



## 103RD GENERAL ASSEMBLY

### State of Illinois

2023 and 2024

HB3934

Introduced 2/17/2023, by Rep. Michael J. Kelly

#### SYNOPSIS AS INTRODUCED:

New Act

Creates the First-Time Home Buyer Savings Program Act. Creates the First-Time Home Buyer Savings Program in the Office of the State Treasurer. Provides that beginning January 1, 2023 through December 31, 2027, 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 State. Provides that the account holder is responsible for the use or application of funds in a first-time home buyer savings account. Provides a list of required documents an account holder shall submit to the Office of the State Treasurer under the Program. Allows the Treasurer to adopt rules to implement the Program. Requires the Office of the State Treasurer to prescribe the form and manner in which a taxpayer shall claim a deduction in accordance with the Act and the Illinois Income Tax Act. Allows the Office of the State Treasurer to prepare and distribute informational materials on the Program to financial institutions and potential home buyers. Sets forth the duties and liability of financial institutions under the Program. Provides that the maximum account balance limit for a first-time home buyer savings account shall not exceed a maximum of \$50,000. Provides that if funds are withdrawn from an account for any purpose other than the payment of eligible costs by or on behalf of a qualified beneficiary, there is a penalty equal to 10% of the amount withdrawn. Effective immediately.

LRB103 29596 DTM 55991 b

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the  
5 First-Time Home Buyer Savings Program Act.

6 Section 5. Definitions. As used in this Act:

7 "Account holder" means an individual who establishes,  
8 individually or jointly with one or more other individuals, an  
9 account with a financial institution for which the account  
10 holder claims a first-time home buyer savings account status  
11 on his or her income tax return.

12 "Allowable closing costs" means a disbursement listed on a  
13 settlement statement for the purchase of a single-family  
14 residence in this State by a qualified beneficiary.

15 "Eligible costs" means the down payment and allowable  
16 closing costs for the purchase of a single-family residence in  
17 this State by a qualified beneficiary.

18 "Financial institution" means any bank, trust company,  
19 savings institution, industrial loan association, consumer  
20 finance company, credit union, or any benefit association,  
21 insurance company, safe deposit company, money market mutual  
22 fund, broker, or similar entity authorized to do business in  
23 this State.

1 "First-time home buyer" means an individual who is a  
2 resident of this State and has not owned or purchased, either  
3 individually or jointly, a single-family residence during a  
4 period of 3 years prior to the date of the purchase of a  
5 single-family residence.

6 "First-time home buyer savings account" or "account" means  
7 an account with a financial institution that an account holder  
8 designates as a first-time home buyer savings account on his  
9 or her income tax return under this Act for the purpose of  
10 paying or reimbursing eligible costs for the purchase of a  
11 single-family residence in this State by a qualified  
12 beneficiary.

13 "Principal residence" means the one place where an owner  
14 of the property has his or her true, fixed, and permanent home  
15 to which, whenever absent, he or she intends to return and that  
16 shall continue as a principal residence until another  
17 principal residence is established. "Principal residence"  
18 includes only that portion of a dwelling or unit in a  
19 multiple-unit dwelling that is subject to ad valorem taxes and  
20 that is owned and occupied by an owner of the dwelling or unit.  
21 "Principal residence" also includes all of an owner's  
22 unoccupied property classified as residential that is  
23 adjoining or contiguous to the dwelling subject to ad valorem  
24 taxes and that is owned and occupied by the owner. "Principal  
25 residence" also includes all of an owner's unoccupied property  
26 classified as timber-cutover real property that is adjoining

1 or contiguous to the dwelling subject to ad valorem taxes and  
2 that is owned and occupied by the owner. Contiguity is not  
3 broken by boundary between local tax collecting units, a road,  
4 a right-of-way, or property purchased or taken under  
5 condemnation proceedings by a public utility for power  
6 transmission lines if the 2 parcels separated by the purchased  
7 or condemned property were a single parcel prior to the sale or  
8 condemnation. "Principal residence" also includes any portion  
9 of a dwelling or unit of an owner that is rented or leased to  
10 another person as a residence as long as that portion of the  
11 dwelling or unit that is rented or leased is less than 50% of  
12 the total square footage of living space in that dwelling or  
13 unit. "Principal residence" also includes a life care  
14 facility. "Principal residence" also includes property owned  
15 by a cooperative housing corporation and occupied by tenant  
16 stockholders. Property that qualified as a principal residence  
17 shall continue to qualify as a principal residence for 3 years  
18 after all or any portion of the dwelling or unit included in or  
19 constituting the principal residence is rented or leased to  
20 another person as a residence if all of the following  
21 conditions are satisfied:

22 (1) The owner of the dwelling or unit is absent while  
23 on active duty in the armed forces of the United States.

24 (2) The dwelling or unit would otherwise qualify as  
25 the owner's principal residence.

26 (3) The owner files an affidavit with the assessor of

1 the local tax collecting unit on or before May 1 attesting  
2 that it is his or her intent to occupy the dwelling or unit  
3 as a principal residence upon completion of active duty in  
4 the armed forces of the United States. A copy of an  
5 affidavit filed under this paragraph shall be forwarded to  
6 the Office of the State Treasurer pursuant to a schedule  
7 prescribed by the Office of the State Treasurer.

8 "Program" means the First-Time Home Buyer Savings Program  
9 established by this Act.

10 "Qualified beneficiary" means a first-time home buyer who  
11 is designated as the beneficiary of an account designated by  
12 the account holder as a first-time home buyer savings account.

13 "Qualified withdrawal" means a withdrawal from an account  
14 that is not subject to a penalty under this Act or taxation  
15 under the Illinois Income Tax Act, and that is a withdrawal  
16 from an account that is made at least one year after the  
17 account was opened and designated as a first-time home buyer  
18 savings account and the withdrawal is used to pay the eligible  
19 costs of the qualified beneficiary incurred at least one year  
20 after the account is designated.

21 "Settlement statement" means the statement of receipts and  
22 disbursements for a transaction related to real estate or an  
23 executed sales agreement for the purchase of a manufactured  
24 home being conveyed as personal property.

25 "Single-family residence" means a single-family residence  
26 owned and occupied by a qualified beneficiary as the qualified

1 beneficiary's principal residence. "Single-family residence"  
2 includes a manufactured home, trailer, mobile home,  
3 condominium unit, or cooperative.

4 "Treasurer" means the State Treasurer.

5 Section 10. First-Time Home Buyer Savings Program.

6 (a) The First-Time Home Buyer Savings Program is  
7 established in the Office of the State Treasurer. The  
8 purposes, powers, and duties of the Program are vested in and  
9 shall be exercised by the Treasurer or the designee of the  
10 Treasurer.

11 (b) Beginning January 1, 2023 through December 31, 2027,  
12 any individual may open an account with a financial  
13 institution and designate the account, in its entirety, as a  
14 first-time home buyer savings account to be used to pay or  
15 reimburse a qualified beneficiary's eligible costs for the  
16 purchase of a single-family residence in this State. An  
17 account holder shall designate a first-time home buyer as the  
18 qualified beneficiary of the first-time home buyer savings  
19 account. The account holder may designate himself or herself  
20 as the qualified beneficiary and may change the designated  
21 qualified beneficiary at any time, but there may not be more  
22 than one qualified beneficiary at any one time.

23 (c) An individual may jointly own a first-time home buyer  
24 savings account with another person if the joint account  
25 holders file a joint return under the Illinois Income Tax Act.

1 An individual may be the account holder of more than one  
2 first-time home buyer savings account. However, an account  
3 holder shall not have multiple accounts that designate the  
4 same qualified beneficiary. An individual may be designated as  
5 the qualified beneficiary on more than one first-time home  
6 buyer savings account.

7 (d) Only cash and marketable securities may be contributed  
8 to a first-time home buyer savings account. Subject to the  
9 limitation under Section 25, persons other than the account  
10 holder may make contributions to a first-time home buyer  
11 savings account.

12 Section 15. Use of funds; required documentation; rules;  
13 deduction form; informational materials.

14 (a) The account holder is responsible for the use or  
15 application of funds in a first-time home buyer savings  
16 account. The account holder shall not use funds held in an  
17 account to pay expenses of administering the account, except  
18 that a service fee may be deducted from the account by a  
19 financial institution in which the account is held. An account  
20 holder may withdraw funds, in whole or in part, from a  
21 first-time home buyer savings account and deposit the funds in  
22 a new first-time home buyer savings account held by a  
23 different financial institution or the same financial  
24 institution. If necessary, an account holder or qualified  
25 beneficiary may make a hardship withdrawal from the account

1 due to an immediate and heavy financial need of the account  
2 holder or qualified beneficiary. However, the amount withdrawn  
3 must be limited to the amount necessary to satisfy that need. A  
4 hardship withdrawal is not a qualified withdrawal and will be  
5 subject to taxation under the Illinois Income Tax Act.

6 (b) An account holder shall submit, with the account  
7 holder's income tax return filed under the Illinois Income Tax  
8 Act all of the following to the Office of the State Treasurer,  
9 along with the form prescribed by the Office of the State  
10 Treasurer under subsection (e):

11 (1) Account statements that show the contributions  
12 made during the tax year and the taxable interest or  
13 earnings on the account in the tax year for which the  
14 deduction is claimed.

15 (2) The Form 1099 issued by the financial institution  
16 for the account for the tax year for which the deduction is  
17 claimed.

18 (3) Upon a withdrawal of funds from a first-time home  
19 buyer savings account, a copy of the real estate  
20 settlement statement that shows that the withdrawal was  
21 used for eligible costs.

22 (c) An account holder shall maintain and keep, for a  
23 period of at least 4 years, suitable records and  
24 documentation, for each first-time home buyer savings account,  
25 including, but not limited to, account statements for all  
26 contributions and withdrawals made, a detailed list describing



1 the transactions for the account, and other pertinent records  
2 and papers as required by the Office of the State Treasurer for  
3 the administration of this Act.

4 (d) The Treasurer may adopt rules to implement the Program  
5 in accordance with the Illinois Administrative Procedure Act.  
6 The rules shall not apply to, or impose administrative,  
7 reporting, or other obligations or requirements on, financial  
8 institutions-related accounts for first-time home buyer  
9 savings accounts.

10 (e) The Office of the State Treasurer shall prescribe the  
11 form and manner in which a taxpayer shall claim a deduction in  
12 accordance with this Act and the Illinois Income Tax Act, on  
13 his or her income tax return filed under the Illinois Income  
14 Tax Act. The form shall include, at a minimum all of the  
15 following:

16 (1) The account holder's name.

17 (2) The name of the qualified beneficiary.

18 (3) The name of the financial institution and the  
19 account number.

20 (4) The beginning and end of the year balance of the  
21 account.

22 (5) The amount of the deduction claimed for the tax  
23 year.

24 (f) The Office of the State Treasurer may prepare and  
25 distribute informational materials on the Program to financial  
26 institutions and potential home buyers to publicize the

1 availability of the Program.

2 Section 20. Financial institutions duties and liability.

3 (a) A financial institution is not required to do any of  
4 the following:

5 (1) Designate an account as a first-time home buyer  
6 savings account, or designate the qualified beneficiaries  
7 of an account, in the financial institution's account  
8 contracts or systems or in any other way.

9 (2) Track the use of money withdrawn from a first-time  
10 home buyer savings account.

11 (3) Allocate funds in a first-time home buyer savings  
12 account among joint account holders or multiple qualified  
13 beneficiaries.

14 (4) Report any information to the Office of the State  
15 Treasurer that is not otherwise required by law.

16 (b) A financial institution is not responsible or liable  
17 for any of the following:

18 (1) Determining or ensuring that an account satisfies  
19 the requirements to be a first-time home buyer savings  
20 account.

21 (2) Determining or ensuring that funds in a first-time  
22 home buyer savings account are used for eligible cost.

23 (3) Reporting or remitting taxes or penalties related  
24 to the use of a first-time home buyer savings account.

25 (c) Upon being furnished proof of the death of the account

1 holder and any other information required by the contract  
2 governing the first-time home buyer savings account, a  
3 financial institution shall distribute the principal and  
4 accumulated interest or other income in the account in  
5 accordance with the terms of the contract governing the  
6 account.

7 Section 25. Account balance, contributions and interests,  
8 and qualified withdrawals.

9 (a) The maximum account balance limit for a first-time  
10 home buyer savings account shall not exceed a maximum of  
11 \$50,000. Accounts may continue to accrue earnings if the total  
12 balance has reached the maximum account balance limit and  
13 shall not be considered to have exceeded the maximum account  
14 balance limit under this subsection.

15 (b) Contributions to and interest earned on a first-time  
16 home buyer savings account are exempt from taxation as  
17 provided in the Illinois Income Tax Act.

18 (c) Qualified withdrawals made from first-time home buyer  
19 savings accounts are exempt from taxation as provided in the  
20 Illinois Income Tax Act.

21 Section 30. Penalties.

22 (a) If funds are withdrawn from an account for any purpose  
23 other than the payment of eligible costs by or on behalf of a  
24 qualified beneficiary, there is a penalty equal to 10% of the

1 amount withdrawn. The penalty shall be paid to the Office of  
2 the State Treasurer.

3 (b) The penalty does not apply if the funds withdrawn  
4 satisfy any of the following:

5 (1) Withdrawn by reason of the qualified beneficiary's  
6 death or disability.

7 (2) A disbursement of assets of the account pursuant  
8 to a filing for protection under the United States  
9 Bankruptcy Code, 11 U.S.C. Section 101 to 1330.

10 (3) Transferred from an account established under this  
11 Act into another account established under this Act for  
12 the benefit of another qualified beneficiary as provided  
13 in Section 15.

14 (4) Withdrawn by reason of a hardship withdrawal as  
15 provided in Section 15.

16 (5) Withdrawn by reason of qualified beneficiary who  
17 is a service member who is transferred or deployed out of  
18 this State on active duty pursuant to a permanent change  
19 of station order and provides proof acceptable to the  
20 Office of the State Treasurer that the qualified  
21 beneficiary or his or her spouse is assigned to a duty  
22 station outside this State under a permanent change of  
23 station order.

24 (c) As used in this Section:

25 "Active duty" means active duty pursuant to an executive  
26 order of the President of the United States, an act of

1 Congress, or an order of the Governor.

2 "Armed forces" means means the army, air force, navy,  
3 marine corps, coast guard, or other military force designated  
4 by Congress as a part of the armed forces of the United States.

5 "Service member" means a member of the armed forces, a  
6 reserve branch of the armed forces, or the Illinois National  
7 Guard.

8 Section 99. Effective date. This Act takes effect upon  
9 becoming law.