

112TH CONGRESS  
2D SESSION

# H. R. 4290

To amend the Internal Revenue Code of 1986 to extend the income exclusion for discharge of qualified principal residence indebtedness, to provide exclusions from income for certain payments under the National Mortgage Settlement, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 28, 2012

Mr. McDERMOTT (for himself, Mr. LARSON of Connecticut, Ms. BERKLEY, Mr. LEVIN, Mr. RANGEL, Mr. STARK, Mr. LEWIS of Georgia, Mr. NEAL, Mr. BECERRA, Mr. DOGGETT, Mr. THOMPSON of California, Mr. BLUMENAUER, Mr. KIND, Mr. PASCRELL, and Mr. CROWLEY) 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 extend the income exclusion for discharge of qualified principal residence indebtedness, to provide exclusions from income for certain payments under the National Mortgage Settlement, 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 “Homeowner Tax Fair-  
5 ness Act”.

1 **SEC. 2. EXTENSION OF INCOME EXCLUSION FOR DIS-**  
2 **CHARGE OF QUALIFIED PRINCIPAL RESI-**  
3 **DENCE INDEBTEDNESS.**

4 (a) IN GENERAL.—Subparagraph (E) of section  
5 108(a)(1) of the Internal Revenue Code of 1986 is amend-  
6 ed by striking “January 1, 2013” and inserting “January  
7 1, 2016”.

8 (b) APPLICATION TO CERTAIN AGREEMENTS.—Sub-  
9 paragraph (E) of section 108(a)(1) of such Code, as  
10 amended by subsection (a), is amended by inserting before  
11 the period the following: “, or which is discharged after  
12 such date pursuant to an agreement entered into before  
13 such date under the programs created pursuant to, or  
14 using funds authorized by the Emergency Economic Sta-  
15 bilization Act of 2008”.

16 (c) EFFECTIVE DATE.—

17 (1) SUBSECTION (a).—The amendment made  
18 by subsection (a) shall apply to discharges in taxable  
19 years beginning after December 31, 2012.

20 (2) SUBSECTION (b).—The amendment made  
21 by subsection (b) shall take effect on the date of the  
22 enactment of this Act.

23 **SEC. 3. EXTENSION OF DEDUCTION FOR MORTGAGE INSUR-**  
24 **ANCE PREMIUMS.**

25 (a) IN GENERAL.—Subclause (I) of section  
26 163(h)(3)(E)(i) of the Internal Revenue Code of 1986 is

1 amended by striking “December 31, 2011” and inserting  
 2 “December 31, 2014”.

3 (b) EFFECTIVE DATE.—The amendment made by  
 4 this section shall apply to amounts paid or accrued after  
 5 December 31, 2011.

6 **SEC. 4. EXCLUSIONS RELATING TO NATIONAL MORTGAGE**  
 7 **SETTLEMENT PAYMENTS.**

8 (a) IN GENERAL.—Part III of subchapter B of chap-  
 9 ter 1 of the Internal Revenue Code of 1986 (relating to  
 10 items specifically excluded from gross income) is amended  
 11 by inserting after section 139D the following new section:

12 **“SEC. 139E. NATIONAL MORTGAGE SETTLEMENT.**

13 “(a) GENERAL RULE.—In the case of an individual,  
 14 gross income shall not include any National Mortgage Set-  
 15 tlement amount.

16 “(b) NATIONAL MORTGAGE SETTLEMENT AMOUNT  
 17 DEFINED.—For purposes of subsection (a), the term ‘Na-  
 18 tional Mortgage Settlement amount’ means, with respect  
 19 to any amount received under the National Mortgage Set-  
 20 tlement, an amount which is—

21 “(1) a payment for transitional assistance,

22 “(2) a payment from the Borrower Payment  
 23 Fund under the National Mortgage Settlement to a  
 24 borrower whose home was finally sold or taken in

1 foreclosure after December 31, 2007, and before  
2 January 1, 2012, or

3 “(3) a payment received as a result of a fore-  
4 closure or excess charge of interest that the United  
5 States Department of Justice has determined was  
6 not in compliance with the Servicemembers Civil Re-  
7 lief Act.

8 “(c) DISREGARD OF REFUND OF EXCESS MORTGAGE  
9 INTEREST AND RELATED DAMAGES.—In the case of an  
10 individual, the amount of interest refunded and damages  
11 paid under the National Mortgage Settlement for excess  
12 charges of mortgage interest described in subsection  
13 (b)(3)—

14 “(1) shall be disregarded for purposes of this  
15 chapter, and

16 “(2) no adjustment of the deduction allowable  
17 under section 163(h) shall be made as a result of  
18 such refund.

19 “(d) NATIONAL MORTGAGE SETTLEMENT.—For pur-  
20 poses of this section, the term ‘National Mortgage Settle-  
21 ment’ means any consent agreement entered into in settle-  
22 ment of the action entitled ‘The United States of America,  
23 et al. against Bank of America Corporation, et al.’, filed  
24 in the United States District Court for the District of Co-

1 lumbia on March 12, 2012 (case numbered 1:12-cv-00361-  
2 RMC).”.

3 (b) DENIAL OF BUSINESS DEDUCTION FOR CERTAIN  
4 PAYMENTS.—Section 162 of such Code is amended by re-  
5 designating subsection (q) as subsection (r) and by insert-  
6 ing after subsection (p) the following new subsection:

7 “(q) NATIONAL MORTGAGE SETTLEMENT.—

8 “(1) IN GENERAL.—No deduction shall be al-  
9 lowed under this chapter for any National Mortgage  
10 Settlement amount that was paid in exchange for a  
11 full release of the United States’ potential civil  
12 claims under the Servicemembers Civil Relief Act.

13 “(2) NATIONAL MORTGAGE SETTLEMENT  
14 AMOUNT.—The term ‘National Mortgage Settlement  
15 amount’ has the meaning given such term by section  
16 139E.”.

17 (c) CLERICAL AMENDMENT.—The table of sections  
18 for such part III is amended by inserting after the item  
19 relating to section 139D the following new item:

“Sec. 139E. National Mortgage Settlement.”.

20 (d) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years ending after  
22 March 12, 2012.

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