

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 1762

STATE OF NEW JERSEY

DATED: MAY 6, 2021

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 1762.

This bill establishes the New Jersey First-Time Home Buyer Savings Account Program for the purpose of encouraging individuals to accumulate the level of savings necessary for the purchase of their first homes within this State.

The bill places the program under the direction and control of the New Jersey Housing and Mortgage Finance Agency, and provides for the program to be administered by the executive director and staff of the agency.

To effectuate the program, the bill directs the agency to:

- make and enter into agreements with financial institutions capable of establishing and maintaining first-time home buyer savings accounts;
- certify first-time home buyers eligible to participate in the program; and
- administer and enforce program reporting and compliance requirements.

The bill provides New Jersey gross income tax benefits for certain contributions made to, and earnings on assets maintained in, a first-time home buyer savings account. Under the bill, a taxpayer who is a certified first-time home buyer is allowed a credit against the gross income tax in an amount equal to five percent of up to \$15,000 of contributions (or up to \$7,500 of contributions if married filing separately) that are made during the taxable year to one first-time home buyer savings account.

In addition, the bill excludes from gross income the earnings on a first-time home buyer savings account. The bill provides that the earnings on these accounts are to be treated as tax-free until the earnings are distributed from the account, at which time the earnings and the contributions allowed as a tax credit shall be included in the gross income of the distributee unless the withdrawal or distribution is a qualified distribution from the account to:

- pay eligible expenses incurred by a certified first-time home buyer for a qualified home purchase;
- make transfers of assets to another first-time home buyer savings account or to another similar account maintained through a comparable program in another state or jurisdiction; or

-- pay fees charged to the certified first-time home buyer by the financial institution for the establishment or maintenance of the first-time home buyer savings account.

The bill takes effect immediately, but provides for the sections of the bill that establish and implement the program to remain inoperative until the first day of the seventh month next following the date of enactment and for the sections establishing the gross income tax credit and exclusion to apply to taxable years beginning on or after the date the sections establishing and implementing the program are operative.