

FIRST-TIME HOME BUYER SAVINGS ACCOUNT ACT

SF 888-Senators Housley, Rest, Ruud, Sparks and Limmer
HF 1234-Representatives Davids, Hortman, Peterson, Lillie and Hoppe

Homeownership is the backbone of safe neighborhoods, healthy schools, a consistent labor force and stronger communities. A variety of strategies are needed to support and encourage sustainable homeownership, as the housing market continues to recover in the wake of the worst recession in 70 years.

Issue: There are many pressures on individual and family budgets, such as rent, student loan payments, car payments, child care, health care, and other routine living expenses. With all those pocketbook pressures, saving for a down-payment and closing costs associated with the purchase of a first home can be a challenge.

National data on first-time home buyers in 2016:

- First-time buyers were 35% of the market share (historical norm is 40%)
- Median age of a first-time buyer was 32
- Median household income of first-time buyers was \$72,000

*Source: National Association of REALTORS® 2016 Profile of Home Buyers and Sellers

In a recent survey of Minnesotans, 81% of respondents thought having enough money for a down-payment and closing costs was an obstacle that makes buying a home too difficult or expensive. 37% said it was a huge obstacle.

*Source: American Strategies Survey, January 2017

Bill Summary: SF 888-Housley/HF 1234-Davids would support and encourage first-time home buyers by providing a tax incentive that rewards saving for a down-payment.

Key features of the bill include:

- State tax deduction, up to \$5,000 for individuals and \$10,000 for married joint filers, for the amounts deposited in a designated first-time home buyer savings account, as well as the interest income
- A first-time home buyer savings account could be opened at your local bank or credit union
- Tax deduction would be available for either the first-time home buyer who is also the account holder OR an account holder (i.e. parents or grandparents) who establishes an account and designates a qualified beneficiary (the first-time home buyer)
- Eligible expenses that can be paid for from the first-time home buyer savings account are down-payment and closing costs associated with buying a first-home

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