

111TH CONGRESS  
1ST SESSION

# H. R. 3520

To amend the Internal Revenue Code of 1986 to exclude capital gains on sales and exchanges of residences purchased in a foreclosure sale.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 31, 2009

Mr. SMITH of Nebraska (for himself, Mr. ROHRBACHER, and Mr. LANCE) 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 exclude capital gains on sales and exchanges of residences purchased in a foreclosure sale.

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. EXCLUSION OF CAPITAL GAIN ON SALES AND**  
4                       **EXCHANGES OF HOMES PURCHASED IN A**  
5                       **FORECLOSURE SALE.**

6       (a) IN GENERAL.—Part I of subchapter P of chapter  
7       1 of the Internal Revenue Code of 1986 (relating to treat-  
8       ment of capital gains) is amended by adding at the end  
9       the following new section:

1 **“SEC. 1203. GAIN ON SALES AND EXCHANGES OF HOMES**  
2 **PURCHASED IN A FORECLOSURE SALE.**

3 “(a) IN GENERAL.—Gross income shall not include  
4 qualified gain.

5 “(b) QUALIFIED GAIN.—For purposes of subsection  
6 (a), the term ‘qualified gain’ means any gain from the sale  
7 or exchange of any qualified residential property which is  
8 acquired after the date of the enactment of this section,  
9 as the result of having bid on such property at foreclosure,  
10 or by operation of an agreement or process of law, after  
11 there was a default (or a default was imminent) on indebt-  
12 edness which such property secured.

13 “(c) QUALIFIED RESIDENTIAL PROPERTY.—For pur-  
14 poses of this section, the term ‘qualified residential prop-  
15 erty’ means a residential property which—

16 “(1) is a capital asset,

17 “(2) is located in the United States, and

18 “(3) consists of from 1 to 4 dwelling units.

19 “(d) BASIS REDUCTION.—The basis of any qualified  
20 residential property shall be reduced by the amount of any  
21 exclusion determined under this section with respect to  
22 such property.

23 “(e) TERMINATION.—Subsection (a) shall not to sales  
24 and exchanges after the end of the 18-month period begin-  
25 ning on the date of the enactment of this section.”.

1       (b) BASIS.—Section 1016(a) of such Code is amend-  
2 ed by striking “and” at the end of paragraph (36), by  
3 striking the period at the end of paragraph (37) and in-  
4 serting “, and”, and by adding at the end the following  
5 new paragraph:

6               “(38) to the extent provided in section  
7       1203(d).”.

8       (c) CONFORMING AMENDMENT.—The table of sec-  
9 tions for part I of subchapter P of chapter 1 of such Code  
10 is amended by adding at the end the following new item:

“Sec. 1203. Gain on sales and exchanges of homes purchased in a foreclosure  
sale.”.

11       (d) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply with respect to property purchased  
13 on or after the date of the enactment of this Act.

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