

112TH CONGRESS
2D SESSION

S. 3224

To amend the Internal Revenue Code of 1986 to prevent an unfair tax burden for veterans and homeowners who have received assistance from the National Mortgage Settlement, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 23, 2012

Ms. STABENOW introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to prevent an unfair tax burden for veterans and homeowners who have received assistance from 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 “Homeowners and Mili-
5 tary Families Tax Fairness 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 the Internal Rev-
 10 enue Code of 1986, as amended by subsection (a), is
 11 amended by inserting before the period the following: “,
 12 or which is discharged after such date pursuant to an
 13 agreement entered into before such date under the pro-
 14 grams created pursuant to, or using funds authorized by
 15 the Emergency Economic Stabilization 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, 2012”.

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 is amended
 10 by inserting after section 139D the following new section:

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

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

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

20 “(1) a payment for transitional assistance,

21 “(2) a payment from the Borrower Payment
 22 Fund under the National Mortgage Settlement to a
 23 borrower whose home was finally sold or taken in
 24 foreclosure after December 31, 2007, and before
 25 January 1, 2012, and

1 “(3) a payment received as a result of a fore-
 2 closure that the Attorney General of the United
 3 States has determined was not in compliance with
 4 the Servicemembers Civil Relief Act.

5 “(c) DISREGARD OF REFUND OF EXCESS MORTGAGE
 6 INTEREST AND RELATED DAMAGES.—In the case of an
 7 individual, the amount of interest refunded and damages
 8 paid for excess charges of mortgage interest under the Na-
 9 tional Mortgage Settlement with respect to a wrongful
 10 foreclosure described in subsection (b)(3)—

11 “(1) shall be disregarded for purposes of this
 12 chapter, and

13 “(2) no adjustment of the deduction allowable
 14 under section 163(h) shall be made as a result of
 15 such refund.

16 “(d) NATIONAL MORTGAGE SETTLEMENT.—For pur-
 17 poses of this section, the term ‘National Mortgage Settle-
 18 ment’ means any consent agreement entered into in settle-
 19 ment of the action entitled ‘The United States of America,
 20 et al. against Bank of America Corporation, et al.’, filed
 21 in the United States District Court for the District of Co-
 22 lumbia on March 12, 2012 (case numbered 1:12-cv-00361-
 23 RMC).”.

24 (b) DENIAL OF BUSINESS DEDUCTION FOR CERTAIN
 25 PAYMENTS.—Section 162 of the Internal Revenue Code

1 of 1986 is amended by redesignating subsection (q) as
 2 subsection (r) and by inserting after subsection (p) the
 3 following new subsection:

4 “(q) NATIONAL MORTGAGE SETTLEMENT.—

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

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

14 (c) CLERICAL AMENDMENT.—The table of sections
 15 for part III of subchapter B of chapter 1 of the Internal
 16 Revenue Code of 1986 is amended by inserting after the
 17 item relating to section 139D the following new item:

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

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

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