

105TH CONGRESS  
1ST SESSION

# H. R. 1123

To amend the Internal Revenue Code of 1986 to permit loans from individual retirement plans for certain first-time homebuyer, education, and medical emergency expenses.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 1997

Mr. ACKERMAN 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 permit loans from individual retirement plans for certain first-time homebuyer, education, and medical emergency expenses.

- 1        *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*
- 2        **SECTION 1. SHORT TITLE.**
- 3        This Act may be cited as the “IRA Self-Loan Act”.

1 **SEC. 2. LOANS FROM INDIVIDUAL RETIREMENT PLANS FOR**  
2 **CERTAIN FIRST-TIME HOMEBUYER, EDU-**  
3 **CATION, AND MEDICAL EMERGENCY EX-**  
4 **PENSES.**

5 (a) **IN GENERAL.**—Section 408(e) of the Internal  
6 Revenue Code of 1986 (relating to tax treatment of ac-  
7 counts and annuities) is amended by adding at the end  
8 thereof the following new paragraph:

9       **“(7) LOANS USED FOR CERTAIN FIRST-TIME**  
10      **HOMEBUYER, EDUCATION, AND MEDICAL EMER-**  
11      **GENCY EXPENSES.**—

12       **“(A) IN GENERAL.**—Paragraphs (3) and  
13       (4) shall not apply to any qualified loan which  
14       is made, or secured, by an individual retirement  
15       plan.

16       **“(B) QUALIFIED LOAN.**—For purposes of  
17       this paragraph, the term ‘qualified loan’ means  
18       a loan which—

19           “(i) is used within a reasonable period  
20           of time for—

21           “(I) qualified first-time home-  
22           buyer expenses,

23           “(II) qualified education ex-  
24           penses, or

25           “(III) qualified medical emer-  
26           gency expenses.

1                     “(ii) is made by the trustee of an individual retirement plan at the direction of  
2                     the individual on whose behalf such plan is  
3                     established,

5                     “(iii) in the case of a loan for qualified first-time homebuyer expenses, is secured by the dwelling unit,  
6  
7

8                     “(iv) by its terms requires repayment in full within 5 years after the date such loan is made (15 years in the case of a  
9                     loan for qualified first-time homebuyer expenses),  
10  
11

12                     “(v) by its terms treats any amount remaining unpaid in the taxable year beginning after the period described in clause  
13                     (iv) as distributed in such taxable year to the individual on whose behalf such plan is  
14                     established and subject to section 72(t)(1),  
15  
16                     and

17                     “(vi) bears interest from the date of the loan at a rate not less than the rate for comparable United States Treasury obligations on such date.  
18  
19

20                     “(C) QUALIFIED EXPENSES.—For purposes of this paragraph—  
21  
22  
23  
24  
25

1                             “(i)    QUALIFIED    FIRST-TIME    HOME  
2                             BUYER EXPENSES.—

3                             “(I)    IN    GENERAL.—The    term  
4                             ‘qualified    first-time    homebuyer    ex-  
5                             penses’    means    qualified    acquisition  
6                             costs    with    respect    to    a    principal    resi-  
7                             dence    for    a    first-time    homebuyer.

8                             “(II)    QUALIFIED    ACQUISITION  
9                             COSTS.—The    term    ‘qualified    acqui-  
10                             sition    costs’    means    the    cost    of    acquir-  
11                             ing,    constructing,    or    reconstructing  
12                             the    residence.    Such    terms    includes  
13                             any    usual    or    reasonable    settlement,    fi-  
14                             nancing,    or    other    closing    costs.

15                             “(III)    FIRST-TIME    HOME-  
16                             BUYER.—The    term    ‘first-time    home-  
17                             buyer’    means    any    eligible    person,    if  
18                             such    person    (and    if    married    such    per-  
19                             son’s    spouse)    has    never    had    a    present  
20                             ownership    interest    in    a    principal    resi-  
21                             dence.

22                             “(IV)    PRINCIPAL    RESIDENCE.—  
23                             The    term    ‘principal    residence’    has    the  
24                             same    meaning    as    when    used    in    section  
25                             1034.

1                             “(ii)    QUALIFIED   EDUCATION   EX-  
2                             PENSES.—The   term   ‘qualified   education  
3                             expenses’   means   tuition   and   fees   required  
4                             for   enrollment   or   attendance   of   an   eligible  
5                             person   at   an   educational   organization   de-  
6                             scribed   in   section   170(b)(1)(A)(ii).

7                             “(iii)    QUALIFIED   MEDICAL   EMER-  
8                             GENCY   EXPENSES.—The   term   ‘qualified  
9                             medical   emergency   expenses’   means   any  
10                            amount,   not   compensated   for   by   insurance  
11                            or   otherwise,   which   is   paid   for   medical   care  
12                            (as   defined   in   section   213(d))   of   an   eligible  
13                            person,   if   such   medical   care   is   required   by  
14                            reason   of   any   disease   or   accident   that  
15                            causes   hospitalization   for   more   than   30  
16                            days.

17                             “(iv)    ELIGIBLE   PERSON.—The   term  
18                             ‘eligible   person’   means—

19                             “(I)    an   individual   on   whose   be-  
20                             half   the   individual   retirement   plan   is  
21                             established,   and

22                             “(II)    a   spouse,   child   (as   defined  
23                             in   section   151(c)(3)),   or   grandchild   of  
24                             such   individual   (or   of   such   individ-  
25                             ual’s   spouse).

1                         “(D) AMOUNT LIMITATION.—Subpara-  
2                         graphs (A) and (B) shall not apply to any loan  
3                         to the extent such loan (when added to the out-  
4                         standing balance of all other loans from the in-  
5                         dividual retirement plan) exceeds the lesser of—

6                             “(i) \$50,000, reduced by the excess (if  
7                         any) of—

8                             “(I) the highest outstanding bal-  
9                         ance of loans from the plan during the  
10                         1-year period ending on the day be-  
11                         fore the date on which such loan was  
12                         made, over

13                             “(II) the outstanding balance of  
14                         loans from the plan on the date on  
15                         which such loan was made, or

16                             “(ii) the greater of—

17                             “(I) one-half of the value of the  
18                         plan, or

19                             “(II) \$10,000.”

20                         (b) EXEMPTION FROM TAX ON PROHIBITED TRANS-  
21                         ACTIONS.—Subsection (d) of section 4975 of such Code  
22                         (relating to exemptions from tax on prohibited trans-  
23                         actions) is amended by striking “or” at end of paragraph  
24                         (14), by striking the period at the end of paragraph (15)

1 and inserting “; or”, and by inserting after paragraph  
2 (15) the following new paragraph:

3           “(16) any qualified loan within the meaning of  
4           section 408(e)(7).”

5           (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to loans made after the date of  
7 the enactment of this Act.

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