



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB0148

Introduced 1/17/2025, by Sen. Cristina Castro

SYNOPSIS AS INTRODUCED:

New Act

Creates the Illinois Home Buyer Savings Accounts Act. Provides that a first-time and second-chance home buyer may open an account with a financial institution designated in its entirety by the financial institution as a first-time and second-chance home buyer savings account. Provides that the funds in a first-time and second-chance home buyer savings account may be used only to pay a first-time and second-chance home buyer's eligible costs for the purchase of a single-family residence in Illinois. Provides that 2 first-time and second-chance home buyers may jointly own a first-time and second-chance home buyer savings account. Provides that only cash and marketable securities may be contributed to a first-time and second-chance home buyer savings account. Sets forth provisions concerning the responsibilities of an account holder; the responsibilities of financial institutions; deduction of contributions, exclusion of earnings, and limitations; the penalty for withdrawal for purpose other than eligible costs; and the forms the Department of Revenue must adopt.

LRB104 07697 BAB 17741 b

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Illinois Home Buyer Savings Accounts Act.

6 Section 5. Findings and purpose.

7 (a) The General Assembly finds that:

8 (1) The American Dream has always been closely
9 associated with owning your own home.

10 (2) It is becoming more and more difficult to achieve
11 the goal of homeownership in Illinois and throughout the
12 country.

13 (3) Homeownership provides more than a dream to an
14 individual person or family. An increase in homeownership
15 rates in Illinois has a direct positive impact on the
16 quality of our communities, our schools, our economy, and
17 public safety.

18 (b) The purpose of this Act is to:

19 (1) Make it easier for those in Illinois to achieve
20 their goal of homeownership for the first time.

21 (2) Provide a tax incentivized savings account for
22 qualified first-time and certain second-chance home
23 buyers, which, in turn, can be used toward a down payment

1 or certain eligible closing costs for the purchase of a
2 home in Illinois.

3 Section 10. Definitions. As used in this Act:

4 "Account holder" means a first-time and second-chance home
5 buyer who establishes, individually or jointly with another
6 first-time and second-chance home buyer, a first-time and
7 second-chance home buyer savings account.

8 "Allowable closing costs" means a disbursement listed on a
9 settlement statement for the purchase of a single-family
10 residence in Illinois by a first-time and second-chance home
11 buyer.

12 "Department" means the Department of Revenue.

13 "Eligible costs" means the down payment and allowable
14 closing costs for the purchase of a single-family residence in
15 Illinois by a first-time and second-chance home buyer.

16 "Eligible costs" does not include any costs incurred prior to
17 the establishment of a first-time and second-chance home buyer
18 savings account.

19 "Financial institution" means any bank, savings
20 institution, industrial loan association, credit union, or
21 other similar entity authorized to do business and accept
22 deposits in Illinois.

23 "First-time and second-chance home buyer" means an
24 individual who resides in Illinois and has not owned or
25 purchased, either individually or jointly, a single-family

1 residence during a period of 10 years prior to the date of the
2 purchase of a single-family residence.

3 "First-time and second-chance home buyer savings account
4 or account" means an account with a financial institution
5 created for the purpose of payment or reimbursement of
6 eligible costs for the purchase of a single-family residence
7 in Illinois by a first-time and second-chance home buyer and
8 designated by the financial institution upon its creation as a
9 first-time and second-chance home buyer savings account.

10 "Settlement statement" means the statement of receipts and
11 disbursements for a transaction related to real estate,
12 including a statement prescribed under the federal Real Estate
13 Settlement Procedures Act of 1974 and regulations under that
14 Act.

15 "Single-family residence" means a single-family residence
16 owned and occupied by a first-time and second-chance home
17 buyer as the first-time and second-chance home buyer's
18 principal residence. "Single-family residence" includes, but
19 is not limited to, a manufactured home, a trailer, a mobile
20 home, a condominium unit, or a cooperative.

21 Section 15. Establishment of a first-time and
22 second-chance home buyer savings account. After the effective
23 date of this Act, a first-time and second-chance home buyer
24 may open an account with a financial institution designated in
25 its entirety by the financial institution as a first-time and

1 second-chance home buyer savings account.

2 Section 20. Use of a first-time and second-chance home
3 buyer savings account.

4 (a) Funds from a first-time and second-chance home buyer
5 savings account may be used only to pay a first-time and
6 second-chance home buyer's eligible costs for the purchase of
7 a single-family residence in Illinois.

8 (b) A first-time and second-chance home buyer may jointly
9 own a first-time and second-chance home buyer savings account
10 with another first-time and second-chance home buyer if the
11 joint account holders file a joint income tax return.

12 (c) Only cash and marketable securities may be contributed
13 to a first-time and second-chance home buyer savings account.
14 Subject to the limitations described in Section 35, persons
15 other than the account holder may contribute funds to a
16 first-time and second-chance home buyer savings account. There
17 is no limitation on the amount of contributions that may be
18 made to or retained in a first-time and second-chance home
19 buyer savings account.

20 Section 25. Account holder responsibilities.

21 (a) The account holder shall do all the following:

22 (1) not use funds held in a first-time and
23 second-chance home buyer savings account to pay expenses
24 of administering the account, except that a service or

1 other account fee may be deducted from the account by the
2 financial institution in which the account is held;

3 (2) submit the following to the Department with the
4 account holder's Illinois income tax return:

5 (A) detailed information, in a form prescribed by
6 the Department, regarding the first-time and
7 second-chance home buyer savings account, including a
8 list of transactions for the account during the tax
9 year; and

10 (B) the Form 1099 issued by the financial
11 institution for the account;

12 (3) submit to the Department, upon a withdrawal of
13 funds from a first-time and second-chance home buyer
14 savings account, a detailed account of the eligible costs
15 toward which the account funds were applied and a
16 statement of the amount of funds remaining in the account,
17 if any. If upon withdrawal of funds from the first-time
18 and second-chance home buyer savings account, the account
19 holder fails to provide the Department with the detailed
20 account of the eligible costs towards which the account
21 funds were applied, then the entire account's funds,
22 including the interest and other income on principal,
23 shall be subject to the penalties described in Section 40.

24 (b) Failure to submit the documentation required under
25 subsection (a) on an annual basis with the filing of the
26 Illinois income tax return shall result in the automatic

1 denial of the deduction and exclusion.

2 Section 30. Responsibilities of financial institutions.

3 (a) A financial institution shall be required to:

4 (1) create a new account for the first-time and
5 second-chance home buyer and designate the account as a
6 "first-time and second-chance home buyer's savings
7 account" on records and transactional statements related
8 to the account; and

9 (2) provide the account holder with a detailed account
10 statement relating to the first-time and second-chance
11 home buyer's savings account on a yearly basis.

12 (b) A financial institution is not required to:

13 (1) track the use of money withdrawn from a first-time
14 and second-chance home buyer savings account;

15 (2) allocate funds in a first-time and second-chance
16 home buyer savings account between joint account holders;
17 and

18 (3) report any information not otherwise required by
19 law to the Department or any other governmental agency.

20 (c) A financial institution is not responsible or liable
21 for:

22 (1) determining or ensuring that an account satisfies
23 the requirements to be a first-time and second-chance home
24 buyer savings account;

25 (2) determining or ensuring that funds in a first-time

1 and second-chance home buyer savings account are used for
2 eligible costs; or

3 (3) reporting or remitting taxes or penalties related
4 to the use of a first-time and second-chance home buyer
5 savings account.

6 (d) Upon being furnished proof of the death of the account
7 holder and any other information related to the death required
8 by the financial institution or contract governing the
9 first-time and second-chance home buyer savings account, a
10 financial institution shall distribute the principal and
11 accumulated interest or other income in the account in
12 accordance with the terms of the contract governing the
13 account or as otherwise required by law.

14 Section 35. Deduction of contributions, exclusion of
15 earnings, and limitations.

16 (a) Except as otherwise provided in this Act and subject
17 to the limitations under this section, a first-time and
18 second-chance home buyer savings account holder shall be
19 entitled to a state tax deduction, subject to the limitations
20 of this Section, not to exceed \$5,000 for an account holder who
21 files an individual tax return or \$10,000 for joint account
22 holders who file a joint tax return, for contributions made by
23 the account holder to a first-time and second-chance home
24 buyer savings account during the tax year in which the
25 deduction is claimed.

1 (b) Except as otherwise provided in this Act and subject
2 to the limitations under this Section, earnings from the
3 first-time and second-chance home buyer savings account,
4 including interest and other income on the principal, shall be
5 excluded from taxable income of an account holder for Illinois
6 income tax purposes during the tax year.

7 (c) An account holder may claim the deduction and
8 exclusion under this Section as follows:

9 (1) for a period not to exceed 10 years;

10 (2) for an aggregate total amount of principal and
11 earnings not to exceed \$25,000 for individual accounts and
12 \$50,000 for joint accounts during the 10-year period;

13 (3) only if the principal and earnings of the account
14 remain in the account until a withdrawal is made for
15 eligible costs related to the purchase of a single-family
16 residence by a first-time and second-chance home buyer.

17 (d) A person other than the account holder who deposits
18 funds in a first-time and second-chance home buyer savings
19 account shall not be entitled to the deduction and exclusion
20 provided under this Act.

21 (e) The deduction and exclusion from taxable income
22 provided by this Act shall apply to any alternative basis for
23 calculating taxable income for Illinois income tax purposes.

24 (f) The funds in the first-time and second-chance home
25 buyer savings account shall not be used to purchase a
26 single-family residence outside of this State.

1 Section 40. Penalty for withdrawal for purpose other than
2 eligible costs. Except as otherwise provided in this Section,
3 if the account holder withdraws any funds from a first-time
4 and second-chance home buyer savings account for a purpose
5 other than eligible costs for the purchase of a single-family
6 residence in this State, all of the following shall apply:

7 (1) The entire balance of the fund, including interest
8 and other income on principal, shall be included in the
9 account holder's taxable income for the tax year in which
10 the withdrawal was made.

11 (2) The account holder shall pay a penalty to the
12 Department equal to 10% of the amount withdrawn. The
13 penalty shall not apply to funds withdrawn from an account
14 which were:

15 (A) withdrawn by reason of the account holder's
16 death or disability or due to unemployment after the
17 account holder has exhausted his or her applicable
18 unemployment compensation benefits; or

19 (B) a disbursement of assets of the account
20 pursuant to a filing for protection under the United
21 States Bankruptcy Code.

22 Paragraphs (1) and (2) do not apply to funds withdrawn or
23 distributed from a first-time and second-chance home buyer
24 savings account that within 60 days of their withdrawal or
25 distribution are deposited in full into another first-time and

1 second-chance home buyer savings account. This subdivision
2 shall apply both to transfers between any qualifying
3 first-time and second-chance home buyer savings accounts
4 whether such transfers are to or from qualifying individual or
5 joint accounts.

6 Section 45. Department of revenue; forms. The Department
7 shall adopt forms for the following:

8 (1) The designation of an account with a financial
9 institution to serve as a first-time and second-chance
10 home buyer savings account.

11 (2) An account holder to annually submit to the
12 Department detailed information regarding the first-time
13 and second-chance home buyer savings account, including,
14 but not limited to, a list of transactions for the account
15 during the tax year and identifying any supporting
16 documentation required to be maintained by the account
17 holder.

18 Section 50. Annual report. The Department shall submit an
19 annual report to the General Assembly no later than March 31 of
20 each calendar year with the first annual report due no later
21 than March 31, 2026, in which the Department shall include the
22 total annual number of deductions claimed and total amount of
23 deposits deducted pursuant to this Act, the number of
24 taxpayers who submitted an account to the Department pursuant

1 to paragraph (3) of subsection (a) of Section 25, and the
2 number of taxpayers who were subjected to the penalty
3 provisions of Section 40.