

Banking Committee JOINT FAVORABLE REPORT

Bill No.: HB-5344

AN ACT ESTABLISHING FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS

Title: AND A RELATED TAX DEDUCTION AND CREDIT.

Vote Date: 3/12/2024

Vote Action: Joint Favorable Substitute

PH Date: 3/5/2024

File No.:

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SPONSORS OF BILL:

Banking Committee

CO-SPONSORS OF BILL:

Rep. Seth Bronko, 70th District

Rep. Tom Delnicki, 14th District

Rep. Jamie S. Foster, 57th District

Rep. Holly H. Cheeseman, 37th District

Rep. Rachel Khanna, 149th District

Rep. Tony J Scott, 112th District

Rep. Gary A. Turco, 27th District

REASONS FOR BILL:

As the cost of living in Connecticut continues to rise, this bill seeks to incentivize first-time homebuyers to buy a home in Connecticut. Additionally, it seeks to contribute to the workforce in, as this bill would allow employers to contribute to their employees' first-time homebuyers saving account.

SUBSTITUTE LANGUAGE:

The S language introduces a program for first-time homebuyers to open a savings account specifically for the purchase of a home. Furthermore, it establishes the implementation of a 10% tax credit within personal income tax for individuals contributing to their account from January 1st, 2025, to January 1st, 2027, which gets capped at \$2,500 for single filers and \$5,000 for married filers. Furthermore, the S language makes it so that eligible account holders; (single, married, or head of household filers) with an adjusted gross income of \$100,000 or less for single filers, and \$200,000 or less for married filers. Account holders can

withdraw funds solely for approved expenses such as down payments, allowable closing costs, or for purchasing a primary residence in the state. There is to be an introduction of a 10% tax credit within corporation business tax for employers contributing to current employees' first-time homebuyer savings accounts or individuals making contributions to their accounts during the period from January 1, 2025, to January 1, 2027, with a maximum of \$2,500. Lastly, the S language mandates the Treasurer to submit a report on the feasibility and implementation of holding marketable securities within first-time homebuyer savings accounts.

RESPONSE FROM ADMINISTRATION/AGENCY:

None Expressed

NATURE AND SOURCES OF SUPPORT:

Betsy Gara, Executive Director of Connecticut Council of Small Towns (COST), testified in support of HB 5344. COST urges lawmakers to support this bill and follow in suit of the 14 other states that have established a similar program already.

Jim Heckman, General Counsel Connecticut Realtors, testified in support of HB 5344. The testifier commends the proponents of the bill for creating ways to build generational wealth in Connecticut, as well as for the proactive legislation that is HB 5344. The testifier notes the substantial competition first-time homebuyers face from investors and all-cash buyers and believes HB 5344 will serve a crucial role in allowing first-time homebuyers to purchase a home in Connecticut.

Tom Mongellow, CEO Connecticut Bankers Association, testified in support of HB 5344. The testifier feels as though the ability for an employer to receive a tax deduction if they choose to contribute to an employees' first-time homebuyer savings account, is a valuable benefit for both parties. The testifier suggests that HB 5344 should expand from single family homes, and cover "owner occupied one to four family properties," as oftentimes first-time homebuyers look to multifamily properties as a viable option for a first home. Lastly, the testifier notes, "there is prior state precedent for tax advantaged savings accounts for important purposes, notably the Connecticut Higher Education Trust 529 Program (CHET) for educational expenses, where the income generated from after tax contributions is not taxable on either a state or federal level. This allows for the important compounding of CHET account income that would have been paid out in taxes, thereby increasing the overall return in the account."

Pete Myers, Public Policy Associate, Connecticut Business & Industry Association, testified in support of HB 5344. The testifier notes that programs similar to what would be established in HB 5344 exist in states such as Iowa and Oregon, but commends Connecticut for being the first to attempt to address workforce shortages by incentivizing employers with the ability to contribute to their employees' first-time homebuyers savings account.

NATURE AND SOURCES OF OPPOSITION:

None Expressed

Reported by: Hannah Hayes

Date: 3/22/2024