

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.

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 1997

Mr. ACKERMAN 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 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 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 “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 indi-
2 vidual retirement plan at the direction of
3 the individual on whose behalf such plan is
4 established,

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

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

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

20 “(vi) bears interest from the date of
21 the loan at a rate not less than the rate for
22 comparable United States Treasury obliga-
23 tions on such date.

24 “(C) QUALIFIED EXPENSES.—For pur-
25 poses of this paragraph—

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 acquisi-
10 tion 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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