

107TH CONGRESS  
1ST SESSION

# H. R. 2176

To amend the Internal Revenue Code of 1986 to provide disaster relief  
for homeowners.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 14, 2001

Mr. BAIRD (for himself and Mr. ANDREWS) 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 provide  
disaster relief for homeowners.

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 “Disaster Burden Relief  
5       Act of 2001”.

6       **SEC. 2. CREDIT FOR MORTGAGE PAYMENTS MADE ON DE-**  
7       **STROYED HOME.**

8       (a) IN GENERAL.—Subpart A of part IV of sub-  
9       chapter A of chapter 1 of the Internal Revenue Code of  
10      1986 (relating to nonrefundable personal credits) is

1 amended by inserting after section 25A the following new  
2 section:

3 **SEC. 25B. MORTGAGE PAYMENTS MADE ON DESTROYED**  
4 **HOME.**

5 “(a) IN GENERAL.—In the case of an individual,  
6 there shall be allowed as a credit against the tax imposed  
7 by this chapter for the taxable year an amount equal to  
8 the payments made during the taxable year on acquisition  
9 of indebtedness (as defined in section 163(h)(3)(B)) secured  
10 by a qualified destroyed home.

11 “(b) QUALIFIED DESTROYED HOME.—For purposes  
12 of this section, the term ‘qualified destroyed home’ means  
13 any residence if—

14 “(1) such residence is substantially destroyed as  
15 a result of a disaster which is a Presidentially de-  
16 clared disaster (as defined in section 1033(h)) or a  
17 disaster which is declared by the chief executive offi-  
18 cer of the State in which such residence is located,

19 “(2) such residence was the principal residence  
20 (within the meaning of section 121) of the taxpayer  
21 at the time of its destruction,

22 “(3) because of the high risk of the occurrence  
23 of the type of disaster which substantially destroyed  
24 such residence, insurance covering damage resulting

1 from such a disaster was unavailable at reasonable  
2 rates, and

3 “(4) such destruction is not compensated for by  
4 insurance or otherwise.

5 “(c) SPECIAL RULES.—

6 “(1) COORDINATION WITH INTEREST DEDUC-  
7 TION.—The deduction which would (but for this sub-  
8 section) be allowed on the indebtedness referred to  
9 in subsection (a) shall be reduced by the credit al-  
10 lowed under this section.

11 “(2) CREDIT ONLY FOR PAYMENT DUE AFTER  
12 DESTRUCTION.—Subsection (a) shall not apply to  
13 any amount first due before the date of the disaster.

14 “(3) BENEFIT REDUCED BY GOVERNMENT  
15 GRANTS.—

16 “(A) IN GENERAL.—If any grant is pro-  
17 vided to the taxpayer under any Federal, State,  
18 or local government program by reason of the  
19 destruction of the residence—

20 “(i) subsection (b)(4) shall be applied  
21 without regard to such grant, but

22 “(ii) the credit which would (but for  
23 this paragraph) be allowed under this sec-  
24 tion for any taxable year shall be reduced

1                   by such taxable year's ratable portion of  
2                   such grant.

3                   “(B) RATABLE PORTION.—The ratable  
4                   portion of a grant shall be determined by allo-  
5                   cating such grant ratably over the reasonably  
6                   expected remaining period that payments on the  
7                   mortgage will be required to be made.

8                   “(d) ELECTION NOT TO HAVE CREDIT APPLY.—  
9                   This section shall not apply to a taxpayer for a taxable  
10                  year if the taxpayer elects not to have this section apply  
11                  for such year.”

12                  (b) CLERICAL AMENDMENT.—The table of sections  
13                  for subpart A of part IV of subchapter A of chapter 1  
14                  of such Code is amended by inserting after the item relat-  
15                  ing to section 25A the following new item:

“Sec. 25B. Mortgage payments made on destroyed home.”

16                  (c) EFFECTIVE DATE.—The amendments made by  
17                  this section apply to with respect to disasters occurring  
18                  on or after January 1, 2000.

19                  **SEC. 3. NO INCOME FROM DISCHARGE OF INDEBTEDNESS**  
20                  **OF DESTROYED HOME.**

21                  (a) IN GENERAL.—Subsection (a) of section 108 of  
22                  the Internal Revenue Code of 1986 (relating to income  
23                  from discharge of indebtedness) is amended by adding at  
24                  the end the following new paragraph:

1                   “(4) EXCEPTION FOR HOMES DESTROYED IN  
2 PRESIDENTIALLY DECLARED DISASTERS.—Para-  
3 graph (1) shall not apply to any discharge of acqui-  
4 sition indebtedness (as defined in section  
5 163(h)(3)(B)) secured by a qualified destroyed home  
6 (as defined in section 25B(b)).”

7                   (b) EFFECTIVE DATE.—The amendment made by  
8 this section apply to with respect to disasters occurring  
9 on or after January 1, 2000.

10 **SEC. 4. LOSS DEDUCTION ON DESTROYED HOME DETER-  
11 MINED AS IF BASIS EQUALED FAIR MARKET  
12 VALUE PRIOR TO DESTRUCTION.**

13                   (a) IN GENERAL.—Subsection (c) of section 165 of  
14 the Internal Revenue Code of 1986 (relating to limitation  
15 on losses of individuals) is amended by adding at the end  
16 the following new sentence:

17                   “If the loss referred to in paragraph (3) is of a qualified  
18 destroyed home (as defined in section 25B(b)) and the  
19 taxpayer irrevocably elects not to claim the benefits of sec-  
20 tion 25B with respect to such home, the amount of the  
21 loss sustained shall be determined as if the adjusted basis  
22 of the home equaled its fair market value immediately be-  
23 fore its destruction.”.

1       (b) EFFECTIVE DATE.—The amendment made by  
2 this section apply to with respect to disasters occurring  
3 on or after January 1, 2000.

4 SEC. 5. LOSS ON SALE OR EXCHANGE OF PRINCIPAL RESI-  
5 DENCE LOCATED IN PRESIDENTIALLY DE-  
6 CLARED DISASTER AREA.

7 (a) IN GENERAL.—Subsection (c) of section 165 of  
8 the Internal Revenue Code of 1986 (relating to limitation  
9 on losses of individuals) is amended by striking “and” at  
10 the end of paragraph (2), by striking the period at the  
11 end of paragraph (3) and inserting “; and”, and by insert-  
12 ing after paragraph (3) the following new paragraph:

13                   “(4) losses arising from the sale or exchange of  
14                   the principal residence (within the meaning of sec-  
15                   tion 121) of the taxpayer if—

16                     “(A) such residence is located in an area—  
17                         “(i) which was at any time determined  
18                         by the President to warrant assistance by  
19                         the Federal Government under the Robert  
20                         T. Stafford Disaster Relief and Emergency  
21                         Assistance Act, or

1               “(B) such residence was acquired by the  
2               taxpayer on or before the date of the occurrence  
3               of the disaster for which such determination or  
4               declaration was made, and

5               “(C) because of the high risk of the reoc-  
6               currence of the type of disaster for which such  
7               determination or declaration was made, insur-  
8               ance covering damage resulting from such a  
9               disaster was unavailable at reasonable rates.”

10               (b) LIMITATION ON LOSSES NOT TO APPLY.—Sub-  
11               section (b) of section 1211 of such Code is amended by  
12               adding at the end the following new flush sentence:  
13               “The preceding sentence shall not apply to a loss described  
14               in section 165(c)(4).”

15               (c) EFFECTIVE DATE.—The amendments made by  
16               this section shall apply to sales and exchanges on or after  
17               January 1, 2000.

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