

Impact Analysis of First-Time Homebuyer Savings Accounts in Ohio



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Since the height of the nation's financial crisis in 2009, the share of total homes sold to first-time homebuyers nationwide has decreased from 47% to 33% in 2018. In order to make home ownership more affordable, several states have passed legislation that would allow first-time homebuyers to deposit money pre-tax into a first-time homebuyer savings account (FHSA), where it could grow tax-free for the exclusive purpose of purchasing a first home.

Impact on Home Purchases. Based on experiences of similar homebuyer savings programs across North America, we estimate that FHSAs would be very popular among Ohioans. Within five years, over 3,000 home sales would utilize FHSA savings. Within ten years, approximately 4,500 sales would utilize FHSA savings. Over the program's first ten years, and additional 900 homes will be sold because the program makes home ownership more affordable.

Estimated Economic Impact. The increase in home sales caused by the FHSA program would spur additional economic activity, job creation, and earnings for households in Ohio through increased spending on construction and professional services associated with home purchases.

First-Time Homebuyer Savings Accounts

- Contributions and interest earned would be tax deductible.
- Accounts expire in 15 years.
- \$5,000 maximum annual deduction for individuals and \$10,000 for joint filers.
- Only purchases of primary residences in Ohio would be considered eligible.
- A 10% penalty for non-qualified use.

TABLE 1. Estimated Economic Impact of FHSAs in Ohio

Year	Output (millions)	Earnings (millions)	Employment
2022	\$0.3	\$0.07	3
2025	\$2.3	\$0.5	18
2030	\$3.3	\$0.7	27

Source: AEG analysis using base data from Ohio REALTORS®, U.S. Census Bureau, Bureau of Economic Analysis RIMS II Multipliers, Englehardt, 1997.

Estimated Fiscal Impact. The net fiscal impact of the FHSA program on the State of Ohio would be relatively small. We estimate that, in the tenth year of the program, the net fiscal impact would be a loss of \$2.4 million in revenue, compared to the State's \$9.5 billion in income tax revenue collections in FY 2019.

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

Revenue Type	2022	2025	2030+
Real Estate Conveyance Tax	\$2,380	\$17,409	\$25,476
Additional Income Tax from Economic Impact	\$989	\$7,223	\$10,569
Additional Sales Tax from Economic Impact	\$1,906	\$13,929	\$20,382
<i>Subtotal: Tax Revenue from Economic Impact</i>	<i>\$5,275</i>	<i>\$38,560</i>	<i>\$56,427</i>
Lost Income Tax due to FHSA Deductions	\$(982,565)	(\$2,063,186)	(\$2,407,320)
Total: Net Fiscal Impact	(\$977,290)	(\$2,024,626)	(\$2,350,893)

Source: AEG analysis using data from Ohio REALTORS®, U.S. Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

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.