General Assembly

Raised Bill No. 6876

January Session, 2025

LCO No. **3807**

Referred to Committee on BANKING

Introduced by:
(BA)

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:

Section 1. (NEW) (*Effective January 1, 2026*) (a) For the purposes of this section:

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

(2) "Allowable closing costs" means the disbursements listed on a settlement statement concerning a transaction involving the purchase of a single-family residence in this state by a qualified beneficiary to serve as the qualified beneficiary's primary residence;

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

(4) "Eligible costs" means the down payment and all allowable closing costs paid or reimbursed by a qualified beneficiary to purchase a single-family residence in this state to serve as the qualified beneficiary's

primary residence;

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

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

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

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

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

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

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

(c) An individual may establish one or more first-time homebuyer savings accounts with a financial institution. Two individuals may jointly establish and serve as the account holders of a first-time homebuyer savings account, provided such account holders shall file a joint return for the tax imposed under chapter 229 of the general statutes for each taxable year during which such account exists. The account holder or account holders shall, not later than April fifteenth of the taxable year immediately following the taxable year during which such account holder or account holders established a first-time homebuyer savings account, designate the qualified beneficiary of such account. The account holder or account holders of a first-time homebuyer savings account may designate a new qualified beneficiary of the account at any time, provided there shall not be more than one qualified beneficiary of such account at any time. No individual may establish or serve as an account holder of multiple first-time homebuyer savings accounts that have the same qualified beneficiary. First-time homebuyer savings accounts shall exclusively contain cash and there shall be no limit on the amount of contributions made to, or contained in, such accounts. Any person may contribute to a first-time homebuyer savings account, including, but not limited to, employers of the account holder or account holders of such account. If an account holder of a first-time homebuyer savings account leaves employment with an employer that contributed to such account while such account holder was employed by such employer, such employer shall not seek reimbursement of any contribution to such account. The account holder or account holders may invest funds deposited in a first-time homebuyer savings account in money market funds.

(d) (1) Each account holder shall:

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

(B) Submit to the commissioner such account holder's tax return for each taxable year beginning on or after January 1, 2026, during which a first-time homebuyer savings account established by such account holder exists, along with:

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

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

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

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

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

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

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

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

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

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

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

(B) Are withdrawn due to the death or disability of an account holder who established such account;

(C) Constitute a disbursement of the assets of such account pursuant to a filing for protection under the United States Bankruptcy Code, as amended from time to time; or

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

(g) The commissioner may adopt regulations, in accordance with the provisions of chapter 54 of the general statutes, to implement the provisions of this section.

Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of section 12-701 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2026*):

(B) There shall be subtracted therefrom:

(i) To the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law;

(ii) To the extent allowable under section 12-718, exempt dividends paid by a regulated investment company;

(iii) To the extent properly includable in gross income for federal income tax purposes, the amount of any refund or credit for overpayment of income taxes imposed by this state, or any other state of the United States or a political subdivision thereof, or the District of Columbia;

(iv) To the extent properly includable in gross income for federal income tax purposes and not otherwise subtracted from federal adjusted gross income pursuant to clause (x) of this subparagraph in computing Connecticut adjusted gross income, any tier 1 railroad retirement benefits;

(v) To the extent any additional allowance for depreciation under Section 168(k) of the Internal Revenue Code for property placed in service after September 27, 2017, was added to federal adjusted gross income pursuant to subparagraph (A)(ix) of this subdivision in computing Connecticut adjusted gross income, twenty-five per cent of such additional allowance for depreciation in each of the four succeeding taxable years;

(vi) To the extent properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut;

(vii) To the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any gain from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such gain was recognized;

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

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

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

(II) For taxable years commencing prior to January 1, 2019, for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or as a married individual filing separately whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income from such taxable year is sixty thousand dollars or more or for a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is sixty thousand dollars or more, an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes and the lesser of twenty-five per cent of the Social Security benefits received during the taxable year, or twenty-five per cent of the excess described in Section 86(b)(1) of the Internal Revenue Code;

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

(IV) For the taxable year commencing January 1, 2019, and each taxable year thereafter, for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is seventy-five thousand dollars or more, or as a married individual filing separately whose federal adjusted gross income for such taxable year is seventy-five thousand dollars or more, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income from such taxable year is one hundred thousand dollars or more or for a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is one hundred thousand dollars or more, an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes and the lesser of twenty-five per cent of the Social Security benefits received during the taxable year, or twenty-five per cent of the excess described in Section 86(b)(1) of the Internal Revenue Code;

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

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

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

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

(xv) To the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, as defined in section 3-123aa, interest, dividends or capital gains earned on contributions to accounts established for the designated beneficiary pursuant to the

Connecticut Homecare Option Program for the Elderly established by sections 3-123aa to 3-123ff, inclusive;

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

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

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

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

(xx) To the extent properly includable in gross income for federal income tax purposes, except for retirement benefits under clause (iv) of this subparagraph and retirement pay under clause (xvi) of this subparagraph, for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than seventy-five thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than seventy-five thousand dollars, or as a head of household whose federal adjusted gross income for such taxable year is less than seventy-five thousand dollars, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than one hundred thousand dollars, (I) for the taxable year commencing January 1, 2019, fourteen per cent of any pension or annuity income, (II) for the taxable year commencing January 1, 2020, twenty-eight per cent of any pension or annuity income, (III) for the taxable year commencing January 1, 2021, forty-two per cent of any pension or annuity income, and (IV) for the taxable years commencing January 1, 2022, and January 1, 2023, one hundred per cent of any pension or annuity income;

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

Federal Adjusted Gross Income	Deduction
Less than $75,000	100.0%
$75,000 but not over $77,499	85.0%
$77,500 but not over $79,999	70.0%
$80,000 but not over $82,499	55.0%
$82,500 but not over $84,999	40.0%
$85,000 but not over $87,499	25.0%
$87,500 but not over $89,999	10.0%
$90,000 but not over $94,999	5.0%
$95,000 but not over $99,999	2.5%
$100,000 and over	0.0%

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

Federal Adjusted Gross Income	Deduction
Less than $100,000	100.0%
$100,000 but not over $104,999	85.0%
$105,000 but not over $109,999	70.0%
$110,000 but not over $114,999	55.0%
$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%

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

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

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

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

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

(xxviii) To the extent properly includable in gross income for federal income tax purposes, for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than one hundred thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than one hundred thousand dollars, or as a head of household whose federal adjusted gross income for such taxable year is less than one hundred thousand dollars, (I) for the taxable year commencing January 1, 2024, fifty per cent of any distribution from an individual retirement account other than a Roth individual retirement account, (II) for the taxable year commencing January 1, 2025, seventy-five per cent of any distribution from an individual retirement account other than a Roth individual retirement account, and (III) for the taxable year commencing January 1, 2026, and each taxable year thereafter, any distribution from an individual retirement account other than a Roth individual retirement account. The subtraction under this 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%

(xxix) To the extent properly includable in gross income for federal income tax purposes, for married individuals who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than one hundred fifty thousand dollars, (I) for the taxable year commencing January 1, 2024, fifty per cent of any distribution from an individual retirement account other than a Roth individual retirement account, (II) for the taxable year commencing January 1, 2025, seventy-five per cent of any distribution from an individual retirement account other than a Roth individual retirement account, and (III) for the taxable year commencing January 1, 2026, and each taxable year thereafter, any distribution from an individual retirement account other than a Roth individual retirement account. The subtraction under this clause shall 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%

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

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

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

(xxxiii) To the extent properly includable in gross income for federal income tax purposes, the amount of any student loan reimbursement payment received by a taxpayer pursuant to section 10a-19m;

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

(xxxv) To the extent properly includable in gross income for federal income tax purposes, the amount of any payment received pursuant to subsection (c) of section 3-122a;

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

(I) To the extent not deductible in determining federal adjusted gross income, for the taxable year commencing January 1, 2027, an amount equal to the contributions deposited during the taxable years commencing January 1, 2026, and January 1, 2027, in a first-time homebuyer savings account established pursuant to subsection (c) of section 1 of this act, less any amounts withdrawn during said taxable years by the account holder from such account under subparagraph (D) of subdivision (2) of subsection (f) of section 1 of this act. The amount claimed under this subclause shall not exceed two thousand five hundred dollars for each such taxable year for an unmarried individual, a married individual filing separately or a head of household and five thousand dollars for each such taxable year for married individuals filing jointly;

(II) To the extent not deductible in determining federal adjusted gross income, for the taxable year commencing January 1, 2028, and each taxable year thereafter, an amount equal to the contributions deposited during the taxable year in a first-time homebuyer savings account established pursuant to subsection (c) of section 1 of this act, less any amounts withdrawn during the taxable year by the account holder from such account pursuant to subparagraph (D) of subdivision (2) of subsection (f) of section 1 of this act. The amount allowed to be claimed under this subclause for the taxable year shall not exceed two thousand five hundred dollars for an unmarried individual, a married individual filing separately or a head of household and five thousand dollars for married individuals filing jointly; and

(III) To the extent properly includable in gross income for federal income tax purposes, for the taxable year commencing January 1, 2027, and each taxable year thereafter, an amount equal to the sum of all interest accrued on a first-time homebuyer savings account, established pursuant to subsection (c) of section 1 of this act, during the taxable year; and

(xxxvii) To the extent properly includable in gross income for federal income tax purposes, for an account holder who is a qualified beneficiary of a first-time homebuyer savings account, as those terms are defined in section 1 of this act, and who files a return under the federal income tax as an unmarried individual, a married individual filing separately or a head of household, whose federal adjusted gross income for the taxable year is less than one hundred thousand dollars or who files a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for the taxable year is less than two hundred thousand dollars, for taxable years commencing on or after January 1, 2027, an amount equal to any withdrawal from such account that is used to pay or reimburse such qualified beneficiary for eligible costs, as defined in section 1 of this act, incurred by the qualified beneficiary.

Sec. 3. (NEW) (*Effective January 1, 2026*) (a) (1) For the taxable or income year commencing on or after January 1, 2027, but prior to January 1, 2028, there shall be allowed a credit against the tax imposed under chapter 208 or 229 of the general statutes, other than the liability imposed by section 12-707 of the general statutes, for contributions deposited by the employer of an account holder in a first-time homebuyer savings account established pursuant to subsection (c) of section 1 of this act during the taxable or income years commencing on or after January 1, 2026, but prior to January 1, 2028, provided such account holder was employed by such employer at the time such contributions were made.

(2) For the taxable or income years commencing on or after January 1, 2028, there shall be allowed a credit against the tax imposed under chapter 208 or 229 of the general statutes, other than the liability imposed by section 12-707 of the general statutes, for contributions deposited by the employer of an account holder in a first-time homebuyer savings account established pursuant to subsection (c) of section 1 of this act during the taxable or income year, provided such account holder was employed by such employer at the time such contributions were made.

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

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

Sec. 4. (*Effective from passage*) Not later than July 1, 2026, the Treasurer shall make recommendations, in accordance with section 11-4a of the general statutes, to the joint standing committee of the General Assembly having cognizance of matters relating to banking regarding whether and how marketable securities may be held in a first-time homebuyer savings account established pursuant to subsection (c) of section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*January 1, 2026*	New section
Sec. 2	*January 1, 2026*	12-701(a)(20)(B)
Sec. 3	*January 1, 2026*	New section
Sec. 4	*from passage*	New section

Statement of Purpose:
To establish a first-time homebuyer savings account and a related tax deduction and credit.

.[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]