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**HOUSE BILL NO. 183**  
**AMENDMENT IN THE NATURE OF A SUBSTITUTE**  
 (Proposed by the House Committee on Appropriations  
 on January 28, 2026)

(Patron Prior to Substitute—Delegate Reid)

*A BILL to amend and reenact §§ 36-171 and 36-173 of the Code of Virginia, relating to first-time home buyer savings plan; townhouses; principal limits.*

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 36-171 and 36-173 of the Code of Virginia are amended and reenacted as follows:**

**§ 36-171. Definitions.**

As used in this chapter, unless the context requires a different meaning:

"Account holder" means an individual who establishes, individually or jointly with one or more other individuals, an account with a financial institution for which the account holder claims a first-time home buyer savings account status on his Virginia income tax return.

"Allowable closing costs" means a disbursement listed on a settlement statement for the purchase of a single-family residence in the Commonwealth by a qualified beneficiary.

"Eligible costs" means the down payment and allowable closing costs for the purchase of a single-family residence in the Commonwealth by a qualified beneficiary.

"Financial institution" means any bank, trust company, savings institution, industrial loan association, consumer finance company, or credit union or any benefit association, insurance company, safe deposit company, money market mutual fund, or similar entity authorized to do business in the Commonwealth.

"First-time home buyer" means an individual or married individuals filing jointly who have had no ownership interest in a single-family residence as a principal residence at any time during the three-year period immediately preceding the date of purchase of a single-family residence as detailed on the purchase agreement. "First-time home buyer" also includes, regardless of ownership in the preceding three years, an individual who previously owned a single-family residence jointly with a spouse but is now purchasing a single-family residence independently as a result of (i) the death of such individual's spouse or (ii) the dissolution or annulment of such individual's marriage.

"First-time home buyer savings account" or "account" means an account with a financial institution for which the account holder claims first-time home buyer savings account status on his Virginia income tax return for taxable year 2014 or any taxable year thereafter, pursuant to this chapter for the purpose of paying or reimbursing eligible costs for the purchase of a single-family residence in the Commonwealth by a qualified beneficiary. Financial institutions shall not be required to (i) designate an account as a first-time home buyer savings account, or designate the beneficiaries of such accounts, in the financial institutions' account contracts or systems or in any other way; (ii) track the use of funds withdrawn from such accounts; (iii) allocate funds in such accounts among joint account owners or multiple beneficiaries; or (iv) report any of the information stated in clause (i), (ii), or (iii) to the Department of Taxation or other governmental agency. Financial institutions shall not be responsible for or liable for (a) determining or ensuring that an account satisfies the requirements to be a first-time home buyer savings account, (b) determining or ensuring that costs are eligible costs, or (c) reporting or remitting taxes or penalties for such accounts.

"Qualified beneficiary" means only an individual who resides in the Commonwealth at the time of settlement on the purchase of a single-family residence in the Commonwealth who (i) has never owned or purchased under contract for deed, either individually or jointly, a single-family residence in the Commonwealth or outside of the Commonwealth *or is a first-time home buyer*; (ii) is designated as the beneficiary of an account designated by the account holder as a first-time home buyer savings account; and (iii) may apply moneys or funds held in such account for eligible costs. A qualified beneficiary may use the funds from such account for eligible costs regardless of whether such qualified beneficiary purchases the single-family residence as sole owner or jointly with another individual.

"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 (RESPA), 12 U.S.C. § 2601 et seq., as amended, and the regulations thereunder, or an executed sales agreement for the purchase of a manufactured home being conveyed as personal property.

"Single-family residence" means a single-family residence owned and occupied by a qualified beneficiary, including a manufactured home, trailer, mobile home, condominium unit, *townhouse*, or cooperative.

**§ 36-173. Tax exemption; conditions.**

A. All interest or other income earned attributable to an account shall be excluded from the Virginia taxable income of the account holder as provided under subdivision 25 of § 58.1-322.02.

B. There shall be an aggregate limit of ~~\$50,000~~ \$100,000 per account on the amount of principal for

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60 which the account holder may claim first-time home buyer savings account status. Only cash and marketable  
61 securities may be contributed to an account.

62 C. Subject to the aggregate limit on the amount of principal that may be contributed to an account  
63 pursuant to subsection B, there shall be a limitation of ~~\$150,000~~ \$200,000 on the amount of principal and  
64 interest or other income on the principal that may be retained within an account.

65 D. An account holder shall be subject to Virginia income tax pursuant to subdivision 6 of § 58.1-322.01 to  
66 the extent of any loss deducted as a capital loss by the individual for federal income tax purposes attributable  
67 to the person's account.

68 E. Upon being furnished proof of the death of the account holder, a financial institution shall distribute the  
69 principal and accumulated interest or other income in the account in accordance with the terms of the contract  
70 governing the account.