

FISCAL NOTE

June 1, 2023

Bill No:	SB 295	Printer's No:	269	Sponsor:	Brown, Rosemary
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COST / (SAVINGS)

Fund (s)	2022-23	2023-24
General Fund	See "FISCAL IMPACT"	See "FISCAL IMPACT"

SUMMARY: This bill provides for the establishment of first-time home buyer savings accounts for first-time home buyers in this commonwealth.

ANALYSIS: SB 295 allows individuals to open a first-time home buyer savings account with a financial institution for the purpose of purchasing a single-family residence in the commonwealth. Contributions shall be limited to \$150,000 per account, including contributions from individuals other than the account holder. Contributions shall also be limited to \$5,000 per tax year for individual tax filers and \$10,000 for joint filers.

Contributions shall be Personal Income Tax (PIT) deductible in the year the contribution was made. Earnings shall be tax-excluded for no more than 10 years for an aggregate amount of principal and earnings not to exceed \$50,000. Contributions from individuals other than the account holder shall not be entitled to tax deduction or exclusion. Money not expended before the 10-year period shall be included in the account holder's taxable income. Withdrawal for ineligible purposes shall be included in taxable income with a 10 percent penalty paid to the Department of Revenue (DOR).

Financial institutions may not be required or held liable to ensure compliance of the account and its expenses. DOR shall prepare forms to identify and designate first-time home buyer savings accounts with financial institutions and promulgate regulations for the program.

FISCAL IMPACT: SB 295 carries a total fiscal impact ranging from \$11.625 million to \$54.444 million in PIT deductions dependent on program usage assumptions over a ten-year period, annualized ranging from \$1.163 million to \$5.444 million in FY 2024-25. DOR would also incur one-time operational start-up costs of \$65,000 and require an additional seven employees to administer the program at an annual cost of \$600,000.

PIT Deduction Estimates (10 year period)			
2023 PA First-Time Homebuyers	Assumed Contribution	Total Contributions	Tax loss (3.07% PIT)
35,469	Maximum per account (\$50,000)	\$1.773 billion	\$54.444 million
27,124	50 percent utilization for \$27,922 down payment	\$378.678 million	\$11.625 million