

119TH CONGRESS
2D SESSION

S. 5227

To amend the Internal Revenue Code of 1986 to allow certain distributions from long-term qualified tuition programs for first home purchases, and for other purposes.

IN THE SENATE OF THE UNITED STATES

AUGUST 4, 2026

Mr. HUSTED (for himself and Mr. BENNET) 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 allow certain distributions from long-term qualified tuition programs for first home purchases, 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 “First-Time Home
5 Buyer Empowerment Act”.

1 **SEC. 2. SPECIAL RULE FOR CERTAIN DISTRIBUTIONS FROM**
2 **LONG-TERM QUALIFIED TUITION PROGRAMS**
3 **FOR FIRST HOME PURCHASES.**

4 (a) IN GENERAL.—Section 529(c)(3) of the Internal
5 Revenue Code of 1986 is amended by adding at the end
6 the following new subparagraph:

7 “(F) SPECIAL RULE FOR CERTAIN DIS-
8 TRIBUTIONS FROM LONG-TERM QUALIFIED TUI-
9 TION PROGRAMS FOR FIRST HOME PUR-
10 CHASES.—

11 “(i) IN GENERAL.—In the case of a
12 distribution from an account of a des-
13 ignated beneficiary which has been main-
14 tained under 1 or more qualified tuition
15 programs for the 15-year period ending on
16 the date of such distribution, subparagraph
17 (A) shall not apply to so much of the por-
18 tion of such distribution which—

19 “(I) does not exceed the aggre-
20 gate amount contributed to the pro-
21 gram (and earnings attributable
22 thereto) before the 5-year period end-
23 ing on the date of the distribution,
24 and

25 “(II) is used, within 60 days of
26 such distribution, for the purchase of

1 a principal residence of a first-time
2 homebuyer who is the designated ben-
3 eficiary with respect to such account.

4 “(ii) LIMITATIONS.—

5 “(I) IN GENERAL.—This sub-
6 paragraph shall apply only to a dis-
7 tribution from an account of the origi-
8 nal designated beneficiary of the ac-
9 count, or any successor designated
10 beneficiary who is of the same or a
11 lower generation than the original
12 designated beneficiary.

13 “(II) AGGREGATE LIMITATION.—

14 This subparagraph shall not apply to
15 any distribution described in clause (i)
16 to the extent that the aggregate
17 amount of such distributions with re-
18 spect to the designated beneficiary for
19 the taxable year and all prior taxable
20 years exceeds an amount equal to
21 \$35,000, reduced by the aggregate
22 amount of distributions to which sub-
23 paragraph (E) applies with respect to
24 such designated beneficiary for such

1 taxable year and all prior taxable
2 years.

3 “(iii) SPECIAL RULE WHERE DELAY
4 IN ACQUISITION.—If any distribution from
5 a qualified tuition program of a designated
6 beneficiary fails to meet the requirements
7 of subparagraph (A) solely by reason of a
8 delay or cancellation of the purchase or
9 construction of the residence, the amount
10 of the distribution may be contributed to a
11 qualified tuition program or ABLE ac-
12 count of such beneficiary, as provided in
13 subclauses (I) and (III), respectively, of
14 subparagraph (C)(i), determined by sub-
15 stituting ‘120 days’ for ‘60 days’ in such
16 subparagraph, except that—

17 “(I) subparagraph (C)(iii) shall
18 not be applied to such contribution,
19 and

20 “(II) such amount shall not be
21 taken into account in determining
22 whether subparagraph (C)(iii) applies
23 to any other amount.

24 “(iv) RECAPTURE OF TAX BENEFIT.—

1 “(I) IN GENERAL.—If subpara-
2 graph (A) does not apply to a dis-
3 tribution by reason of this subpara-
4 graph and a qualifying event occurs
5 before the close of the 5-year period
6 beginning on the date of the purchase
7 of the principal residence with respect
8 to which such distribution was used,
9 the designated beneficiary’s tax for
10 the taxable year in which such quali-
11 fying event occurs shall be increased
12 by an amount, determined under reg-
13 ulations, equal to the tax which (but
14 for this subparagraph) would have
15 been imposed with respect to such dis-
16 tribution, plus interest for the deferral
17 period. The amount of any increase
18 determined under the preceding sen-
19 tence shall be reduced (but not below
20 zero) by 20 percent for each full year
21 occurring during the period beginning
22 on the date of such purchase and end-
23 ing on the date of such qualifying
24 event.

1 “(II) QUALIFYING EVENT.—For
2 purposes of this clause, the term
3 ‘qualifying event’ means, with respect
4 to a distribution to which subpara-
5 graph (A) does not apply by reason of
6 this subparagraph, the disposition of
7 the principal residence which the des-
8 ignated beneficiary purchased using
9 such distribution, or the cessation of
10 use of such residence as the principal
11 residence of the designated beneficiary
12 (and, if married, such designated
13 beneficiary’s spouse).

14 “(III) DEFERRAL PERIOD.—For
15 purposes of this clause, the term ‘de-
16 ferral period’ means, with respect to a
17 distribution to which subparagraph
18 (A) does not apply by reason of this
19 subparagraph, the period beginning
20 with the taxable year in which (with-
21 out regard to this subparagraph) the
22 distribution would have been includ-
23 ible in gross income and ending with
24 the taxable year in which the quali-

1 fying event described in subclause (I)
2 occurs.

3 “(IV) EXCEPTIONS.—Rules simi-
4 lar to the rules of subparagraphs (A),
5 (B), (C), and (E) of section 36(f)(4)
6 shall apply for purposes of this sub-
7 paragraph.

8 “(v) DEFINITIONS.—For purposes of
9 this subparagraph, the terms ‘purchase’,
10 ‘principal residence’, and ‘first-time home-
11 buyer’ have the meaning given such terms
12 in section 36(c).”.

13 (b) COORDINATION WITH AGGREGATE LIMITATION
14 ON SPECIAL ROLLOVERS TO ROTH IRAS.—Section
15 529(c)(3)(E)(ii)(II) of the Internal Revenue Code of 1986
16 is amended to read as follows:

17 “(II) AGGREGATE LIMITATION.—
18 This subparagraph shall not apply to
19 any distribution described in clause (i)
20 to the extent that the aggregate
21 amount of such distributions with re-
22 spect to the designated beneficiary for
23 the taxable year and all prior taxable
24 years exceeds an amount equal to
25 \$35,000, reduced by the aggregate

1 amount of distributions to which sub-
2 paragraph (F) applies with respect to
3 such designated beneficiary for such
4 taxable year and all prior taxable
5 years.”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to distributions made in taxable
8 years beginning after the date of the enactment of this
9 Act.

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