

106TH CONGRESS  
2D SESSION

# H. R. 3537

To amend the Internal Revenue Code of 1986 to allow a deduction for State and local real property taxes paid by certain taxpayers aged 65 or older who do not itemize their deductions and to provide for the establishment of senior citizen real property tax accounts.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 2000

Mr. FRANKS of New Jersey 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 allow a deduction for State and local real property taxes paid by certain taxpayers aged 65 or older who do not itemize their deductions and to provide for the establishment of senior citizen real property tax accounts.

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 “Seniors Real Property  
5       Tax Relief Act of 2000”.

1 **SEC. 2. ALLOWANCE OF DEDUCTION FOR STATE AND**  
2 **LOCAL REAL PROPERTY TAXES TO CERTAIN**  
3 **SENIORS WHO DO NOT ITEMIZE THEIR DE-**  
4 **DUCTIONS.**

5 (a) IN GENERAL.—Subsection (a) of section 62 of the  
6 Internal Revenue Code of 1986 (relating to definition of  
7 adjusted gross income) is amended by adding at the end  
8 the following new paragraph:

9 “(18) REAL PROPERTY TAXES OF ELIGIBLE  
10 SENIOR TAXPAYERS.—

11 “(A) IN GENERAL.—In the case of an eligi-  
12 ble senior taxpayer, the deduction for State and  
13 local real property taxes (within the meaning of  
14 section 164).

15 “(B) LIMITATION.—Subparagraph (A)  
16 shall apply only to the portion of the amount  
17 paid for State and local real property taxes  
18 which exceeds the aggregate amount distributed  
19 for the taxable year from the senior citizen real  
20 property tax account (as defined by section  
21 222). For purposes of the preceding sentence,  
22 distributions described in paragraph (3), (4), or  
23 (5) of section 222(e) shall not be taken into ac-  
24 count.

25 “(C) ELIGIBLE SENIOR TAXPAYER DE-  
26 FINED.—For purposes of subparagraph (A), the

term ‘eligible senior taxpayer’ means a taxpayer—

“(i) who is not married or is married filing a separate return and—

“(I) who has attained age 65 before the close of his taxable year, and

“(II) whose modified adjusted gross income for such taxable year does not exceed \$30,000, or

“(ii) who is filing a joint return or is a surviving spouse (as defined in section 2(a)) and—

“(I) with respect to whom 1 of the spouses has attained age 65 before the close of the taxpayer’s taxable year, and

“(II) whose modified adjusted gross income for such taxable year does not exceed \$60,000.

“(D) MODIFIED ADJUSTED GROSS INCOME.—For purposes of subparagraph (C), the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year determined—

1 “(i) without regard to sections 911,  
2 931, and 933, and

3 “(ii) after the application of sections  
4 86, 469, 219, 220, and 222.

5 “(E) INFLATION ADJUSTMENT.—

6 “(i) IN GENERAL.—In the case of a  
7 taxable year beginning after December 31,  
8 2000, each of the dollar amounts in sub-  
9 paragraphs (C)(i)(II) and (C)(ii)(II) shall  
10 be increased by an amount equal to—

11 “(I) such dollar amount, multi-  
12 plied by

13 “(II) the cost-of-living adjust-  
14 ment determined under section 1(f)(3)  
15 for the calendar year in which the tax-  
16 able year begins, determined by sub-  
17 stituting ‘calendar year 1999’ for ‘cal-  
18 endar year 1992’ in subparagraph (B)  
19 thereof.

20 “(ii) ROUNDING.—If any amount as  
21 adjusted under clause (i) is not a multiple  
22 of \$100 such amount shall be rounded to  
23 the next lowest multiple of \$100.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section shall apply to taxable years beginning after  
 3 the date of the enactment of this Act.

4 **SEC. 3. SENIOR CITIZEN REAL PROPERTY TAX ACCOUNTS.**

5 (a) IN GENERAL.—Part VII of subchapter B of chap-  
 6 ter 1 of the Internal Revenue Code of 1986 (relating to  
 7 additional itemized deductions for individuals) is amended  
 8 by redesignating section 222 as section 223 and by insert-  
 9 ing after section 221 the following new section:

10 **“SEC. 222. SENIOR CITIZEN REAL PROPERTY TAX AC-**  
 11 **COUNTS.**

12 “(a) DEDUCTION ALLOWED.—In the case of an indi-  
 13 vidual, there shall be allowed as a deduction for the tax-  
 14 able year an amount equal to the cash contributions made  
 15 for such taxable year to a senior citizen real property tax  
 16 account maintained for the benefit of such individual.

17 “(b) MAXIMUM AMOUNT OF DEDUCTION.—The  
 18 amount allowable as a deduction under subsection (a) to  
 19 any individual for any taxable year shall not exceed  
 20 \$2,000.

21 “(c) DEFINITIONS.—For purposes of this section—

22 “(1) SENIOR CITIZEN REAL PROPERTY TAX AC-  
 23 COUNT.—The term ‘senior citizen real property tax  
 24 account’ means a trust created or organized in the  
 25 United States exclusively for the purpose of paying

1 the qualified property tax expenses of the account  
2 beneficiary of the trust, but only if the trust is des-  
3 ignated as a senior citizen real property tax account  
4 at the time created or organized and the written  
5 governing instrument creating the trust meets the  
6 following requirements:

7 “(A) No contribution (other than a rollover  
8 contribution described in subsection (e)(5)) will  
9 be accepted—

10 “(i) unless it is in cash,

11 “(ii) in excess of \$2,000 for the tax-  
12 able year, or

13 “(iii) after the date on which such  
14 beneficiary attains age 59½.

15 “(B) The trustee is a bank (as defined in  
16 section 408(n)) or another person who dem-  
17 onstrates to the satisfaction of the Secretary  
18 that the manner in which that person will ad-  
19 minister the trust will be consistent with the re-  
20 quirements of this section or who has so dem-  
21 onstrated with respect to any individual retire-  
22 ment plan.

23 “(C) No part of the trust assets will be in-  
24 vested in life insurance contracts.

1           “(D) The assets of the trust shall not be  
2 commingled with other property except in a  
3 common trust fund or common investment  
4 fund.

5           “(2) QUALIFIED PROPERTY TAX EXPENSES.—

6           “(A) IN GENERAL.—The term ‘qualified  
7 property tax expenses’ means State and local,  
8 and foreign, real property taxes imposed on the  
9 account beneficiary (determined in accordance  
10 with section 164) with respect to the principal  
11 residence (within the meaning of section 121)  
12 of such beneficiary. Such term shall not include  
13 taxes imposed for any real property tax period  
14 ending before the date such beneficiary attains  
15 age 59½.

16           “(B) JOINTLY HELD PROPERTY.—In the  
17 case of any residence which is held as joint ten-  
18 ants, tenants by the entirety, or community  
19 property by individuals who are married to each  
20 other, if one spouse satisfies the age require-  
21 ment of subparagraph (A), then both spouses  
22 shall be treated as satisfying such requirement.

23           “(3) ACCOUNT BENEFICIARY.—The term ‘ac-  
24 count beneficiary’ means the individual for whose

1 benefit the senior citizen real property tax account  
2 was established.

3 “(4) CERTAIN RULES TO APPLY.—Rules similar  
4 to the following rules shall apply for purposes of this  
5 section:

6 “(A) Section 219(d)(2) (relating to no de-  
7 duction for rollovers).

8 “(B) Section 219(f)(3) (relating to time  
9 when contributions deemed made).

10 “(C) Section 408(d)(6) (relating to trans-  
11 fer of account incident to divorce).

12 “(D) Section 408(g) (relating to commu-  
13 nity property laws).

14 “(E) Section 408(h) (relating to custodial  
15 accounts).

16 “(d) TAX TREATMENT OF ACCOUNTS.—

17 “(1) IN GENERAL.—A senior citizen real prop-  
18 erty tax account is exempt from taxation under this  
19 subtitle unless such account has ceased to be such  
20 an account by reason of paragraph (2). Notwith-  
21 standing the preceding sentence, any such account is  
22 subject to the taxes imposed by section 511 (relating  
23 to imposition of tax on unrelated business income of  
24 charitable, etc. organizations).

1           “(2) ACCOUNT TERMINATIONS.—Rules similar  
2           to the rules of paragraphs (2) and (4) of section  
3           408(e) shall apply to senior citizen real property tax  
4           accounts, and any amount treated as distributed  
5           under such rules shall be treated as not used to pay  
6           qualified property tax expenses.

7           “(e) TAX TREATMENT OF DISTRIBUTIONS.—

8           “(1) IN GENERAL.—If any distribution is made  
9           from a senior citizen real property tax account dur-  
10          ing the taxable year, the account beneficiary’s tax  
11          imposed by this chapter for such taxable year shall  
12          be increased by an amount equal to—

13               “(A) 50 percent of any such distribution  
14               which is made before the date the account bene-  
15               ficiary attains age 59½, and

16               “(B) 25 percent of any such distribution  
17               which is made on or after such date.

18          The increase in tax under the preceding sentence  
19          shall be in lieu of any inclusion in gross income.

20          “(2) AMOUNTS USED FOR QUALIFIED PROP-  
21          ERTY TAX EXPENSES.—

22               “(A) IN GENERAL.—Paragraph (1) shall  
23               not apply to the extent that the aggregate dis-  
24               tributions during the taxable year from the sen-  
25               ior citizen real property tax accounts of the ac-

count beneficiary do not exceed the aggregate qualified property tax expenses of such beneficiary for such year.

“(B) EXCLUSION FROM GROSS INCOME.—

Gross income shall not include any distribution excluded from paragraph (1) by reason of subparagraph (A).

“(3) TREATMENT AFTER DEATH OF ACCOUNT BENEFICIARY; DISABILITY.—Paragraph (1) shall not apply to a distribution—

“(A) which is made by reason of the death of the account beneficiary and is made (either directly or by the estate of such beneficiary) to any senior citizen real property tax account or individual retirement plan of any individual, or

“(B) which is attributable to the account beneficiary’s being disabled (within the meaning of section 72(m)(7)).

In the case of a distribution which is made by reason of the death of the account beneficiary and to which paragraph (1) applies after the application of the preceding sentence, the tax on such distribution shall be determined under paragraph (1)(A).

“(4) EXCESS CONTRIBUTIONS RETURNED BEFORE THE DUE DATE OF RETURN.—

1           “(A) IN GENERAL.—If any excess con-  
2           tribution is contributed for a taxable year to a  
3           senior citizen real property tax account of an  
4           individual, paragraph (1) shall not apply to dis-  
5           tributions from the senior citizen real property  
6           tax accounts of such individual (to the extent  
7           such distributions do not exceed the aggregate  
8           excess contributions to all such accounts of  
9           such individual for such year) if—

10           “(i) such distribution is received by  
11           the individual on or before the last day  
12           prescribed by law (including extensions of  
13           time) for filing such individual’s return for  
14           such taxable year, and

15           “(ii) such distribution is accompanied  
16           by the amount of net income attributable  
17           to such excess contribution.

18           Any net income described in clause (ii) shall be  
19           included in the gross income of the individual  
20           for the taxable year in which it is received.

21           “(B) EXCESS CONTRIBUTION.—For pur-  
22           poses of subparagraph (A), the term ‘excess  
23           contribution’ means any contribution (other  
24           than a rollover contribution) that is not deduct-  
25           ible under this section.

1           “(5) ROLLOVER CONTRIBUTION.—An amount is  
2       described in this paragraph as a rollover contribu-  
3       tion if it meets the requirements of subparagraphs  
4       (A) and (B).

5           “(A) IN GENERAL.—Paragraph (1) shall  
6       not apply to any amount distributed from a  
7       senior citizen real property tax account to the  
8       account beneficiary to the extent the amount  
9       received is paid into a senior citizen real prop-  
10      erty tax account for the benefit of such bene-  
11      ficiary not later than the 60th day after the day  
12      on which the beneficiary receives the payment  
13      or distribution.

14          “(B) LIMITATION.—This paragraph shall  
15      not apply to any amount described in subpara-  
16      graph (A) received by an individual from a sen-  
17      ior citizen real property tax account if, at any  
18      time during the 1-year period ending on the day  
19      of such receipt, such individual received any  
20      other amount described in subparagraph (A)  
21      from a senior citizen real property tax account  
22      which was not includible in the individual’s  
23      gross income because of the application of this  
24      paragraph.

25          “(f) SPECIAL RULES.—

1           “(1) MARRIED INDIVIDUALS.—The maximum  
2       deduction under subsection (b) shall be computed  
3       separately for each individual.

4           “(2) TIME WHEN CONTRIBUTIONS DEEMED  
5       MADE.—For purposes of this section, a taxpayer  
6       shall be deemed to have made a contribution to a  
7       senior citizen real property tax account on the last  
8       day of the preceding taxable year if the contribution  
9       is made on account of such taxable year and is made  
10      not later than the time prescribed by law for filing  
11      the return for such taxable year (not including ex-  
12      tensions thereof).

13          “(g) REPORTS.—The Secretary may require the  
14      trustee of a senior citizen real property tax account to  
15      make such reports regarding such account to the Sec-  
16      retary and to the account beneficiary with respect to con-  
17      tributions, distributions, and such other matters as the  
18      Secretary determines appropriate. The reports required by  
19      this subsection shall be filed at such time and in such a  
20      manner and furnished to such individuals at such time and  
21      in such manner as may be required by the Secretary.”.

22          (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-  
23      PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)  
24      of section 62 of such Code, as amended by section 2, is

1 amended by inserting after paragraph (18) the following  
2 new paragraph:

3 “(19) SENIOR CITIZEN REAL PROPERTY TAX  
4 ACCOUNTS.—The deduction allowed by section  
5 222.”.

6 (c) TAX ON PROHIBITED TRANSACTIONS.—

7 (1) IN GENERAL.—Paragraph (1) of section  
8 4975(e) of such Code (relating to prohibited trans-  
9 actions) is amended by redesignating subparagraphs  
10 (E) and (F) as subparagraphs (F) and (G), respec-  
11 tively, and by inserting after subparagraph (D) the  
12 following new subparagraph:

13 “(E) a senior citizen real property tax ac-  
14 count described in section 222(c),”.

15 (2) SPECIAL RULE.—Subsection (c) of section  
16 4975 of such Code is amended by adding at the end  
17 the following new paragraph:

18 “(6) SPECIAL RULE FOR SENIOR CITIZEN REAL  
19 PROPERTY TAX ACCOUNTS.—The individual for  
20 whose benefit a senior citizen real property tax ac-  
21 count is established shall be exempt from the tax im-  
22 posed by this section with respect to any transaction  
23 concerning such account (which would otherwise be  
24 taxable under this section) if section 222(d)(2) ap-  
25 plies with respect to such transaction.”.

1 (d) FAILURE TO PROVIDE REPORTS ON SENIOR CIT-  
 2 IZEN REAL PROPERTY TAX ACCOUNTS.—Paragraph (2)  
 3 of section 6693(a) of such Code (relating to failure to pro-  
 4 vide reports on individual retirement accounts or annu-  
 5 ities) is amended by redesignating subparagraphs (C) and  
 6 (D) as subparagraphs (D) and (E), respectively, and by  
 7 inserting after subparagraph (B) the following new sub-  
 8 paragraph:

9 “(C) section 222(g) (relating to senior cit-  
 10 izen real property tax accounts),”.

11 (e) TAX ON EXCESS CONTRIBUTIONS.—

12 (1) IN GENERAL.—Subsection (a) of section  
 13 4973 of such Code is amended by redesignating  
 14 paragraphs (3) and (4) as paragraphs (4) and (5),  
 15 respectively, and by inserting after paragraph (2)  
 16 the following new paragraph:

17 “(3) a senior citizen real property tax account  
 18 (as defined in section 222(c)),”.

19 (2) EXCESS CONTRIBUTIONS DEFINED.—Sec-  
 20 tion 4973 of such Code is amended by adding at the  
 21 end the following new subsection:

22 “(g) EXCESS CONTRIBUTIONS TO SENIOR CITIZEN  
 23 REAL PROPERTY TAX ACCOUNTS.—For purposes of this  
 24 section, in the case of senior citizen real property tax ac-

1 counts maintained for the benefit of any 1 beneficiary, the  
 2 term ‘excess contributions’ means the sum of—

3 “(1) the excess (if any) of—

4 “(A) the amount contributed for the tax-  
 5 able year to senior citizen real property tax ac-  
 6 counts (other than a qualified rollover contribu-  
 7 tion described in section 222(e)), over

8 “(B) the amount allowable as a contribu-  
 9 tion under sections 222 (b) and (c), and

10 “(2) the amount determined under this sub-  
 11 section for the preceding taxable year, reduced by  
 12 the sum of—

13 “(A) the distributions out of the accounts  
 14 for the taxable year, and

15 “(B) the excess (if any) of the maximum  
 16 amount allowable as a contribution under sec-  
 17 tions 222 (b) and (c) for the taxable year over  
 18 the amount contributed by the individual to all  
 19 individual retirement plans for the taxable year.

20 For purposes of this subsection, any contribution  
 21 which is distributed from a Roth IRA in a distribu-  
 22 tion described in section 222(e)(4) shall be treated  
 23 as an amount not contributed.”.

24 (f) CLERICAL AMENDMENT.—The table of sections  
 25 for part VII of subchapter B of chapter 1 of such Code

1 is amended by striking the last item and inserting the fol-  
2 lowing new items:

“Sec. 222. Senior citizen real property tax accounts.

“Sec. 223. Cross reference.”.

3 (g) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 the date of the enactment of this Act.

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