To amend the Internal Revenue Code of 1986 to extend the income exclusion for discharge of qualified principal residence indebtedness, to provide exclusions from income for certain payments under the National Mortgage Settlement, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 28, 2012

Mr. McDermott (for himself, Mr. Larson of Connecticut, Ms. Berkley, Mr. Levin, Mr. Rangel, Mr. Stark, Mr. Lewis of Georgia, Mr. Neal, Mr. Becerra, Mr. Doggett, Mr. Thompson of California, Mr. Blumenauer, Mr. Kind, Mr. Pascarelli, and Mr. Crowley) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to extend the income exclusion for discharge of qualified principal residence indebtedness, to provide exclusions from income for certain payments under the National Mortgage Settlement, and for other purposes.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Homeowner Tax Fair-
SEC. 2. EXTENSION OF INCOME EXCLUSION FOR DISCHARGE OF QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.

(a) In general.—Subparagraph (E) of section 108(a)(1) of the Internal Revenue Code of 1986 is amended by striking “January 1, 2013” and inserting “January 1, 2016”.

(b) Application to certain agreements.—Subparagraph (E) of section 108(a)(1) of such Code, as amended by subsection (a), is amended by inserting before the period the following: “, or which is discharged after such date pursuant to an agreement entered into before such date under the programs created pursuant to, or using funds authorized by the Emergency Economic Stabilization Act of 2008”.

(c) Effective date.—

(1) Subsection (a).—The amendment made by subsection (a) shall apply to discharges in taxable years beginning after December 31, 2012.

(2) Subsection (b).—The amendment made by subsection (b) shall take effect on the date of the enactment of this Act.

SEC. 3. EXTENSION OF DEDUCTION FOR MORTGAGE INSURANCE PREMIUMS.

(a) In general.—Subclause (I) of section 163(h)(3)(E)(i) of the Internal Revenue Code of 1986 is

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or accrued after December 31, 2011.

SEC. 4. EXCLUSIONS RELATING TO NATIONAL MORTGAGE SETTLEMENT PAYMENTS.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to items specifically excluded from gross income) is amended by inserting after section 139D the following new section:

“SEC. 139E. NATIONAL MORTGAGE SETTLEMENT.

“(a) GENERAL RULE.—In the case of an individual, gross income shall not include any National Mortgage Settlement amount.

“(b) NATIONAL MORTGAGE SETTLEMENT AMOUNT DEFINED.—For purposes of subsection (a), the term ‘National Mortgage Settlement amount’ means, with respect to any amount received under the National Mortgage Settlement, an amount which is—

“(1) a payment for transitional assistance,

“(2) a payment from the Borrower Payment Fund under the National Mortgage Settlement to a borrower whose home was finally sold or taken in
foreclosure after December 31, 2007, and before January 1, 2012, or

“(3) a payment received as a result of a foreclosure or excess charge of interest that the United States Department of Justice has determined was not in compliance with the Servicemembers Civil Relief Act.

“(c) DISREGARD OF REFUND OF EXCESS MORTGAGE INTEREST AND RELATED DAMAGES.—In the case of an individual, the amount of interest refunded and damages paid under the National Mortgage Settlement for excess charges of mortgage interest described in subsection (b)(3)—

“(1) shall be disregarded for purposes of this chapter, and

“(2) no adjustment of the deduction allowable under section 163(h) shall be made as a result of such refund.

“(d) NATIONAL MORTGAGE SETTLEMENT.—For purposes of this section, the term ‘National Mortgage Settlement’ means any consent agreement entered into in settlement of the action entitled ‘The United States of America, et al. against Bank of America Corporation, et al.’, filed in the United States District Court for the District of Co-
lumbia on March 12, 2012 (case numbered 1:12-cv-00361-RMC).”.

(b) DENIAL OF BUSINESS DEDUCTION FOR CERTAIN PAYMENTS.—Section 162 of such Code is amended by re-designating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

“(q) NATIONAL MORTGAGE SETTLEMENT.—

“(1) IN GENERAL.—No deduction shall be allowed under this chapter for any National Mortgage Settlement amount that was paid in exchange for a full release of the United States’ potential civil claims under the Servicemembers Civil Relief Act.

“(2) NATIONAL MORTGAGE SETTLEMENT AMOUNT.—The term ‘National Mortgage Settlement amount’ has the meaning given such term by section 139E.”.

(c) CLERICAL AMENDMENT.—The table of sections for such part III is amended by inserting after the item relating to section 139D the following new item:

“Sec. 139E. National Mortgage Settlement.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after March 12, 2012.