

HOUSE No. 2967

By Representative Jones of North Reading and Senator Tisei, joint petition of Bradley H. Jones, Jr., and others for legislation to establish a closing costs assistance program for income eligible first time home buyers. Revenue.

The Commonwealth of Massachusetts

PETITION OF:

Bradley H. Jones, Jr.	Susan Williams Gifford
Richard R. Tisei	Robert S. Hargraves
Paul J. P. Loscocco	Robert L. Hedlund
Bruce E. Tarr	Bradford Hill
Mary S. Rogeness	Donald F. Humason, Jr.
George N. Peterson, Jr.	Michael R. Knapik
John A. Lepper	Jeffrey Davis Perry
Viriato Manuel deMacedo	Elizabeth A. Poirier
Lewis G. Evangelidis	Karyn E. Polito
F. Jay Barrows	Richard J. Ross
Scott P. Brown	Todd M. Smola
Paul K. Frost	Daniel K. Webster

In the Year Two Thousand and Seven.

AN ACT PROMOTING SAVINGS FOR 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:

1 SECTION 1. Chapter 23B of the General Laws, as appearing
2 in the 2004 Official Edition, is hereby amended by adding after
3 section 29, the following section:—
4 Section 30. The director of the department of housing and com-
5 munity development shall establish a closing costs assistance pro-
6 gram for income-eligible first time homebuyers. The department,
7 subject to appropriation, shall issue grants to qualifying homebuyers
8 up to \$2,500 for the purpose of assisting in paying closing costs and
9 other similar fees associated with the purchase of a home. Said grant
10 may not exceed greater than 100 percent of the documented closing
11 costs in any transaction. The department shall publish any regula-
12 tions necessary to achieve the purpose of this section.

13 Income-eligible first-time homebuyers, for purposes of this
14 section, shall be defined as any person, or persons for those persons
15 purchasing a home jointly, who maintains a first-time home-buying
16 and higher education expense account as designated under section
17 5B of chapter 26, and then utilizes at minimum \$1,000 from said
18 account for such a purchase; provided that said person shall have an
19 income of 90 percent of the median area income as estimated by the
20 U.S. Department of Housing and Urban Development for metropol-
21 itan statistical areas or less.

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

3 “Section 5B. (a) The commissioner of banks shall establish a
4 first-time home-buying and higher education expense account pro-
5 gram to be administered by financial institutions licensed to do busi-
6 ness in the commonwealth. Such program shall require that new
7 qualifying savings accounts, established by an individual to be des-
8 ignated as a first-time home-buying and higher education expense
9 account, qualify for the benefits prescribed by this section. Individ-
10 uals with existing qualifying savings accounts shall be entitled to
11 convert and designate such account as a first-time home-buying and
12 higher education expense account. The commissioner shall establish
13 regulations defining a qualifying savings account as such an account
14 suitably chosen by the commissioner from existing forms of savings
15 and retirement accounts for the purpose of this section.

16 (b) Such program shall allow contributions of up to \$4,000 to
17 first-time home-buying and higher education expense accounts, des-
18 ignated as such and regulated by the commissioner; provided, that
19 such contributions shall not be considered taxable income and shall
20 be deducted under subsection (a) of section 3 of chapter 62.

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

26 (d) Qualifying distributions to an individual from a first-time
27 home-buying and higher education expense account shall not be
28 considered taxable income under section 2 of chapter 62. Qualifying
29 distributions shall mean distributions for qualified first-time home-

30 buyer expenses and qualified higher education expenses as defined
31 by section 72(t)(7) and section 72(t)(8), inclusive, of the Internal
32 Revenue Code, as it may be amended from time to time.

33 Distributions to an individual that do not qualify under this sub-
34 section shall be considered taxable income under section 2 of
35 chapter 62 and shall also subject to a penalty of not more than 10%.
36 Penalties shall be administered by the commissioner and shall be
37 available to the closing cost assistance program fund created under
38 section 30 of chapter 23B.”

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

4 (D) Effective on and after January 1, 2008, any qualifying distrib-
5 ution from a designated first-time home-buying and higher educa-
6 tion expense account, as defined by section 5B of chapter 26, shall
7 not be subject to taxes imposed by this chapter; provided however,
8 that any distribution for expenses not exempt from taxation, as
9 defined by section 5B of chapter 26, shall be considered taxable
10 income under this chapter.

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

4 “(16) Amount expended by an individual for contributions to a
5 qualifying savings account, designated as a first-time home-buying
6 and higher education expense account, pursuant to section 5B of
7 chapter 26, not to exceed \$4,000 for the taxable years beginning on
8 or after January 1, 2008.”

1 SECTION 5. Subdivision (1) of subsection (d) of section 2 of said
2 chapter 62, as so appearing, is hereby amended by adding after
3 the words “section sixty-two” the following:— “, two hundred and
4 nineteen”.

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

1 SECTION 7. Section 6 of chapter 62, as so appearing, is hereby
2 amended by inserting at the end thereof the following new sub-
3 section:—

4 “(m) A taxpayer shall be allowed a credit against the taxes
5 imposed by this chapter equal to the taxes paid in any one year prior
6 to January 1, 2008 for contributions up to \$5,000 into a qualifying
7 savings account converted and designated as a first-time home-
8 buying and higher education expense account, pursuant to sec-
9 tion 5B of chapter 26.”