

First-Time Homebuyer Savings Accounts

2021 Legislative Agenda

House Bill: H 5536

Sponsored by Representatives Tobon, Caldwell, Baginski, Alzate, Edwards, Barros, Corvese, Amore, and Craven

Senate Bill: S 478

Sponsored by Senators Pearson, Cano, Miller, Coyne, and Euer

Legislative Explanation

[H 5536](#) and [S 478](#) would authorize the creation of first-time homebuyer savings accounts from which savings to purchase a home could be deducted from an individual's or couple's personal income taxes.

Issue Background

H 5536 and S 478 would permit first-time home buyers to open a tax-advantaged savings account and apply the funds toward the purchase of a first home. These savings accounts, which incentivize home buyers to save toward their future home purchase could be helpful in improving Rhode Island's homeownership rate. Like a 529 college savings plan, funds must be used only for qualified expenses. For example, a down payment or closing cost are among the home-buying expenditures that would qualify for the tax incentive.

[According to the National Association of REALTORS®](#) (NAR), a down payment for a home purchase can cost thousands of dollars. In 2020, the median down payment represented 12 percent of the purchase for all homebuyers, seven percent for first-time buyers and 16 percent for repeat buyers. From the perspective of a middle-class homebuyer, down payment costs on a \$300,000 home would total \$36,000 (excluding closing costs and other fees).

Please let your Representatives and Senators Know:

Rhode Islanders Homebuyers Are Looking for Help

- Over half of Rhode Islanders and two-thirds of women and non-homeowners see housing affordability as a big problem in Rhode Island.
- Eight in ten Rhode Island non-homeowners consider down payment assistance as the most popular affordable housing proposal.
- One of the main drivers preventing first-time homebuyers from entering the real estate market and taking advantage of historically low interest rates is substantial student loan debt.

Don't Make Rhode Island Last

- States that have adopted first-time homebuyer savings accounts legislation: Colorado, Iowa, Minnesota, Mississippi, Montana, Oregon, Virginia.
- States that are considering first-time homebuyer savings accounts legislation: Alabama, Louisiana, Massachusetts, Michigan, Missouri, Nebraska, New Jersey, New York, Pennsylvania.

Young Purchasers have Barriers that Many Past Generations Did Not

- [First time homebuyers are declining.](#)
- Barriers include rising home prices, which increase down payment requirements, more rigorous underwriting standards to secure a loan, and potentially increased taxes at settlement, i.e., conveyance taxes passed on to the consumer.

Homeownership has a Big Impact on Impact on the Rhode Island Economy

- Transitioning from tenant to homeowner generates increased consumer spending for goods and services.
- According to the [National Association of REALTORS®](#), Rhode Island's real estate industry accounted for nearly \$12 billion or 18.2% of the gross state product in 2019.
- The total economic impact of a home transaction in Rhode Island is \$89,795.