To amend the Internal Revenue Code of 1986 to prevent an unfair tax burden for veterans and homeowners who have received assistance from the National Mortgage Settlement, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 23, 2012

Ms. STABENOW introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to prevent an unfair tax burden for veterans and homeowners who have received assistance from the National Mortgage Settlement, and for other purposes.

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 “Homeowners and Military Families Tax Fairness Act”.
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 the Internal Revenue Code of 1986, 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 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, and
“(3) a payment received as a result of a foreclosure that the Attorney General of the United States 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 for excess charges of mortgage interest under the National Mortgage Settlement with respect to a wrongful foreclosure 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 Columbia on March 12, 2012 (case numbered 1:12-cv-00361-RMC).’’

(b) **Denial of Business Deduction for Certain Payments.**—Section 162 of the Internal Revenue Code
of 1986 is amended by redesignating 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 al-
lowed 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.”.

(e) CLERICAL AMENDMENT.—The table of sections
for part III of subchapter B of chapter 1 of the Internal
Revenue Code of 1986 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.