program duties.

Financial Institution Responsibilities

The bill authorizes the DRS commissioner to require that financial institutions provide certain unspecified information about each first-time homebuyer account. However, it limits the role of financial institutions by specifying that they are not required to:

1. designate an account as a “first-time homebuyer savings account,”
2. track the use of funds withdrawn from an account, or
3. allocate account funds among account holders.

Additionally, under the bill, a financial institution is not liable or responsible for:

1. determining if, or ensuring that, an account meets the bill’s requirements;
2. determining if account funds are used to pay for or reimburse eligible costs; or
3. disclosing or remitting taxes or penalties unless applicable law requires it.

However, the bill requires a financial institution to distribute funds in a first-time homebuyer savings account in accordance with the contract governing the account when it receives proof of an account holder’s death and all other information required by the contract.

TAX BENEFIT — INDIVIDUAL DEDUCTION

Beginning with the 2026 tax year, the bill establishes three tax deductions for first-time homebuyer account holders for (1) qualifying contributions, (2) accrued interest, and (3) withdrawals. The deductions

apply only to the extent the income is included in the taxpayer's federal AGI.

Income Thresholds

To qualify for the deductions, account holders must meet the following income thresholds:

1. for single filers (i.e., unmarried individuals, married individuals filing separately, and heads of household), a federal AGI of less than \$100,000 and
2. for joint filers, a federal AGI of less than \$200,000.

Deduction Amounts

Contributions. The bill establishes a deduction for contributions that generally equals the amount contributed to an account during the applicable tax year, minus any funds withdrawn during the tax year that were not already claimed for a deduction, up to \$2,500 for single filers and \$5,000 for joint filers for each such tax year.

For the 2026 tax year, account holders may deduct the amount contributed (less withdrawals) for both the 2025 and 2026 tax years, so allowing an aggregate deduction of up to \$5,000 for single filers and \$10,000 for joint filers.

Accrued Interest. The bill allows account holders to deduct the total interest accrued on their accounts during each tax year.

Qualified Beneficiary Deduction. For an account holder who is a qualified beneficiary, the bill establishes a tax deduction in the amount of any withdrawal from an account that is used to pay, or reimburse for, the eligible costs he or she incurs (i.e., the income from a withdrawal used to pay eligible expenses is offset by this tax deduction).

TAX BENEFIT — EMPLOYER CREDIT

Beginning with the 2026 tax year, the bill establishes a business tax credit for employers that contribute to a current employee's first-time homebuyer savings account (against the corporation business tax or

income tax and excluding withholding taxes). The bill sets the annual credit amount at 10% of the employer’s contributions to the accounts of its employees, but it cannot exceed \$2,500 for any specific employee. (Corresponding with the bill’s individual deductions, the 2026 taxable income year includes contributions made during 2025 and 2026.)

Under the bill, if the employer is an S corporation or a partnership for federal income tax purposes, the employer’s shareholders or partners may claim the credit. For a single-member limited liability company that is disregarded as an entity separate from its owner, the owner may claim the credit if he or she is subject to business corporation or income tax. Claimers of the credit must provide DRS documentation that supports their claim, as the commissioner requires.

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 12 Nay 0 (03/12/2024)