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114TH CONGRESS
2D SESSION

H. R. 5575

To amend the Internal Revenue Code of 1986 to provide a tax-preferred savings account for first-time homebuyers.

IN THE HOUSE OF REPRESENTATIVES

JUNE 24, 2016

Mr. COFFMAN (for himself, Mr. SEAN PATRICK MALONEY of New York, and Mrs. COMSTOCK) introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To amend the Internal Revenue Code of 1986 to provide a tax-preferred savings account for first-time homebuyers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''First-Time Homebuyer Savings Account Act of 2016''.

SEC. 2. FIRST-TIME HOMEBUYER ACCOUNT.

(a) IN GENERAL.—Part VIII of subchapter F of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 530A. FIRST-TIME HOMEBUYER ACCOUNT.

''(a) IN GENERAL.—A first-time homebuyer account shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, the first-time homebuyer account shall be subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable organizations).

''(b) FIRST-TIME HOMEBUYER ACCOUNT.—The term 'first-time homebuyer account' means a trust created or organized in the United States exclusively for the purpose of paying the qualified principal residence purchase expenditures of an individual who is the designated beneficiary of the trust (and designated as a first-time homebuyer account at the time created or organized), but only if the written governing instrument creating the trust meets the following requirements:

''(1) No contribution will be accepted—

''(A) unless it is in cash,

''(B) except in the case of a rollover contribution, if such contribution would result in aggregate contributions—

''(i) for the taxable year exceeding $14,000 (200 percent of such amount in effect for the taxable year in the case of individuals who are married, own a first-time homebuyer account jointly, and file a joint return for the taxable year),

"(ii) for all taxable years exceeding $50,000, and

"(C) if the fair market value of the account to exceeds, or to the extent such contribution would result in the fair market value of the account exceeding, $150,000.

"(2) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which that person will administer the trust will be consistent with the requirements of this section or who has so demonstrated with respect to any individual retirement plan.

"(3) No part of the trust assets will be invested in life insurance contracts.

"(4) The assets of the trust shall not be commingled with other property except in a common trust fund or common investment fund.

"(c) QUALIFIED PRINCIPAL RESIDENCE PURCHASE EXPENDITURES.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified principal residence purchase expenditures' means, with respect to a designated beneficiary who is a first-time homebuyer—

"(A) any amount paid toward the purchase price of a principal residence of the beneficiary,

"(B) any amount required to be paid to settle the purchase of such residence, and

"(C) any amount required to be paid by the beneficiary to obtain acquisition indebtedness with respect to such residence.

"(2) PURCHASE PRICE.—The term 'purchase price' means the adjusted basis of the residence on the date such residence is purchased.

"(d) TAX TREATMENT.—

"(1) DISTRIBUTIONS.—

"(A) IN GENERAL.—If distributions from a first-time homebuyer account for the taxable year do not exceed the qualified principal residence purchase expenditures of the designated beneficiary for the taxable year, no amount shall be includible in gross income.

"(B) DISTRIBUTIONS IN EXCESS OF EXPENDITURES.—If such distributions exceed such expenditures for the taxable year, such distributions shall be includible in the gross income of the distributee in the manner as provided in section 72 (to the extent not excluded from gross income under any other provision of this chapter), reduced by an amount which bears the same ratio to the amount otherwise so includible as such expenses bear to such distributions.

"(C) ADDITIONAL TAX FOR DISTRIBUTIONS NOT USED FOR FIRST-TIME HOMEBUYER PURPOSES.—

"(i) IN GENERAL.—The tax imposed by this chapter for any taxable year on any taxpayer who receives a payment or distribution from a first-time homebuyer account which is includible in gross income shall be increased by the applicable percentage of the amount which is so includible.

"(ii) APPLICABLE PERCENTAGE.—For purposes of clause (i), the applicable percentage is—

"(I) in the case of a payment or distribution made not later than 10 years after the date of the first contribution to the account, 5 percent, and

"(II) in the case of any other payment or distribution, 10 percent.

"(iii) EXCEPTIONS.—Clause (i) shall not apply if the payment or distributions—

"(I) is made to a beneficiary (or to the estate of the designated beneficiary) on or after the death of the designated beneficiary,

"(II) is attributable to the designated beneficiary's being disabled (within the meaning of section 72(m)(7)), or

"(III) are made under rules similar to the rules under section 408(d)(4) (relating to contributions returned before due date of return).

"(D) ROLLOVERS.—Subparagraph (A) shall not apply to any amount paid or distributed from a first-time homebuyer account to the extent that the amount received is paid, not later than the 60th day after the date of such payment or distribution, into another first-time homebuyer account for the benefit of the same beneficiary. The preceding sentence shall not apply to any payment or distribution if it applied to any prior payment or distribution during the 12-month period ending on the date of the payment or distribution.

"(E) CHANGE IN BENEFICIARY.—Any change in the beneficiary of a first-time homebuyer account shall not be treated as a distribution for purposes of subparagraph (A).

"(F) DISALLOWANCE OF EXCLUDED AMOUNTS AS DEDUCTION, CREDIT, OR EXCLUSION.—No deduction, credit, or exclusion shall be allowed to the taxpayer under any other section for any qualified principal residence purchase expenditures to the extent taken into account in determining the amount of the exclusion under this paragraph.

"(2) ESTATE AND GIFT TAX WITH RESPECT TO THE ACCOUNT.—Rules similar to the rules of paragraphs (2), (4), and (5) of section 529(c) shall apply for purposes of this section.

"(3) TAX TREATMENT AFTER DEATH OF ACCOUNT HOLDER.—

"(A) JOINTLY HELD ACCOUNTS.—In the case of a first-time homebuyer account which was jointly held by spouses, if the surviving spouse acquires the deceased spouse's interest in a first-time homebuyer account by reason of being the designated beneficiary of such account at the death, such account shall be treated as if the spouse were the sole account holder.

"(B) OTHER CASES.—

"(i) IN GENERAL.—If, by reason of the death of the account holder, any person acquires the account holder's interest in an first-time homebuyer account in a case to which subparagraph (A) does not apply—

"(I) such account shall cease to be a first-time homebuyer account as of the date of death, and

"(II) an amount equal to the fair market value of the assets in such account on such date shall be includible if such person is not the estate of such holder, in such person's gross income for the taxable year which includes such date, or if such person is the estate of such holder, in such holder's gross income for the last taxable year of such holder.

"(ii) DEDUCTION FOR ESTATE TAXES.—An appropriate deduction shall be allowed under section 691(c) to any person (other than the decedent or the decedent's spouse) with respect to amounts included in gross income under clause (i).

"(e) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) FIRST-TIME HOMEBUYER.—

"(A) IN GENERAL.—The term 'first-time homebuyer' means any individual if such individual (and if married, such individual's spouse) has had no present ownership interest in a principal residence.

"(B) SPECIAL RULE FOR DIVORCED INDIVIDUALS.—Any individual who is divorced and is not described in subparagraph (A) shall be treated as a first-time homebuyer for purposes of this section if such individual had no present ownership interest in a principal residence since such individual's most recent divorce and during the 3-year period ending on the date of the purchase of the principal residence with respect to which payments from a first-time homebuyer account are made under this section.

"(2) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 121.

"(3) DESIGNATED BENEFICIARY.—The term 'designated beneficiary' means—

"(A) the individual designated at the commencement of the first-time homebuyer account as the beneficiary of amounts paid (or to be paid) to the account, or

"(B) in the case of a change in beneficiaries described in subsection (d)(1)(C), the individual who is the new beneficiary

"(4) ACCOUNT OWNERSHIP.—Except in the case of individuals who are married, an account may be owned by only one individual and may only have one designated beneficiary.

"(5) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2017, the dollar amounts under subsection (b)(1) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2007’ for ‘calendar year 1992’ in subparagraph (B) thereof.

If any amount after adjustment under the preceding sentence is not a multiple of $100, such amount shall be rounded to the next lower multiple of $100.’’.

(b) EXCESS CONTRIBUTIONS.—

(1) IN GENERAL.—Section 4973(a) of such Code is amended by striking ‘‘or’’ at the end of paragraph (5), by inserting ‘‘or’’ at the end of paragraph (6), and by inserting after paragraph (6) the following new paragraph:

‘‘(7) a first-time homebuyer account (within the meaning of section 530A),’’.

(2) EXCESS CONTRIBUTIONS.—Section 4973 of such Code is amended by adding at the end the following new subsection:

‘‘(i) EXCESS CONTRIBUTIONS TO FIRST-TIME HOMEBUYER ACCOUNT.—In the case of a first-time homebuyer account, the term ‘excess contributions’ means the amount by which the amount contributed for the taxable year to such account (other than contributions described in section 530A(d)(1)(C) (iv) and (v)) exceeds the contribution limits under section 530A(b). For purposes of the preceding sentence, any contribution which is distributed from the account in a distribution to which section 530A(d)(1)(C)(iii)(III) applies shall be treated as an amount not contributed.''.

(c) CLERICAL AMENDMENT.—The table of sections for part VIII of subchapter F of chapter 1 of such Code is amended by adding at the end the following new item:

``Sec. 530A. First-time homebuyer account.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

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