

Impact Analysis of First-Time Homebuyer Savings Accounts in Pennsylvania

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Since the 2009 financial crisis, the share of first-time homebuyers has decreased from 45 percent of the national home sale market to just 32 percent, according to the National Association of REALTORS®. Several states have passed legislation that would allow first-time homebuyers to deposit money pre-tax into a savings account, where it grows tax-free for the exclusive purpose of purchasing a first home.

Impact on Home Purchases. Based on experiences of similar homebuyer savings programs in Montana and Canada, we estimate that the establishment of a first-time homebuyer savings account program would result in an increase of approximately 400 to 4,000 homes sold annually to first-time home buyers in Pennsylvania.

Estimated Economic Impact. FHSAs would spur additional economic activity, job creation, and earnings for households in Pennsylvania through increased home purchases. The majority of these benefits would come from two sources—new construction of homes and professional services associated with home purchases.

TABLE 1. Economic Impact of FHSAs in Pennsylvania

Scenario	Output (millions)	Earnings (millions)	Employment
Low Uptake	\$7.8	\$1.7	60
High Uptake	\$68.8	\$15.3	480

Source: AEG Analysis using base data from the U.S. Census Bureau, SGS, and BEA RIMS II Multipliers

First-Time Homebuyer Savings Accounts

- Both contributions and interest earned are tax deductible.
- Accounts expire in 10-15 years.
- \$5,000 maximum annual deduction for individuals and \$10,000 for joint filers.
- Only purchases of primary residences in Pennsylvania are considered eligible.
- A 10 percent penalty for non-qualified use.

Estimated Fiscal Impact. We estimate that the increase in state tax revenues collected from realty transfer taxes, income taxes on increased earnings, and sales taxes on increased consumption would exceed tax revenue forgone due to FHSA deductions. FHSAs would also increase revenue for local governments.

TABLE 2. Change in Tax Revenues Due to the FHSA Program

Tax	State Government		Local Governments	
	Low Uptake Revenue (thousands)	High Uptake Revenue (thousands)	Low Uptake Revenue (thousands)	High Uptake Revenue (thousands)
Realty Transfer Tax	\$943	\$8,333	\$1,369	\$12,105
Additional Income Tax from Economic Impact	\$53	\$470	\$14	\$120
Additional Sales Tax from Economic Impact	\$62	\$552	=	=
<i>Subtotal: Tax Revenue from Economic Impact</i>	<i>\$1,058</i>	<i>\$9,345</i>	<i>\$1,383</i>	<i>\$12,225</i>
Lost Income Tax due to FHSA Deductions	-\$518	-\$4,577	=	=
Net Revenue Impact	\$540	\$4,778	\$1,383	\$12,225

Source: AEG analysis using data from the U.S. Census Bureau, Bureau of Labor Statistics, and the Pennsylvania Department of Revenue

About the Study's Author. Anderson Economic Group is a research and consulting firm specializing in economics, public policy, finance, business valuation, and industry analysis. The firm has offices in East Lansing, Michigan and Chicago, Illinois.