

STATE OF NEBRASKA  
STATE TREASURER

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## FACT SHEET: Legislative Bill 938

### *First-Time Homebuyer Savings Account Act*

- **Lead Sponsor:** Senator Bob Hallstrom (at the request of State Treasurer Joey Spellerberg)
- **Cosponsors:** Senators Ibach; Bosn; Sorrentino; DeKay; Murman; Lippincott; Andersen; Hardin; Cavanaugh, J.; Dover; Bostar; Conrad; Wordekemper; Kauth; Storm; Rountree; Prokop.
- **Priority Bill:** Senator Jared Storm

#### **Why The Bill Is Needed**

- Nebraska's median home price has surged from **\$155,000** a decade ago to around **\$290,000** today.
- The National Association of Realtors reports that first-time homebuyers have dropped to a record low of **21% of all sales** – historically closer to 40%. The average age of a first-time buyer has climbed to a record **40 years old**, compared to 30 years old in 2010.
- At least a **dozen other states** offer tax-advantaged savings plans for first-time homebuyers.
- The bill is intended to help first-time buyers save for **down payments** and **closing costs**.

#### **How the Accounts Would Work**

LB 938 would create **Nebraska First-Time Homebuyer Savings Accounts** with tax advantages for contributions and earnings. Funds could remain in the account indefinitely without penalty or recapture so long as eligibility requirements are met. The proposal is designed to help more Nebraskans address one of the biggest barriers to homeownership: saving for a down payment.

- **The Accounts:** Starting January 1, 2027, individuals could open and designate a first-time homebuyer savings account with a financial institution.
- **Contribution Limits:**
  - **Individuals:** Up to **\$5,000** per year (Lifetime limit: \$25,000).
  - **Married Couples:** Up to **\$10,000** per year (Lifetime limit: \$50,000).
- **Tax Benefits:**
  - Contributions are **fully deductible** from Nebraska income taxes.
  - Interest and earnings grow **state tax-free** when used for qualified expenses.

(OVER)

- **Qualified Expenses:** Funds could be used for down payments, closing costs, and fees for inspections, appraisals, or mortgage origination when purchasing a home in Nebraska – or for down payment costs and financing fees associated with constructing a primary residence in Nebraska. (Funds could not be used for typical administrative costs, except service fees permitted by the financial institution.)
- **Reporting:** Using a form created by the Nebraska Department of Revenue, the account holder will be responsible for documenting the first-time homebuyer savings account and how the funds are used, as well as any supporting documentation required by the Department. Reporting will need to be filed with state income tax returns to qualify for the tax benefit.
  - Financial institutions would not be required to designate the account as a first-time homebuyer savings account for the taxpayer or report to the Department of Revenue beyond what is normally required by law. They would also not be liable for determining eligibility for tax benefits or tracking eligible usage of funds.
- **Guardrails:** To prevent misuse, the bill includes recapture of tax benefits if funds are withdrawn less than one year after the first deposit or are used for non-eligible purposes. Additional financial penalties would be applied if funds are used for non-qualifying purposes.

### **Key Definitions**

- **First-time homebuyer:** Someone who has never owned a primary residence (or who has not been on a title for at least 3 years following a divorce).
- **Qualified beneficiary:** A first-time homebuyer designated by the account holder who will use the funds for eligible expenses.
- **Eligible expenses:** Down payment and closing costs (e.g., appraisal fees, mortgage origination fees, inspection fees) tied to the purchase or construction of a primary residence in Nebraska.

### **Estimated Tax Savings from LB 938**

#### **Example 1: Single Nebraskan making \$70,000 per year**

- Maximizes the annual savings limits, saving \$25,000 over 5 years.
- Account earns 3%.
- LB 938 won't take effect until 2027. Nebraska's top personal income tax bracket will be 3.99%.

<p>Savings on contributions (deductions) over 5 years ≈ \$1,000          Savings on tax-free interest over 5 years ≈ \$100  <b>Total estimated state tax benefit over 5 years ≈ \$1,100</b></p>
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#### **Example 2: Married Nebraska couple earning \$100,000 combined per year**

- Maximizes the annual savings limits and saves \$50,000 over 5 years.
- Account earns 3%.
- LB 938 won't take effect until 2027. Nebraska's top personal income tax bracket will be 3.99%.

<p>Savings on contributions (deductions) over 5 years ≈ \$2,000          Savings on tax-free interest over 5 years ≈ \$200  <b>Total estimated state tax benefit over 5 years ≈ \$2,200</b></p>
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