SENATE . . . . . No. 3223

Senate, July 23, 2026 -- Text of amendment (205) (offered by Senator Tarr) to the Ways and Means amendment (Senate, No. 3178) to the House Bill relative to economic development in the commonwealth.

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Fourth General Court
(2025-2026)

by inserting after section ___ the following sections:-

"SECTION _. Chapter 62 of the General Laws is hereby amended by inserting after section 5D the following 2 sections:-

Section 5E. (a) For the purposes of this section, the following words shall have the following meanings unless the context clearly requires otherwise:-

“Account holder”, an individual who establishes, individually or jointly with one or more other individuals, a rental savings account.

“Allowable costs”, a fee paid for renting a unit as a permanent residence in the commonwealth, limited to the amount of: (i) first and last month's rent; (ii) a security deposit equal to one month's rent; and (iii) the purchase and installation costs of a lock and key. “Eligible costs”, fees paid for renting a unit as a permanent residence in the commonwealth, limited to the amount of: (i) first and last month's rent; (ii) a security deposit equal to one month's rent; and (iii) the purchase and installation costs of a lock and key.

"Financial institution", any bank, trust company, savings institution, industrial loan association, consumer finance company, credit union, benefit association, insurance company, safe deposit company, money market mutual fund or similar entity authorized to do business in the commonwealth.

"Qualified beneficiary", an individual seeking to rent a unit as a permanent residence.

(b) Beginning January 1, 2027, an individual may open an account with a financial institution and designate the account as a rental savings account to pay or reimburse a qualified beneficiary's eligible costs.

(c) An account holder must designate, not later than April 15 of the year following the tax year during which the account is established, a resident as the qualified beneficiary of the rental savings account. The account holder may designate themselves as the qualified beneficiary and may change the designated qualified beneficiary at any time; provided, however, there shall not be more than 1 qualified beneficiary at any time.

(d) An individual may jointly own a rental savings account with another person if the joint account holders file a joint income tax return; provided, however, this requirement shall not apply if at least 1 person would not otherwise be required to make a return because their Massachusetts gross income did not exceed $8,000.

(e) An individual may be the account holder of more than 1 rental savings account; provided, however, that the account holder shall not have multiple accounts that designate the same qualified beneficiary.

(f) An individual may be designated as the qualified beneficiary on more than 1 rental savings account.

(g) Only cash and marketable securities shall comprise a rental savings account. Subject to the limitations of this section, persons other than the account holder may contribute funds to a rental savings account. There shall be no limitation on the amount of contributions that may be made to or retained in a rental savings account.

(h) The funds held in a rental savings account shall not be used to pay expenses of administering the account; provided, however, that a service fee may be deducted from the account by the financial institution.

(i) The account holder shall submit to the department of revenue: (1) detailed information regarding the rental savings account, including a list of transactions for the account during the tax year and the Form 1099 under the Internal Revenue Service requirements issued by the financial institution for such account with the account holder's Massachusetts income tax return on forms prepared by the department of revenue; and (2) a detailed accounting of the eligible costs toward which the account funds were applied, if there was a withdrawal from the account, and a statement of the amount of funds remaining in the account.

(j) A financial institution shall not be required to: (1) designate an account as a rental savings account, or designate the qualified beneficiaries of an account, in the financial institution's account contracts or systems; (2) track the use of funds withdrawn from a rental savings account; (3) allocate funds in a rental savings account among joint account holders or multiple qualified beneficiaries; or (4) report any information to the department of revenue or other government agency that is not otherwise required by law.

(k) A financial institution shall not be liable for: (1) determining or ensuring that an account satisfies the requirements to be a rental savings account; (2) determining or ensuring that funds in a rental savings account are used for eligible costs; or (3) reporting or remitting taxes or penalties related to the use of a rental savings account.

(l) Except as otherwise provided in this section and subject to the limitations under this subsection, there shall be deducted from taxable income of an account holder, for Massachusetts income tax purposes: (1) the amount contributed to a rental savings account during each tax year, not to exceed $15,000 for an account holder who files an individual tax return or $30,000 for joint account holders; (2) the amount of earnings, including interest and other income on the principal, from the rental savings account during the tax year.

(m) An account holder may claim the deduction and exclusion under subsection (k): (1) for a period not to exceed 15 years; (2) for an aggregate total amount of principal and earnings not to exceed $50,000 during said 15-year period; and (3) only if the principal and earnings of the account remain in the account until a withdrawal is made for eligible costs related to the securing a rental intended as a permanent residence.

(n) Any funds in a rental savings account not expended on eligible costs by December 31 of the last year of the 15-year period under shall thereafter be included in the account holder's taxable income.

(o) A person other than the account holder who deposits funds in a rental savings account shall not be entitled to the deduction and exclusion provided for under this section.

(p) The deduction and exclusion from taxable income provided for by this section shall apply to any alternative bases for calculating taxable income for Massachusetts income tax purposes.

(q) Except as otherwise authorized in this section, if the account holder withdraws any funds from a rental savings account for a purpose other than eligible costs for the securing a rental property to be used as a permanent residence: (1) such funds shall be included in the account holder's taxable income; and (2) the account holder shall pay a penalty to the department of revenue equal to the tax that would have been collected had the withdrawn funds been subject to income tax. Such penalty shall not apply to funds withdrawn from an account that were: (i) withdrawn by reason of the account holder's death or disability; (ii) a disbursement of assets of the account pursuant to a filing for protection under the United States Bankruptcy Code, 11 U.S.C. § 101 et seq.; or (iii) a transfer of the funds from a rental savings account to a new rental savings account held by a different financial institution or the same financial institution.

(r) The department of revenue shall prepare forms for: (1) the designation of an account with a financial institution to serve as a first-time home buyer savings account; (2) the designation of a qualified beneficiary of a rental savings account; and (3) an account holder to annually submit to the department of revenue detailed information regarding the rental savings account, including but not limited to a list of transactions for the account during the tax year, and identifying any supporting documentation that is required to be maintained by the account holder.

Section 5F. (a) For the purposes of this section, the following words shall have the following meanings unless the context clearly requires otherwise:

"Account holder", an individual who establishes, individually or jointly with 1 or more other individuals, a first-time homebuyer savings account.

"Allowable closing costs", a disbursement listed on a settlement statement for the purchase of a single-family residence in the commonwealth by a qualified beneficiary.

"Eligible costs", the down payment and allowable closing costs for the purchase of a single-family residence in Massachusetts by a qualified beneficiary.

"Financial institution", any bank, trust company, savings institution, industrial loan association, consumer finance company, credit union, or any benefit association, insurance company, safe deposit company, money market mutual fund, or similar entity authorized to do business in the commonwealth.

"First-time homebuyer", an individual who resides in the commonwealth and has not owned or purchased, either individually or jointly, a single-family residence.

"First-time home buyer savings account", an account with a financial institution that an account holder designates as a first-time home buyer savings account on the account holder's Massachusetts income tax return for tax year 2025 or any tax year thereafter, pursuant to this section for the purpose of paying or reimbursing eligible costs for the purchase of a single-family residence in the commonwealth by a qualified beneficiary.

"Qualified beneficiary", a first-time home buyer who is designated as the qualified beneficiary of an account designated by the account holder as a first-time home buyer savings account.

"Settlement statement", the statement of receipts and disbursements for a transaction related to real estate, including a statement prescribed under the Real Estate Settlement Procedures Act of 1974, 12 U.S.C. 2601 et seq., as amended, and regulations thereunder.

"Single-family residence", a single-family residence owned and occupied by a qualified beneficiary as the qualified beneficiary's principal residence, which may include a manufactured home, trailer, mobile home, condominium unit, or cooperative.

(b) Beginning January 1, 2028, any individual may open an account with a financial institution and designate the account, in its entirety, as a first-time home buyer savings account to be used to pay or reimburse a qualified beneficiary's eligible costs for the purchase of a single-family residence in the commonwealth.

(c) An account holder must designate, no later than April 15 of the year following the tax year during which the account is established, a first-time home buyer as the qualified beneficiary of the first-time home buyer savings account. The account holder may designate themselves as the qualified beneficiary and may change the designated qualified beneficiary at any time provided, however, there shall not be more than 1 qualified beneficiary at any time.

(d) An individual may jointly own a first-time home buyer savings account with another person if the joint account holders file a joint income tax return; provided, however, this requirement shall not apply if at least 1 person would not otherwise be required to make a return because their Massachusetts gross income did not exceed $8,000.

(e) An individual may be the account holder of more than one first-time home buyer savings account; provided, however, the account holder shall not have multiple accounts that designate the same qualified beneficiary.

(f) An individual may be designated as the qualified beneficiary on more than 1 first-time home buyer savings account.

(g) Only cash and marketable securities shall comprise a first-time home buyer savings account. Subject to the limitations of this section, persons other than the account holder may contribute funds to a first-time home buyer savings account. There shall be no limitation on the amount of contributions that may be made to or retained in a first-time home buyer savings account.

(h) The funds held in a first-time home buyer savings account shall not be used to pay expenses of administering the account; provided, however, that a service fee may be deducted from the account by the financial institution in which the account is held.

(i) The account holder shall submit the following to the department of revenue: (1) detailed information regarding the first-time home buyer savings account, including a list of transactions for the account during the tax year and the Form 1099 under the Internal Revenue Service requirements issued by the financial institution for such account with the account holder's Massachusetts income tax return on forms prepared by the department of revenue; and (2) a detailed account of the eligible costs toward which the account funds were applied, if there was a withdrawal from the account, and a statement of the amount of funds remaining in the account, if any.

(j) A financial institution shall not be required to: (1) designate an account as a first-time home buyer savings account, or designate the qualified beneficiaries of an account, in the financial institution's account contracts or systems; (2) track the use of funds withdrawn from a first-time home buyer savings account; (3) allocate funds in a first-time home buyer savings

account among joint account holders or multiple qualified beneficiaries; or (4) report any information to the department of revenue or any other governmental agency that is not otherwise required by law.

(k) A financial institution is not responsible or liable for: (1) determining or ensuring that an account satisfies the requirements to be a first-time home buyer savings account; (2) determining or ensuring that funds in a first-time home buyer savings account are used for eligible costs; or (3) reporting or remitting taxes or penalties related to the use of a first-time home buyer savings account.

(l) Except as otherwise provided in this section and subject to the limitations under this subsection, there shall be deducted from taxable income of an account holder, for Massachusetts income tax purposes: (1) the amount contributed to a first-time home buyer savings account during each tax year, not to exceed $25,000 for an account holder who files an individual tax return or $50,000 for joint account holders; and (2) the amount of earnings, including interest and other income on the principal, from the first-time home buyer savings account during the tax year.

(m) An account holder may claim the deduction and exclusion under subsection (k): (1) for a period not to exceed 15 years; (2) for an aggregate total amount of principal and earnings, not to exceed $250,000 during said 15-year period; and (3) only if the principal and earnings of the account remain in the account until a withdrawal is made for eligible costs related to the purchase of a single-family residence by a qualified beneficiary, except as otherwise provided in this section.

(n) Any funds in a first-time home buyer savings account not expended on eligible costs by December 31 of the last year of the 15-year period shall thereafter be included in the account holder's taxable income.

(o) A person other than the account holder who deposits funds in a first-time home buyer savings account shall not be entitled to the deduction and exclusion provided for under this section.

(p) The deduction and exclusion from taxable income provided for by this section shall apply to any alternative bases for calculating taxable income for Massachusetts income tax purposes.

(q) Except as otherwise authorized in this of this section, if the account holder withdraws any funds from a first-time home buyer savings account for a purpose other than eligible costs for the purchase of a single-family residence: (1) said shall be included in the account holder's taxable income; and (2) the account holder shall pay a penalty to the department of revenue equal to the tax that would have been collected had the withdrawn funds been subject to income tax. Such penalty shall not apply to funds withdrawn from an account that were: (i) withdrawn by reason of the account holder's death or disability; (ii) a disbursement of assets of the account pursuant to a filing for protection under the United States Bankruptcy Code, 11 U.S.C. § 101 et seq.; or (iii) a transfer of the funds from a first-time home buyer savings account to a new first-time home buyer savings account held by a different financial institution or the same financial institution.

(r) The department of revenue shall prepare forms for: (1) the designation of an account with a financial institution to serve as a first-time home buyer savings account; (2) the

designation of a qualified beneficiary of a first-time home buyer savings account; and (3) an account holder to annually submit to the department of revenue detailed information regarding the first-time home buyer savings account, including but not limited to a list of transactions for the account during the tax year, and identifying any supporting documentation that is required to be maintained by the account holder."