HOUSE DOCKET, NO. 3445 FILED ON: 1/21/2011

HOUSE . . . . . No. 2999

The Commonwealth of Massachusetts

PRESENTED BY:

Marc T. Lombardo

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying:

An Act relative to first-time homebuyers and higher education.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Marc T. Lombardo	*22nd Middlesex*
Sean Garballey	*23rd Middlesex*

HOUSE DOCKET, NO. 3445 FILED ON: 1/21/2011

HOUSE . . . . . No. 2999

By Mr. Lombardo of Billerica, a petition (accompanied by bill, House, No. 2999) of Marc T. Lombardo and Sean Garballey for legislation to provide tax exemptions for certain first-time homebuyers and higher education expenses. Revenue.

The Commonwealth of Massachusetts

In the Year Two Thousand Eleven

An Act relative to first-time homebuyers and higher education.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Chapter 23B of the General Laws, as appearing in the 2008 Official Edition, is hereby amended by adding after section 29, the following section:-

Section 30. The director of the department of housing and community development shall establish a closing costs assistance program for income-eligible first time homebuyers. The department, subject to appropriation, shall issue grants to qualifying homebuyers up to $2,500 for the purpose of assisting in paying closing costs and other similar fees associated with the purchase of a home. Said grant may not exceed greater than 100 percent of the documented closing costs in any transaction. The department shall publish any regulations necessary to achieve the purpose of this section.

Income-eligible first-time homebuyers, for purposes of this section, shall be defined as any person, or persons for those persons purchasing a home jointly, who maintains a first-time home-buying and higher education expense account as designated under section 5B of chapter 26, and then utilizes at minimum $1,000 from said account for such a purchase; provided that said person shall have an income of 90 percent of the median area income as estimated by the U.S. Department of Housing and Urban Development for metropolitan statistical areas or less.

SECTION 2. Chapter 26, as so appearing, is hereby amended by adding after section 5A, the following new section: -

“Section 5B. (a) The commissioner of banks shall establish a first-time home-buying and higher education expense account program to be administered by financial institutions licensed to do business in the commonwealth. Such program shall require that new qualifying savings

21 accounts, established by an individual to be designated as a first-time home-buying and higher
22 education expense account, qualify for the benefits prescribed by this section. Individuals with
23 existing qualifying savings accounts shall be entitled to convert and designate such account as a
24 first-time home-buying and higher education expense account. The commissioner shall establish
25 regulations defining a qualifying savings account as such an account suitably chosen by the
26 commissioner from existing forms of savings and retirement accounts for the purpose of this
27 section.

28 (b) Such program shall allow contributions of up to $4,000 to first-time home-buying
29 and higher education expense accounts, designated as such and regulated by the commissioner;
30 provided, that such contributions shall not be considered taxable income and shall be deducted
31 under subsection (a) of section 3 of chapter 62.

32 (c) Under said program, balances of up to $5,000 in qualifying savings accounts
33 established prior to being designated as a first-time home-buying and higher education expense
34 account shall be credited in the first taxable year following the designation under subsection (m)
35 of section 6 of chapter 62.

36 (d) Qualifying distributions to an individual from a first-time home-buying and higher
37 education expense account shall not be considered taxable income under section 2 of chapter 62.
38 Qualifying distributions shall mean distributions for qualified first-time homebuyer expenses and
39 qualified higher education expenses as defined by section 72(t)(7) and section 72(t)(8), inclusive,
40 of the Internal Revenue Code, as it may be amended from time to time.

41 Distributions to an individual that do not qualify under this subsection shall be considered
42 taxable income under section 2 of chapter 62 and shall also subject to a penalty of not more than
43 10%. Penalties shall be administered by the commissioner and shall be available to the closing
44 cost assistance program fund created under section 30 of chapter 23B."

45 SECTION 3. Subdivision (3) of subsection (a) of section (2) of chapter 62, as so
46 appearing, is hereby amended by adding at the end thereof the following new subparagraph:-

47 (D) Effective on and after January 1, 2008, any qualifying distribution from a designated
48 first-time home-buying and higher education expense account, as defined by section 5B of
49 chapter 26, shall not be subject to taxes imposed by this chapter; provided however, that any
50 distribution for expenses not exempt from taxation, as defined by section 5B of chapter 26, shall
51 be considered taxable income under this chapter.

52 SECTION 4. Subparagraph (B) of section 3 of chapter 62, as so appearing, is hereby
53 amended by adding at the end thereof the following new subdivision:-

54 "(16) Amount expended by an individual for contributions to a qualifying savings
55 account, designated as a first-time home-buying and higher education expense account, pursuant

56 to section 5B of chapter 26, not to exceed $4,000 for the taxable years beginning on or after
57 January 1, 2008."

58 SECTION 5. Subdivision (1) of subsection (d) of section 2 of said chapter 62, as so
59 appearing, is hereby amended by adding after the words "section sixty-two" the following:- ",
60 two hundred and nineteen".

61 SECTION 6. Subdivision (1) of subsection (d) of section 2 of said chapter 62, as so
62 appearing, is hereby amended by striking subparagraph (F) in its entirety.

63 SECTION 7. Section 6 of chapter 62, as so appearing, is hereby amended by inserting at
64 the end thereof the following new subsection:-

65 "(m) A taxpayer shall be allowed a credit against the taxes imposed by this chapter equal
66 to the taxes paid in any one year prior to January 1, 2008 for contributions up to $5,000 into a
67 qualifying savings account converted and designated as a first-time home-buying and higher
68 education expense account, pursuant to section 5B of chapter 26."