

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

AN ACT

RELATING TO TAXATION -- FIRST-TIME HOMEBUYER SAVINGS ACCOUNT ACT

Introduced By: Senators Lawson, Tikoian, Ciccone, Murray, and LaMountain

Date Introduced: January 30, 2026

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 2. Title 44 of the General Laws entitled "TAXATION" is hereby amended by
2 adding thereto the following chapter:

CHAPTER 73

4 FIRST-TIME HOMEBUYER SAVINGS ACCOUNT ACT

44-73-1. Short title.

6 This chapter shall be known and may be cited as the "First-Time Homebuyer Savings
7 Account Act."

44-73-2. Definitions.

As used in this chapter:

10 (1) "Account holder" means an individual who establishes, individually or jointly, with one
11 or more other individuals, a first-time homebuyer savings account.

12 (2) "Allowable closing costs" means a disbursement listed on a settlement statement for
13 the purchase of a home in Rhode Island by a qualified beneficiary.

14 (3) "Eligible costs" means the down payment and allowable closing costs for the purchase
15 of a home in Rhode Island by a qualified beneficiary.

16 (4) "Financial institution" means any bank, trust company, mortgage lender, savings
17 institution, industrial loan association, consumer finance company, credit union, or any benefit
18 association, insurance company, safe deposit company, money market mutual fund, or similar
19 entity authorized to do business in Rhode Island.

(5) "First-time homebuyer" means an individual who resides in Rhode Island and has not owned or purchased, either individually or jointly, a home during a period of three (3) years prior to the date of the purchase of a home.

(6) "First-time homebuyer savings account" or "account" means an account with Rhode Island housing that an account holder designates as a first-time home buyer savings account on the account holder's Rhode Island income tax return, pursuant to this chapter for the purpose of paying or reimbursing eligible costs for the purchase of a home in Rhode Island by a qualified beneficiary.

(7) "Home" means a dwelling owned and occupied by a qualified beneficiary as the qualified beneficiary's primary residence, which may include a single-family dwelling, multifamily dwelling, manufactured home, trailer, mobile home, condominium unit, or cooperative.

(8) "Qualified beneficiary" means a first-time homebuyer who is designated as the qualified beneficiary of an account designated by the account holder as a first-time homebuyer savings account.

(9) "Settlement statement" means the statement of receipts and disbursements for a transaction related to real estate, including a statement prescribed under the Real Estate Settlement Procedures Act of 1974, 12 U.S.C. §§ 2601 through 2617, as amended, and regulations thereunder.

44-73-3. Establishment of first-time homebuyer savings account.

(a) The general treasurer, in conjunction with the division of taxation, secretary of the Rhode Island department of housing, and executive director of Rhode Island housing, shall establish, in any form as the general treasurer deems appropriate, a first-time homebuyer savings program to allow Rhode Island residents to save money for the sole purpose of purchasing a first home.

(b) Designation and use of first-time home buyer savings account. Any individual may open an account with Rhode Island housing and designate the account, in its entirety, as a first-time homebuyer savings account to be used to pay a qualified beneficiary's eligible costs for the purchase of a home in Rhode Island.

(c) Designation of qualified beneficiary. An account holder shall designate no later than April 15 of the year following the tax year during which the account is established, a first-time homebuyer as the qualified beneficiary of the first-time homebuyer savings account. The account holder may designate themselves as the qualified beneficiary and may change the designated qualified beneficiary at any time, but there may not be more than one qualified beneficiary at any one time.

(d) Joint account holders. An individual may jointly own a first-time homebuyer savings account with another person if the joint account holders file a joint income tax return.

(e) Qualified beneficiary of more than one account. An individual may be designated as

1 the qualified beneficiary on more than one first-time homebuyer savings account.

2 (f) Contributions to account. Only cash and marketable securities may be contributed to a
3 first-time homebuyer savings account. Subject to the limitations of § 44-73-5, persons other than
4 the account holder may contribute funds to a first-time homebuyer savings account. There is no
5 limitation on the amount of contributions that may be made to or retained in a first-time homebuyer
6 savings account.

7 **44-73-4. Account holder responsibilities.**

8 (a) The account holder:

9 (1) Shall not use funds held in a first-time homebuyer savings account to pay expenses of
10 administering the account, except that a service fee may be deducted from the account by a financial
11 institution in which the account is held;

12 (2) Shall submit to the division of taxation, with the account holder's state income tax return
13 on forms prepared by the division of taxation, detailed information regarding the first-time home
14 buyer savings account, including a list of transactions for the account during the tax year; and the
15 Form 1099 issued by Rhode Island housing for such account;

16 (3) Shall submit to the division of taxation, upon a withdrawal of funds from a first-time
17 homebuyer savings account, a detailed account of the eligible costs toward which the account funds
18 were applied and a statement of the amount of funds remaining in the account, if any.

19 (b) Transfer of funds. An account holder may withdraw funds, in whole or in part, from a
20 first-time homebuyer savings account and deposit the funds in a new first-time homebuyer savings
21 account held by a different financial institution.

22 (c) The account holder shall use these funds to purchase a first-time home in Rhode Island
23 and shall only be eligible to use these funds for an out-of-state purchase upon relocation to another
24 state and provide documentation of residency.

25 **44-73-5. Deduction and exclusion from taxable income.**

26 (a) Deduction of contributions. Except as otherwise provided in this chapter and subject to
27 the limitations under this section, there shall be deducted from taxable income of an account holder
28 for Rhode Island income tax purposes the amount contributed to a first-time homebuyer savings
29 account during each tax year, subject to the limitations of subsection (b) of this section. There shall
30 be no limitation to the amount an account holder can deposit per year; provided, however, accounts
31 shall not exceed the limitations set forth in subsection (c) of this section. For taxable years
32 commencing on and after January 1, 2027, annual contributions and interest earned on a first-time
33 home buyer savings account may be deducted from the taxable income of the account holder.
34 Annual deductions shall not exceed fifteen thousand dollars (\$15,000) per year for an individual or

1 thirty thousand dollars (\$30,000) per year for those filing jointly. |

2 (b) Exclusion of earnings. Except as otherwise provided in this chapter and subject to the |

3 limitations under this section, there shall be excluded from taxable income of an account holder for |

4 Rhode Island income tax purposes the amount of earnings, including interest and other income on |

5 the principal, from the first-time homebuyer savings account during the tax year. |

6 (c) Limitations on deduction and exclusion from taxable income. An account holder may |

7 claim the deduction and exclusion under this section: |

8 (1) For a period not to exceed ten (10) years; |

9 (2) For an aggregate total amount of principal, not to exceed one hundred fifty thousand |

10 (\$150,000) dollars during that ten (10) year period; and |

11 (3) Only if the principal and earnings of the account remain in the account until a |

12 withdrawal is made for eligible costs related to the purchase of a home by a qualified beneficiary, |

13 except as otherwise provided in subsection (b) of this section. |

14 (d) Non-account holders. A person other than the account holder who deposits funds in a |

15 first-time homebuyer savings account shall not be entitled to the deduction and exclusion provided |

16 for under this chapter. |

17 (e) Remaining funds. Any funds in a first-time homebuyer savings account not expended |

18 on eligible costs by December 31 of the last year of the ten (10) year period shall thereafter be |

19 included in the account holder's taxable income. |

20 **44-73-6. Penalty for withdrawal for purpose other than eligible costs.** |

21 (a) Except as otherwise authorized by this chapter, if the account holder withdraws any |

22 funds from a first-time homebuyer savings account for a purpose other than eligible costs for the |

23 purchase of a home: |

24 (1) Those funds shall be included in the account holder's taxable income; and |

25 (2) The account holder shall pay a penalty to the division of taxation equal to ten percent |

26 (10%) of the amount withdrawn. Such penalty shall not apply to funds withdrawn from an account |

27 that were: |

28 (i) Withdrawn by reason of the account holder's death or disability; or |

29 (ii) A disbursement of assets of the account pursuant to a filing for protection under the |

30 United States Bankruptcy Code, 11 U.S.C. §§ 101 through 1532. |

31 (b) Account holder relocates to another state may withdraw funds due from the account. |

32 An account holder shall provide documentation to Rhode Island housing, prior to withdrawing, that |

33 they are no longer a resident of the state. |

34 (c)(1) The division of taxation shall prepare forms for the designation of an account with a |

1 financial institution to serve as a first-time homebuyer savings account; and the designation of a
2 qualified beneficiary of a first-time home buyer savings account.

3 (2) For an account holder to annually submit to the division of taxation detailed information
4 regarding the first-time homebuyer savings account including, but not limited to, a list of
5 transactions for the account during the tax year, and identifying any supporting documentation that
6 is required to be maintained by the account holder.

7 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T

RELATING TO TAXATION -- FIRST-TIME HOMEBUYER SAVINGS ACCOUNT ACT

- 1 This act would allow an individual, who is a first-time homebuyer, to contribute funds to
- 2 a first-time homebuyer savings account with Rhode Island housing to pay for eligible costs to
- 3 purchase a home and receive favorable tax deductions and exemptions.
- 4 This act would take effect upon passage.

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