

110TH CONGRESS  
1ST SESSION

# H. R. 2893

To amend the Internal Revenue Code of 1986 to provide that qualified homeowner downpayment assistance is a charitable purpose, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 2007

Mr. WELDON of Florida 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 that qualified homeowner downpayment assistance is a charitable purpose, 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 “Homeownership Af-  
5 fordability Act of 2007”.

6 **SEC. 2. QUALIFIED HOMEOWNER DOWNPAYMENT ASSIST-**  
7 **ANCE.**

8 (a) IN GENERAL.—Section 501 of the Internal Rev-  
9 enue Code of 1986 (relating to exemption of tax on cor-

1 porations, certain trusts, etc.) is amended by redesignig-  
2 nating subsection (r) as subsection (s) and by inserting  
3 after subsection (q) the following new subsection:

4 “(r) QUALIFIED HOMEOWNER DOWNPAYMENT AS-  
5 SISTANCE.—

6 “(1) IN GENERAL.—For purposes of subsection  
7 (c)(3) and sections 170(c)(2), 2055(a)(2), and  
8 2522(a)(2), the term ‘charitable purposes’ includes  
9 the provision of qualified homeowner downpayment  
10 assistance.

11 “(2) QUALIFIED HOMEOWNER DOWNPAYMENT  
12 ASSISTANCE.—For purposes of this subsection, the  
13 term ‘qualified homeowner downpayment assistance’  
14 means a gift of cash for the purpose of providing  
15 any downpayment for the acquisition of any property  
16 as a principal residence (within the meaning of sec-  
17 tion 121) for a qualified taxpayer if—

18 “(A) with respect to such property, such  
19 gift does not exceed 20 percent of 110 percent  
20 of the maximum principal obligation allowable,  
21 and

22 “(B) the purchase price of such property  
23 does not exceed 110 percent of the maximum  
24 principal obligation allowable.

1           “(3) MAXIMUM PRINCIPAL OBLIGATION ALLOW-  
2           ABLE.—The maximum principal obligation allowable  
3           with respect to any property is the maximum prin-  
4           cipal obligation allowable for the area in which such  
5           property is located, determined under section  
6           203(b)(2)(A) of the National Housing Act, for a  
7           loan insured pursuant to such section 203.

8           “(4) QUALIFIED TAXPAYER.—For purposes of  
9           paragraph (2), the term ‘qualified taxpayer’ means  
10          a taxpayer whose modified adjusted gross income for  
11          the taxable year in which the downpayment assist-  
12          ance is received does not exceed \$110,000 (\$220,000  
13          in the case of a joint return). For purposes of the  
14          preceding sentence, the term ‘modified adjusted  
15          gross income’ means adjusted gross income in-  
16          creased by any amount excluded from gross income  
17          under section 911, 931, or 933.”.

18          (b) NO CHARITABLE DEDUCTION FOR CONTRIBU-  
19          TIONS FOR DOWNPAYMENT ASSISTANCE.—Subsection (f)  
20          of section 170 of the Internal Revenue Code of 1986 (re-  
21          lating to disallowance of deduction in certain cases and  
22          special rules) is amended by adding at the end the fol-  
23          lowing new paragraph:

24                 “(19) DENIAL OF DEDUCTION OF CONTRIBU-  
25                 TIONS FOR DOWNPAYMENT ASSISTANCE.—No deduc-

1       tion shall be allowed under this section for a con-  
2       tribution to an organization which provides home-  
3       owner downpayment assistance if the contribution is  
4       made directly or indirectly in connection with a  
5       transaction in which the purchaser of a home re-  
6       ceived downpayment assistance and the contrib-  
7       utor—

8               “(A) received the downpayment assistance,

9               “(B) sold the home to the purchaser,

10              “(C) loaned money to the purchaser, or

11              “(D) otherwise received a commission or

12              other benefit associated with the transaction.”.

13       (c) EXCLUSION FROM TAXABLE GIFTS.—

14               (1) IN GENERAL.—Paragraph (2) of section  
15       2503(e) of such Code (relating to exclusion for cer-  
16       tain transfers for educational expenses or medical  
17       expenses) is amended by striking “or” at the end of  
18       subparagraph (A), by striking the period at the end  
19       of subparagraph (B) and inserting “, or”, and by in-  
20       serting after subparagraph (B) the following new  
21       subparagraph:

22               “(C) if such payment is qualified home-

23               owner downpayment assistance (as defined in

24               section 501(r)(2)) paid to a lender or the seller

1 of the property on behalf of a donee who is re-  
2 lated to the donor.”.

3 (2) RELATIONSHIP TEST.—Paragraph (2) of  
4 section 2503(e) of such Code is amended by adding  
5 at the end the following flush sentence:

6 “For purposes of subparagraph (C), a donee is re-  
7 lated to a donor if the donee bears a relationship to  
8 the donor described in section 529(e)(2) (other than  
9 subparagraph (D) thereof).”.

10 (3) CONFORMING AMENDMENT.—The heading  
11 for section 2503(e) of such Code is amended by  
12 striking “EDUCATIONAL EXPENSES OR MEDICAL  
13 EXPENSES” and inserting “EDUCATIONAL EX-  
14 PENSES, MEDICAL EXPENSES, OR DOWNPAYMENT  
15 ASSISTANCE”.

16 (d) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to taxable years ending after the  
18 date of the enactment of this Act.

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