

FISCAL NOTE

February 4, 2019

Bill No:	HB 128	Printer's No:	563	Sponsor:	Brown (R)
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COST / (SAVINGS)

Fund (s)	2018-19	2019-20
General Fund- Lost Revenue	See "FISCAL IMPACT"	\$6.7 million- \$16 million
General Fund- GGO	\$518,416	\$518,416

SUMMARY: This bill creates the First-Time Home Buyer Savings Account (FHSA) and allows participating first-time home buyers to deduct contributions to the account from their state income tax return.

ANALYSIS: HB 128 defines a first-time home buyer as anyone who has not individually or jointly purchased or owned a single-family residence in the three years prior to the purchase of their residence. First-time home buyers must declare a beneficiary when they open an FHSA with a financial institution and must declare said beneficiary on their personal income tax return. Account holders may contribute up to \$150,000 over a ten-year period and deduct up to \$5,000 annually for single filers, and up to \$10,000 annually for joint filers. The total amount of deductions a taxpayer can claim over the ten-year period is \$50,000.

FISCAL IMPACT: The amount of lost revenue varies substantially depending on the number of participating taxpayers and the amount of the deductible contributions they make. The chart below demonstrates two different scenarios where the lost revenue shifts with the number of participating taxpayers.

Scenario	Revenue Loss
Half of the eligible population saves 10% of the median price of a PA home over a 5 year period	\$16,079,577
Maximum joint contribution is made by same number of taxpayers who participate in 529 accounts	\$ 6,695,670

These projections were provided by the Department of Revenue. The Department is anticipating a need to hire additional examiners to implement and enforce this program. The increased personnel required would cost \$504,316 annually. The Department would also incur \$14,200 in annual operating costs, for a total administrative cost of \$518,416 per year.