



General Assembly

***Substitute Bill No. 6876***

*January Session, 2025*



***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, 2026*) (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 one-to-four family residence in this state by a qualified beneficiary to  
9       serve 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 one-  
13       to-four family residence in this state to serve as the qualified  
14       beneficiary's 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 one-to-  
21 four family residence prior to the closing date of a real estate transaction  
22 involving the purchase of a one-to-four family residence in this state by  
23 the 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) "One-to-four family residence" means a residential dwelling  
30 consisting of not more than four dwelling units, including, but not  
31 limited to, a mobile manufactured home, as defined in section 21-64 of  
32 the general statutes, or a residential unit in a cooperative, common  
33 interest community or condominium, as such terms are defined in  
34 section 47-202 of the general statutes;

35 (9) "Qualified beneficiary" means a first-time homebuyer who (A) is  
36 an account holder and designated as the qualified beneficiary of a first-  
37 time homebuyer savings account, and (B) resides in the one-to-four  
38 family residence in this state that is purchased with the funds deposited  
39 in such account; and

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

45 (b) For purposes of implementing the deduction allowed under  
46 subparagraph (B) of subdivision (20) of subsection (a) of section 12-701  
47 of the general statutes, as amended by this act, and the credit allowed

48 under section 3 of this act, the commissioner shall prepare forms for (1)  
49 the designation of accounts as first-time homebuyer savings accounts,  
50 (2) the designation of qualified beneficiaries, and (3) account holders to  
51 submit to the commissioner the information described in subparagraph  
52 (B) of subdivision (1) of subsection (d) of this section and any additional  
53 information that the commissioner reasonably requires pursuant to the  
54 provisions of this section.

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

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

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

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

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

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

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

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

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

110 (2) No financial institution shall be required to (A) designate an  
111 account as a first-time homebuyer savings account, (B) track the use of

112 any funds withdrawn from a first-time homebuyer savings account, or  
113 (C) allocate funds in a first-time homebuyer savings account among  
114 account holders.

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

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

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

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

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

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

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

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

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

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

161 (B) There shall be subtracted therefrom:

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

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

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

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

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

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

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

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

202 (ix) Ordinary and necessary expenses paid or incurred during the  
203 taxable year for the production or collection of income which is subject

204 to taxation under this chapter but exempt from federal income tax, or  
205 the management, conservation or maintenance of property held for the  
206 production of such income, and the amortizable bond premium for the  
207 taxable year on any bond the interest on which is subject to tax under  
208 this chapter but exempt from federal income tax, to the extent that such  
209 expenses and premiums are not deductible in determining federal  
210 adjusted gross income and are attributable to a trade or business carried  
211 on by such individual;

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

225 (II) For taxable years commencing prior to January 1, 2019, for a  
226 person who files a return under the federal income tax as an unmarried  
227 individual whose federal adjusted gross income for such taxable year is  
228 fifty thousand dollars or more, or as a married individual filing  
229 separately whose federal adjusted gross income for such taxable year is  
230 fifty thousand dollars or more, or for a husband and wife who file a  
231 return under the federal income tax as married individuals filing jointly  
232 whose federal adjusted gross income from such taxable year is sixty  
233 thousand dollars or more or for a person who files a return under the  
234 federal income tax as a head of household whose federal adjusted gross  
235 income for such taxable year is sixty thousand dollars or more, an  
236 amount equal to the difference between the amount of Social Security  
237 benefits includable for federal income tax purposes and the lesser of

238 twenty-five per cent of the Social Security benefits received during the  
239 taxable year, or twenty-five per cent of the excess described in Section  
240 86(b)(1) of the Internal Revenue Code;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

347 (xxi) To the extent properly includable in gross income for federal  
 348 income tax purposes, except for retirement benefits under clause (iv) of  
 349 this subparagraph and retirement pay under clause (xvi) of this  
 350 subparagraph, any pension or annuity income for the taxable year  
 351 commencing on or after January 1, 2024, and each taxable year  
 352 thereafter, in accordance with the following schedule, for a person who  
 353 files a return under the federal income tax as an unmarried individual  
 354 whose federal adjusted gross income for such taxable year is less than  
 355 one hundred thousand dollars, or as a married individual filing  
 356 separately whose federal adjusted gross income for such taxable year is  
 357 less than one hundred thousand dollars, or as a head of household  
 358 whose federal adjusted gross income for such taxable year is less than  
 359 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% |

(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:

|     |                                  |           |
|-----|----------------------------------|-----------|
| 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%      |

(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

378 and 8-443;

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

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

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

404 (xxviii) To the extent properly includable in gross income for federal  
405 income tax purposes, for a person who files a return under the federal  
406 income tax as an unmarried individual whose federal adjusted gross  
407 income for such taxable year is less than one hundred thousand dollars,  
408 or as a married individual filing separately whose federal adjusted gross  
409 income for such taxable year is less than one hundred thousand dollars,

410 or as a head of household whose federal adjusted gross income for such  
 411 taxable year is less than one hundred thousand dollars, (I) for the taxable  
 412 year commencing January 1, 2024, fifty per cent of any distribution from  
 413 an individual retirement account other than a Roth individual  
 414 retirement account, (II) for the taxable year commencing January 1, 2025,  
 415 seventy-five per cent of any distribution from an individual retirement  
 416 account other than a Roth individual retirement account, and (III) for  
 417 the taxable year commencing January 1, 2026, and each taxable year  
 418 thereafter, any distribution from an individual retirement account other  
 419 than a Roth individual retirement account. The subtraction under this  
 420 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%      |

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

432 distribution from an individual retirement account other than a Roth  
433 individual retirement account. The subtraction under this clause shall  
434 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%      |

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

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

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

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

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

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

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

476 (I) To the extent not deductible in determining federal adjusted gross  
477 income, for the taxable year commencing January 1, 2027, an amount  
478 equal to the contributions deposited during the taxable years  
479 commencing January 1, 2026, and January 1, 2027, in a first-time  
480 homebuyer savings account established pursuant to subsection (c) of  
481 section 1 of this act, less any amounts withdrawn during said taxable  
482 years by the account holder from such account under subparagraph (D)  
483 of subdivision (2) of subsection (f) of section 1 of this act. The amount  
484 claimed under this subclause shall not exceed two thousand five

485 hundred dollars for each such taxable year for an unmarried individual,  
486 a married individual filing separately or a head of household and five  
487 thousand dollars for each such taxable year for married individuals  
488 filing jointly;

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

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

507 (xxxvii) To the extent properly includable in gross income for federal  
508 income tax purposes, for an account holder who is a qualified  
509 beneficiary of a first-time homebuyer savings account, as those terms  
510 are defined in section 1 of this act, and who files a return under the  
511 federal income tax as an unmarried individual, a married individual  
512 filing separately or a head of household, whose federal adjusted gross  
513 income for the taxable year is less than one hundred thousand dollars  
514 or who files a return under the federal income tax as married individuals  
515 filing jointly whose federal adjusted gross income for the taxable year is  
516 less than two hundred thousand dollars, for taxable years commencing  
517 on or after January 1, 2027, an amount equal to any withdrawal from

518 such account that is used to pay or reimburse such qualified beneficiary  
519 for eligible costs, as defined in section 1 of this act, incurred by the  
520 qualified beneficiary.

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

532       (2) For the taxable or income years commencing on or after January  
533 1, 2028, there shall be allowed a credit against the tax imposed under  
534 chapter 208 or 229 of the general statutes, other than the liability  
535 imposed by section 12-707 of the general statutes, for contributions  
536 deposited by the employer of an account holder in a first-time  
537 homebuyer savings account established pursuant to subsection (c) of  
538 section 1 of this act during the taxable or income year, provided such  
539 account holder was employed by such employer at the time such  
540 contributions were made.

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

548       (b) If the taxpayer is an S corporation or an entity treated as a  
549 partnership for federal income tax purposes, the credit may be claimed

550 by the shareholders or partners of the taxpayer. If the taxpayer is a single  
551 member limited liability company that is disregarded as an entity  
552 separate from its owner, the credit may be claimed by such limited  
553 liability company's owner, provided such owner is a person subject to  
554 the tax imposed under chapter 208 or 229 of the general statutes. Any  
555 taxpayer claiming the credit shall provide to the Department of Revenue  
556 Services documentation supporting such claim in the form and manner  
557 prescribed by the Commissioner of Revenue Services.

|                                                                               |  |  |
|-------------------------------------------------------------------------------|--|--|
| This act shall take effect as follows and shall amend the following sections: |  |  |
|-------------------------------------------------------------------------------|--|--|

|           |                        |                  |
|-----------|------------------------|------------------|
| Section 1 | <i>January 1, 2026</i> | New section      |
| Sec. 2    | <i>January 1, 2026</i> | 12-701(a)(20)(B) |
| Sec. 3    | <i>January 1, 2026</i> | New section      |

**BA**            *Joint Favorable Subst.*