



HELPING YOU SAVE FOR THE PERFECT HOME

The Benefits of First-Time Homebuyer Savings Accounts

A First-Time Homebuyer Savings Account (FHSA) would allow any Pennsylvanian to set aside savings toward the costs of purchasing a new home. The money saved in the FHSA may be used as a deduction on state income tax. FHSAs are a great way for future homeowners to start saving early for the costs of buying a home. Similar programs exist in Colorado, Iowa, Minnesota, Mississippi, Montana, New York and Virginia and several other states are considering similar programs.

These accounts are simple and easy to set up. An account can be opened at any financial institution. The account owners must designate a qualified beneficiary with the Pennsylvania Department of Revenue. A qualified beneficiary would be a first-time homebuyer who has not owned or purchased, either individually or jointly, a single-family residence during the three-year period prior to the purchase date of a single-family residence.

After the money is used toward the purchase of a first home, documentation must be provided to the Department of Revenue showing that the funds were used toward the purchase of a first-time home.

Q: What kinds of accounts can be FHSAs?

A: Almost any savings account that can be opened with a financial institution can be designed as a FHSA.

Q: How does the FHSA work?

A: Pennsylvania residents can contribute a total of \$50,000 over a 10-year time period. There will be an annual contribution cap of \$5,000 for an account holder who files as a single taxpayer and \$10,000 for those who file a joint tax return.

Q: What if the money isn't used to purchase a first-time home?

A: If the money isn't used after the 10-year expiration date, you would be responsible for paying the taxes owed. If money is removed from the account to be used for a purchase other than a first-time home, you would be responsible for the taxes and pay a 10 percent penalty on the funds withdrawn from the account.

Q: Who can open an account?

A: Any potential first-time homebuyer interested, as well as parents, grandparents and other family members, can open and contribute to an account for their children and grandchildren and receive a tax deduction on Pennsylvania income state taxes.

Q: What can the money be used for?

A: A FHSA account can be used to pay for any costs related to the closing of a home, which are listed on the settlement statement: down payment, closing costs, lender fees, etc.

Q: Who is considered a first-time homebuyer?

A: A first-time homebuyer is someone who has not owned or purchased, either individually or jointly, a single-family residence during the three-year period prior to the purchase date of a single-family residence. A single-family residence, which is the primary residence, may also include: a manufactured home, trailer, mobile home or a unit in a condominium, cooperative or planned community.