

107TH CONGRESS  
1ST SESSION

# S. 1396

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for the purchase of a principal residence by a first-time homebuyer.

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 4, 2001

Mr. CONRAD (for himself and Mr. HUTCHINSON) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for the purchase of a principal residence by a first-time homebuyer.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. CREDIT FOR FIRST-TIME HOMEBUYERS.**

4       (a) IN GENERAL.—Subpart A of part IV of sub-  
5       chapter A of chapter 1 of the Internal Revenue Code of  
6       1986 (relating to nonrefundable personal credits) is  
7       amended by inserting before section 26 the following new  
8       section:

1 **“SEC. 25C. PURCHASE OF PRINCIPAL RESIDENCE BY FIRST-**  
 2 **TIME HOMEBUYER.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
 4 dividual who is a first-time homebuyer of a principal resi-  
 5 dence in the United States during any taxable year, there  
 6 shall be allowed as a credit against the tax imposed by  
 7 this chapter for the taxable year an amount equal to 10  
 8 percent of the purchase price of the residence.

9 “(b) LIMITATIONS.—

10 “(1) MAXIMUM CREDIT.—The credit allowed  
 11 under subsection (a) shall not exceed \$6,500.

12 “(2) LIMITATION TO ONE RESIDENCE.—The  
 13 credit under this section shall be allowed with re-  
 14 spect to only one residence of the taxpayer.

15 “(3) MARRIED INDIVIDUALS FILING JOINTLY.—  
 16 In the case of a husband and wife who file a joint  
 17 return, the credit under this section is allowable only  
 18 if both the husband and wife are first-time home-  
 19 buyers, and the amount specified under paragraph  
 20 (1) shall apply to the joint return.

21 “(4) MARRIED INDIVIDUALS FILING SEPA-  
 22 RATELY.—In the case of a married individual filing  
 23 a separate return, the credit under this section is al-  
 24 lowable only if the individual is a first-time home-  
 25 buyer, and subsection (a) shall be applied by sub-  
 26 stituting ‘\$3,250’ for ‘\$6,500’.

1           “(5) OTHER TAXPAYERS.—If 2 or more individ-  
 2           uals who are not married purchase a principal resi-  
 3           dence, the amount of the credit allowed under sub-  
 4           section (a) shall be allocated among such individuals  
 5           in such manner as the Secretary may prescribe, ex-  
 6           cept that the total amount of the credits allowed to  
 7           all such individuals shall not exceed \$6,500.

8           “(c) DEFINITIONS.—For purposes of this section—

9           “(1) FIRST-TIME HOMEBUYER.—

10           “(A) IN GENERAL.—The term ‘first-time  
 11           homebuyer’ means any individual is such indi-  
 12           vidual (and if married, such individual’s spouse)  
 13           had no present ownership interest in a principal  
 14           residence in the United States during the 3-  
 15           year period ending on the date of the purchase  
 16           of the principal residence to which this section  
 17           applies.

18           “(B) ONE-TIME ONLY.—If an individual is  
 19           treated as a first-time homebuyer with respect  
 20           to any principal residence, such individual may  
 21           not be treated as a first-time homebuyer with  
 22           respect to any other principal residence.

23           “(2) PRINCIPAL RESIDENCE.—The term ‘prin-  
 24           cipal residence’ has the same meaning as when used  
 25           in section 121.

1           “(3) PURCHASE AND PURCHASE PRICE.—The  
2       terms ‘purchase’ and ‘purchase price’ have the  
3       meanings provided by section 1400C(e).

4       “(d) CARRYFORWARD OF UNUSED CREDIT.—If the  
5       credit allowable under subsection (a) for any taxable year  
6       exceeds the limitation imposed by section 26(a) for such  
7       taxable year reduced by the sum of the credits allowable  
8       under this subpart (other than this section and sections  
9       23, 24, 25, 25B, and 1400C) and section 27, such excess  
10      shall be carried to the succeeding taxable year and added  
11      to the credit allowable under subsection (a) for such tax-  
12      able year.

13      “(e) REPORTING.—If the Secretary requires informa-  
14      tion reporting under section 6045 by a person described  
15      in subsection (e)(2) thereof to verify the eligibility of tax-  
16      payers for the credit allowable by this section, the excep-  
17      tion provided by section 6045(e)(5) shall not apply.

18      “(f) DENIAL OF DOUBLE BENEFIT.—No credit shall  
19      be allowed under subsection (a) if the credit under section  
20      1400C is allowed.

21      “(g) BASIS ADJUSTMENT.—For purposes of this sub-  
22      title, if a credit is allowed under this section with respect  
23      to the purchase of any residence, the basis of such resi-  
24      dence shall be reduced by the amount of the credit so al-  
25      lowed.

1       “(h) PROPERTY TO WHICH SECTION APPLIES.—The  
 2 provisions of this section apply to a principal residence if  
 3 the taxpayer enters into, on or after September 1, 2001,  
 4 and before September 1, 2002, a binding contract to pur-  
 5 chase the residence, and purchases and occupies the resi-  
 6 dence before April 1, 2003.”.

7       (b) CONFORMING AMENDMENTS.—

8           (1) Subsection (a) of section 1016 of the Inter-  
 9 nal Revenue Code of 1986 (relating to general rule  
 10 for adjustments to basis) is amended by striking  
 11 “and” at the end of paragraph (26), by striking the  
 12 period at the end of paragraph (27) and inserting “,  
 13 and”, and by adding at the end the following new  
 14 paragraph:

15           “(28) in the case of a residence with respect to  
 16 which a credit was allowed under section 25C, to the  
 17 extent provided in section 25C(g).”.

18           (2) Subsection (a) of section 1016 of the Inter-  
 19 nal Revenue Code of 1986 (relating to general rule  
 20 for adjustments to basis), as amended by section  
 21 205(b)(3) of the Economic Growth and Tax Relief  
 22 Reconciliation Act of 2001, is amended by striking  
 23 “and” at the end of paragraph (27), by striking the  
 24 period at the end of paragraph (28) and inserting “,

1 and”, and by adding at the end the following new  
2 paragraph:

3 “(29) in the case of a residence with respect to  
4 which a credit was allowed under section 25C, to the  
5 extent provided in section 25C(g).”.

6 (3) Section 23(b)(4)(B) of such Code, as added  
7 by section 202(f)(1) of the Economic Growth and  
8 Tax Relief Reconciliation Act of 2001, is amended  
9 by inserting “and section 25C” after “this section”.

10 (4) Section 24(b)(3)(B) of such Code, as added  
11 and amended by the Economic Growth and Tax Re-  
12 lief Reconciliation Act of 2001, is amended by strik-  
13 ing “23 and 25B” and inserting “23, 25B, and  
14 25C”.

15 (5) Section 25(e)(1)(C) of such Code is amend-  
16 ed by striking “23 and 1400C” and by inserting  
17 “23, 25C, and 1400C”.

18 (6) Section 25(e)(1)(C) of such Code, as  
19 amended by the Economic Growth and Tax Relief  
20 Reconciliation Act of 2001, is amended by inserting  
21 “25C,” after “25B,”.

22 (7) Section 25B of such Code, as added by sec-  
23 tion 618(a) of the Economic Growth and Tax Relief  
24 Reconciliation Act of 2001, is amended by striking  
25 “section 23” and inserting “sections 23 and 25C”.

1 (8) Section 1400C(d) of such Code is amended  
 2 by inserting “and section 25C” after “this section”.

3 (9) Section 1400C(d) of such Code, as amended  
 4 by the Economic Growth and Tax Relief Reconcili-  
 5 ation Act of 2001, is amended by striking “and  
 6 25B” and inserting “25B, and 25C”.

7 (10) The table of sections for subpart A of part  
 8 IV of subchapter A of chapter 1 of such Code is  
 9 amended by inserting before the item relating to sec-  
 10 tion 26 the following new item:

“Sec. 25C. Purchase of principal residence by first-time home-  
 buyer.”.

11 (c) EFFECTIVE DATES.—

12 (1) IN GENERAL.—The amendments made by  
 13 subsections (a) and (b)(10) shall apply to taxable  
 14 years beginning after December 31, 2000.

15 (2) TEMPORARY CONFORMING AMENDMENTS.—  
 16 The amendments made by paragraphs (1), (5), and  
 17 (8) of subsection (b) shall apply to taxable years be-  
 18 ginning after December 31, 2000, and before Janu-  
 19 ary 1, 2002.

20 (3) PERMANENT CONFORMING AMENDMENTS.—  
 21 The amendments made by paragraphs (2), (3), (4),  
 22 (6), (7), and (9) of subsection (b) shall apply to tax-  
 23 able years beginning after December 31, 2001.

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