

119TH CONGRESS  
2D SESSION

# H. R. 7185

To amend the Internal Revenue Code of 1986 to exclude from gross income certain retirement plan distributions used for a down payment or closing costs for a principal residence, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 2026

Mr. MCGUIRE 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 exclude from gross income certain retirement plan distributions used for a down payment or closing costs for a principal residence, and for other purposes.

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. SHORT TITLE.**

4       This Act may be cited as the “Home Savings Act”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME OF RETIREMENT**  
 2 **PLAN DISTRIBUTIONS USED FOR A DOWN**  
 3 **PAYMENT OR CLOSING COSTS FOR A PRIN-**  
 4 **CIPAL RESIDENCE.**

5 (a) IN GENERAL.—

6 (1) DEFINED CONTRIBUTION PLANS.—Section  
 7 402 of the Internal Revenue Code of 1986 is amend-  
 8 ed by adding at the end the following new sub-  
 9 section:

10 “(m) DISTRIBUTIONS FOR A DOWN PAYMENT OR  
 11 CLOSING COSTS FOR A PRINCIPAL RESIDENCE.—

12 “(1) IN GENERAL.—The gross income of an  
 13 employee for any taxable year shall not include any  
 14 distribution from a defined contribution plan of such  
 15 employee to the extent that such distribution is used  
 16 for a down payment or closing costs associated with  
 17 acquiring a principal residence of—

18 “(A) the employee, or

19 “(B) an eligible relative of the employee.

20 “(2) DEFINITIONS.—For purposes of this sub-  
 21 section—

22 “(A) ELIGIBLE RELATIVE.—The term ‘eli-  
 23 gible relative’ means, with respect to any em-  
 24 ployee—

25 “(i) the spouse of the employee, or

1 “(ii) any child, grandchild, or ancestor  
2 of—

3 “(I) the employee, or

4 “(II) the spouse of the employee.

5 “(B) DEFINED CONTRIBUTION PLAN.—

6 The term ‘defined contribution plan’ has the  
7 meaning given the term in section 414(i).

8 “(C) PRINCIPAL RESIDENCE.—The term  
9 ‘principal residence’ has the same meaning as  
10 when used in section 121.

11 “(3) APPLICATION OF SECTION 72.—Rules simi-  
12 lar to the rules of section 408(d)(10)(C) shall apply  
13 for purposes of this subsection, by taking into ac-  
14 count all amounts in the defined contribution plan to  
15 which the employee has nonforfeitable right in lieu  
16 of all amounts in all individual retirement plans of  
17 the individual.

18 “(4) GIFT TAX TREATMENT.—So much of any  
19 transfer of a distribution described in paragraph (1)  
20 by the employee to an eligible relative as is used by  
21 such eligible relative for a down payment or closing  
22 costs associated with acquiring a principal residence  
23 of such eligible relative shall not be treated as a gift  
24 for purposes of section 2503(a).

1           “(5) TERMINATION DATE.—Paragraph (1) shall  
2           not apply to distributions made in taxable years be-  
3           ginning after December 31, 2030.”.

4           (2) CERTAIN ANNUITY PLANS.—Section 403 of  
5           such Code is amended by adding at the end the fol-  
6           lowing new subsection:

7           “(d) DISTRIBUTIONS FOR A DOWN PAYMENT OR  
8           CLOSING COSTS FOR A PRINCIPAL RESIDENCE.—

9           “(1) IN GENERAL.—The rules of section  
10          402(m) shall apply to distributions under an annuity  
11          plan described in subsection (a) or an annuity con-  
12          tract described in subsection (b).

13          “(2) TERMINATION DATE.—Paragraph (1) shall  
14          not apply to distributions made in taxable years be-  
15          ginning after December 31, 2030.”.

16          (3) INDIVIDUAL RETIREMENT PLANS.—Section  
17          408(d) of such Code is amended by adding at the  
18          end the following new paragraph:

19          “(10) DISTRIBUTIONS FOR A DOWN PAYMENT  
20          OR CLOSING COSTS FOR A PRINCIPAL RESIDENCE.—

21          “(A) IN GENERAL.—The gross income of  
22          an individual for any taxable year shall not in-  
23          clude any distribution from an individual retire-  
24          ment plan of such individual to the extent that  
25          such distribution is used for a down payment or

1 closing costs associated with acquiring a prin-  
2 cipal residence of—

3 “(i) the individual, or

4 “(ii) an eligible relative of the indi-  
5 vidual.

6 “(B) DEFINITIONS.—For purposes of this  
7 paragraph—

8 “(i) ELIGIBLE RELATIVE.—The term  
9 ‘eligible relative’ means, with respect to  
10 any individual—

11 “(I) the spouse of the individual,  
12 or

13 “(II) any child, grandchild, or  
14 ancestor of—

15 “(aa) the individual, or

16 “(bb) the spouse of the indi-  
17 vidual.

18 “(ii) INDIVIDUAL RETIREMENT  
19 PLAN.—The term ‘individual retirement  
20 plan’ has the meaning given the term in  
21 section 7701.

22 “(iii) PRINCIPAL RESIDENCE.—The  
23 term ‘principal residence’ has the same  
24 meaning as when used in section 121.

“(C) APPLICATION OF SECTION 72.—Notwithstanding section 72, in determining the extent to which a distribution is used for a down payment or closing costs pursuant to subparagraph (A), the entire amount of the distribution shall be treated as includible in gross income without regard to such subparagraph to the extent that such amount does not exceed the aggregate amount which would have been so includible if all amounts in all individual retirement plans of the individual were distributed during such taxable year and all such plans were treated as 1 contract for purposes of determining under section 72 the aggregate amount which would have been so includible. Proper adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.

“(D) GIFT TAX TREATMENT.—So much of any transfer of a distribution described in subparagraph (A) by the individual to an eligible relative as is used by such eligible relative for a down payment or closing costs associated with acquiring a principal residence of such eligible

1 relative shall not be treated as a gift for pur-  
 2 poses of section 2503(a).

3 “(E) TERMINATION DATE.—Subparagraph  
 4 (A) shall not apply to distributions made in tax-  
 5 able years beginning after December 31,  
 6 2030.”.

7 (4) 457(b) PLANS.—Section 457(e) of such  
 8 Code is amended by adding at the end the following  
 9 new paragraph:

10 “(19) DISTRIBUTIONS FOR A DOWN PAYMENT  
 11 OR CLOSING COSTS FOR A PRINCIPAL RESIDENCE.—

12 “(A) IN GENERAL.—The rules of section  
 13 402(m) shall apply to distributions under an el-  
 14 igible deferred compensation plan established  
 15 and maintained by an employer described in  
 16 paragraph (1)(A).

17 “(B) TERMINATION DATE.—Subparagraph  
 18 (A) shall not apply to distributions made in tax-  
 19 able years beginning after December 31,  
 20 2030.”.

21 (b) EFFECTIVE DATE.—The amendments made by  
 22 this section shall apply to distributions made in taxable  
 23 years beginning after December 31, 2025.

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