

HB1178_Brooks_Support.pdf

Uploaded by: Brooks, Benjamin

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Baltimore County

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The Maryland House of Delegates

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**TESTIMONY IN SUPPORT OF HB1178
INCOME TAX- SUBTRACTION MODIFICATION-
FIRST-TIME HOMEBUYER SAVINGS ACCOUNT**

Budget & Taxation
March 30, 2021

Chair Guzzone, Vice-Chair Rosapepe and Members of the Committee,

Thank you for the opportunity to testify before you on HB1178, Income Tax – Subtraction Modification – First-Time Homebuyer Savings Accounts. The purpose of this bill is to allow qualifying individuals, as a first-time homebuyer, to save money for a down payment through a tax-free savings account. An eligible account holder may claim a subtraction modification for (1) the amount contributed, up to \$5,000, during the taxable year to a designated account and (2) the earnings, including interest and other income on the principal, from the designated account during the tax year. The subtraction modification may be claimed for up to 10 years and for a maximum contribution amount of \$50,000 during the 10-year period. The bill also allows individuals to create an account for a beneficiary like a child or grandchild. Additionally, as unanimously passed by the House, this bill requires financial institutions to provide homebuyer education and housing counseling, and requires the Department of Housing & Community Development to conduct outreach to communities who have experienced lower rates of home ownership.

Down-payments and closing costs are the biggest impediments to many first-time purchasers who make enough money to afford a monthly mortgage payment but may have student debt or are unable to save enough to purchase.

52% of adult children are living at home with their parents – a higher percentage than at any time in the last 100 years. The National Association of REALTORS® conducts an Annual profile of homebuyers and sellers, and in the 2020 report they noted:

- First-time buyers (31%) took another drop from rates that were already at 30-year historic lows
- 79% of first-time buyers rely on savings to purchase their first home compared to 58% for all other buyers including repeat buyers who can often use the proceeds from another sale to help.

It is these first-time buyers who are so heavily reliant on savings that this bill targets to assist. The bill will not only help maximize first-time buyer's dollars but offer an incentive to start planning for a home purchase.

The pandemic, combined with rising home prices and tight inventory in many areas, is now making it even harder for young homebuyers to save for their first down payment. Although mortgage rates remain low, home prices are on the rise due to limited availability. Decreases in home ownership are not reflective of a decline in the younger generations' interest in buying a home, rather, surveys have shown that young prospective home buyers have indicated a desire to buy homes. This is on par with that of previous generations. A multitude of factors go into buying a home and we must make home-ownership a much more attractive option, especially for the younger generation who are also juggling higher than average rent prices and growing student loan debt.

Additionally, homeownership and home equity can be a key strategy to closing the wealth gap between white households and households of color. After all, the COVID-19 pandemic has only exacerbated racial and class disparities in this country and this state. As a 2020 Abell Foundation report observed, homeownership in Baltimore's Black community has been falling for years. Long before the virus hit, the city's homeownership rate fell from 51% to 47% between 2007 and 2017, while the rate among African Americans living in Baltimore declined from 45% to 42% during the same period. This follows a nationwide trend.

For many renters, the financial stumbling block of first-time home buying is twofold — qualifying for a mortgage and coming up with a down payment of 5%, 10% or 20% of the property's value. That's where a tax-free savings account might prove useful, in reducing the obstacle of the up-front costs.

Research has demonstrated that homeownership boosts personal savings, improves communities as people take greater responsibility for their surroundings, and ultimately reduces housing costs. By creating this subtraction modification for the first-time home buyers savings account, we are highly encouraging the younger generation to start saving for the purchase of a home in the future and making homeownership for all—regardless of color, more obtainable.

For these reasons, I am requesting a favorable report.

With kindest regards,

Benjamin Brooks

MBIA Testimony HB 1178.pdf

Uploaded by: Graf, Lori

Position: FAV

March 30, 2021

The Honorable Guy Guzzone
Senate Budget and Taxation Committee
Miller Senate Office Building,
3 West Wing 11 Bladen St.,
Annapolis, MD, 21401

RE: HB 1178 Income Tax - Subtraction Modification - First-Time Homebuyer Savings Accounts

Dear Chairman Guzzone:

The Maryland Building Industry Association (MBIA), representing 100,000 employees of the building industry across the State of Maryland, supports HB 1178 (Income Tax - Subtraction Modification - First-Time Homebuyer Savings Accounts).

This bill allows a subtraction modification under the State income tax code for contributions to a first-time homebuyer savings account, and earnings on that account. This is a sensible measure which will help homeownership become more accessible for Marylanders. Homeownership is a sound investment that offers unique wealth-building opportunities, strengthens communities, and benefits the economy, contributing to economic growth and job creation. However, many struggle to save for a sufficient down payment. This bill would make a big difference for Marylanders who are financially responsible but still have a hard time saving for their first home.

MBIA respectfully requests the Committee give this measure a favorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Senate Budget and Taxation Committee

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Uploaded by: May, Lisa

Position: FAV



House Bill 1178 – Income Tax – Subtraction Modification – First-Time Homebuyer Savings Accounts

Position: Support

The Maryland REALTORS® supports HB 1178 which creates a tax preferred savings account for first-time Maryland homebuyers. First-time buyers are important catalysts for the real estate market, creating move-up buyers and adding supply to our constrained housing inventory.

The National Association of REALTORS® (NAR) annual survey of homebuyers and sellers noted that first-time buyer levels are a smaller share of the market than at any time in the last 30 years. The percentage of first-time buyers has fallen from the typical average of 40% to just 31% in 2020. What's more, 52% of adult children are living at home with a parent – the highest percentage in the last 100 years.

This drop in first-time buyers is not because young people have different priorities than previous generations. It is that today's young purchasers have significant difficulties in saving necessary funds due to rising rents and student loan debt, as well as facing tougher loan underwriting standards. With 79% of first-time homebuyers relying on savings to purchase their first home, it becomes apparent why homeownership rates are on the decline.

HB 1178 gives first-time buyers a tax incentive to establish their own homebuyer savings account. However, as amended, it no longer includes an incentive for relatives to save for an identified homebuyer like a child or grandchild. As introduced, the legislation would have allowed individuals to create an account for an identified beneficiary, such as a parent for a child. That provision, obviously, would extend the reach of the program.

Down payment and closing costs are the biggest hurdle facing most first-time homebuyers. Helping buyers overcome these barriers are often the best and most efficient way to help new buyers enter the market and start to build wealth through home equity.

The Maryland REALTORS® strongly supports the savings mechanisms that HB 1178 establishes.

For more information contact bill.castelli@mdrealtor.org; susan.mitchell@mdrealtor.org; or lisa.may@mdrealtor.org

Comparison to Other Investment Accounts

	May be used for home purchase, and truly tax free?	Beneficiary or 3 rd Party?	Withdrawal Limit w/out Penalty?	Additional Restrictions
Proposed Maryland HSA	Yes and Yes.	<i>First- time homebuyer only under House Amendments. Remove: Individual who is designated as a qualified beneficiary.</i>	\$50,000	Must be used within 15 years of opening account.
Traditional IRA	Yes and Yes	Yes, spouse, children, grandchild or parent	\$10,000	1 st time homebuyer – no principal home within last two years
Roth IRA	Yes and maybe. Earnings and converted accounts are tax-free, personal contributions are not tax free when deposited just when withdrawn	Yes, spouse, children, grandchild or parent	\$10,000	Must have ROTH account for at least 5 years before withdrawing earnings. Can withdraw taxed contributions anytime
Self-Directed IRA	Yes and Yes.	Not for personal use.		N/A
401K	Maybe and yes.	Many 401Ks will allow withdrawals through loans or hardship exemption but depends on the employer plan. Yes, spouse, children, grandchild or parent	50% or \$50,000	



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Uploaded by: Spann, Stacy

Position: FAV



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March 26, 2021

Honorable Guy Guzzone
Chair, Budget and Taxation Committee
Maryland General Assembly

Honorable Jim Rosapepe
Vice Chair, Budget and Taxation Committee
Maryland General Assembly

RE: HOC SUPPORTS HB 1178 – INCOME TAX – SUBTRACTION MODIFICATION – FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS

Dear Chair, Vice Chair, and Members of the Budget and Taxation Committee,

My name is Stacy Spann and as the Executive Director of the Housing Opportunities Commission of Montgomery County (HOC) I would like to express HOC's support for HB1178.

In addition to being Montgomery County's Public Housing Authority and an active Housing Finance Agency, HOC offers first-time homeownership programs to our customers. Our Mortgage Finance team works closely with HOC customers on their journey to homeownership. In the past, we have administered closing cost assistance programs for first-time homeowners, as well as occasionally selling moderately priced dwelling units to customers from our own stock. Our Mortgage Purchase Program assists customers by matching them with credited lenders and first-time homeownership education. HOC knows how challenging the homebuying process can be for first-time homeowners and believe HB1178 is a great asset for our customers, and other first-time homeowners in Montgomery County and throughout the state of Maryland.

We applaud Delegate Brooks on his efforts to add a new resource to support our state's first-time homeowners. HB1178 provides first-time homeowners the opportunity to establish tax-free savings accounts for eligible expenses related to homebuying, including closing costs and down payments.

As a Houser, and a Maryland homeowner, I understand how important access to capital is in homebuying, particularly for first-time homeowners. These tax-free savings accounts provide liquidity for homeowners through costs saved from taxation and do so by allowing homeowners to participate through lenders throughout the state. As a result, HB1178 provides flexibility for more Marylanders to become first-time homeowners by participating in this program.

Further, HB1178 provides particular benefits to folks like our customers, whose demographics represent some of our state's most marginalized populations. It is no secret that redlining and other practices throughout history – in the state of Maryland and nationwide – have led to the underrepresentation of Black Americans in homeownership. We acknowledge this bill helps

provide additional assets to these and other first-time homeowners who have been systemically excluded from the American dream for generations. By increasing capital available for closing costs and down payments, we are hopeful this program will advance homeownership for marginalized populations.

Additionally, Individual Development Accounts (IDAs), such as those established through this legislation, are proven financial tools that link low-income individuals to financial systems. Many low-income persons are disconnected - whether by geography or other means - from financial tools, like savings accounts. For more than thirty years, IDAs have provided low-income people with access to resources that provide incentives for saving, enabling them to take advantage of the financial system as their peers do and providing them with the opportunity to build capital. With more access to financial devices and education, as provided through HB1178, we believe this legislation will help reduce financial inequities and provide the support low-income families need to break the cycle of poverty and pursue homeownership for the first time.

We also applaud the Delegate for incorporating the provision of transferability of these accounts to beneficiaries. Homeownership is an often unmentioned asset of transferrable wealth. Because marginalized populations have historically not been homeowners, they have been unable to benefit from the privilege of transferred wealth that accumulates when estates are passed from one generation to the next. By enabling the transfer of these accounts to beneficiaries, future generations are eligible to receive the benefits of the First-Time Homeownership Savings Accounts, increasing the pipeline of first-time ownership for populations that have historically been excluded from this form of wealth-building.

HOC is proud to support HB1178 in the spirit of its vision to get people housed, keep them housed, and help them reach their fullest potential.

We thank you for your consideration and urge you to support this bill.

Sincerely,



Stacy L. Spann
Executive Director