

113TH CONGRESS
1ST SESSION

H. R. 2929

To amend the Internal Revenue Code of 1986 to allow a deduction for contributions to tax-exempt Housing Equity Savings Accounts.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 2013

Mr. CARNEY (for himself, Mr. HECK of Nevada, Mr. WEBSTER of Florida, and Mr. WELCH) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for contributions to tax-exempt Housing Equity Savings Accounts.

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 “Creating Homeowner-
5 ship Opportunity Act of 2013”.

6 **SEC. 2. HOUSING EQUITY SAVINGS ACCOUNTS.**

7 (a) IN GENERAL.—Part VII of subchapter B of chap-
8 ter 1 of the Internal Revenue Code of 1986 (relating to
9 additional itemized deductions for individuals) is amended

1 by redesignating section 224 as section 225 and by insert-
 2 ing after section 223 the following new section:

3 **“SEC. 224. HOUSING EQUITY SAVINGS ACCOUNTS.**

4 “(a) DEDUCTION ALLOWED.—In the case of an eligi-
 5 ble individual, there shall be allowed as a deduction the
 6 aggregate amount paid in cash during the taxable year
 7 by or on behalf of such individual to a housing equity sav-
 8 ings account of such individual.

9 “(b) LIMITATION.—The amount allowable as a de-
 10 duction under subsection (a) for any taxable year shall not
 11 exceed the lesser of—

12 “(1) \$10,000, or

13 “(2) an amount equal to the compensation (as
 14 defined in section 219(f)(1)) includible in the indi-
 15 vidual’s gross income for such taxable year.

16 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this
 17 section, the term ‘eligible individual’ means, with respect
 18 to any taxable year, any individual if such individual (and
 19 if married, such individual’s spouse) had no present own-
 20 ership interest in a principal residence during the 3-year
 21 period ending at the close of the preceding taxable year.

22 “(d) HOUSING EQUITY SAVINGS ACCOUNT.—For
 23 purposes of this section, the term ‘housing equity savings
 24 account’ means a trust created or organized in the United
 25 States exclusively for the benefit of an individual, but only

1 if the written governing instrument creating the trust
2 meets the following requirements:

3 “(1) Except in the case of rollover contributions
4 from another housing equity savings account of such
5 individual—

6 “(A) no contribution will be accepted un-
7 less it is in cash, and

8 “(B) contributions will not be accepted for
9 the taxable year in excess of the dollar amount
10 in effect for the taxable year under subsection
11 (b)(1).

12 “(2) The trustee is a bank (as defined in sec-
13 tion 408(n)) or such other person who demonstrates
14 to the satisfaction of the Secretary that the manner
15 in which such other person will administer the trust
16 will be consistent with the requirements of this sec-
17 tion.

18 “(3) No part of the trust funds will be invested
19 in life insurance contracts.

20 “(4) The interest of an individual in the bal-
21 ance in his account is nonforfeitable.

22 “(5) The assets of the trust will not be commin-
23 gled with other property except in a common trust
24 fund or common investment fund.

25 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

1 “(1) IN GENERAL.—Except as otherwise pro-
2 vided in this subsection, any amount distributed out
3 of a housing equity savings account shall be included
4 in gross income of the distributee for the taxable
5 year in which the distribution is received. Notwith-
6 standing any other provision of this title (including
7 chapters 11 and 12), the basis of any person in such
8 an account is zero.

9 “(2) EXCEPTION FOR AMOUNTS USED TO PUR-
10 CHASE PRINCIPAL RESIDENCE AND FOR CERTAIN
11 PAYMENTS TO INDIVIDUAL RETIREMENT AC-
12 COUNTS.—

13 “(A) IN GENERAL.—Paragraph (1) shall
14 not apply to any distribution during the taxable
15 year which would (but for this paragraph) be
16 includible in gross income for such year to the
17 extent that the aggregate of such distributions
18 during the taxable year do not exceed the ag-
19 gregate qualified payments made by the account
20 beneficiary during such year.

21 “(B) QUALIFIED PAYMENT.—For purposes
22 of this paragraph, the term ‘qualified payment’
23 means—

24 “(i) any payment of qualified acquisi-
25 tion costs (as defined in section

72(t)(8)(C)) incurred with respect to the principal residence of the account beneficiary, and

“(ii) any payment to an individual retirement account but only if—

“(I) the account beneficiary of the housing equity savings account from which the payment is made is also the beneficiary of the individual retirement account, and

“(II) the payment is a qualified IRA payment.

Any payment described in clause (ii) shall be treated for purposes of this title as a rollover contribution to the individual retirement account.

“(C) QUALIFIED IRA PAYMENT.—For purposes of subparagraph (B), the term ‘qualified IRA payment’ means any payment if—

“(i) the account beneficiary—

“(I) is an eligible individual at the time of the payment, and

“(II) attains age 55 as of the close of the taxable year during which the payment is made,

1 “(ii) the account beneficiary is—

2 “(I) an eligible individual at the
3 time of the payment, and

4 “(II) has been an eligible indi-
5 vidual throughout the 20-year period
6 ending on the date of the payment, or

7 “(iii) the payment is made within 1
8 year after the date of a payment described
9 in subparagraph (B)(i).

10 “(3) EXCEPTIONS FOR CERTAIN OTHER DIS-
11 TRIBUTIONS.—Rules similar to the rules of para-
12 graphs (3), (4), (5), and (6) of section 408(d) shall
13 apply for purposes of this section.

14 “(4) ADDITIONAL TAX ON AMOUNTS INCLUDED
15 IN GROSS INCOME.—If any distribution from a hous-
16 ing equity savings account is includible in gross in-
17 come of the account beneficiary, the tax liability of
18 such beneficiary under this chapter for the taxable
19 year in which the distribution is received shall be in-
20 creased by an amount equal to 20 percent of the
21 amount of the distribution.

22 “(f) TAX TREATMENT OF ACCOUNTS.—

23 “(1) EXEMPTION FROM TAX.—A housing equity
24 savings account is exempt from taxation under this
25 subtitle unless such account has ceased to be a hous-

1 ing equity savings account by reason of paragraph
2 (2). Notwithstanding the preceding sentence, any
3 such account is subject to the taxes imposed by sec-
4 tion 511 (relating to imposition of tax on unrelated
5 business income of charitable, etc. organizations).

6 “(2) ACCOUNT TERMINATIONS.—Rules similar
7 to the rules of paragraphs (2) and (4) of section
8 408(e) shall apply to housing equity savings ac-
9 counts, and any amount treated as distributed under
10 such rules shall be treated as not used to make pay-
11 ments described in subsection (e)(2).

12 “(g) BENEFICIARY MUST BE UNDER AGE 55.—No
13 deduction shall be allowed under this section with respect
14 to any payment to a housing equity savings account for
15 the benefit of an individual if such individual has attained
16 age 55 before the close of such individual’s taxable year
17 for which the contribution was made.

18 “(h) OTHER DEFINITIONS AND SPECIAL RULES.—

19 “(1) OTHER DEFINITIONS.—For purposes of
20 this section—

21 “(A) ACCOUNT BENEFICIARY.—The term
22 ‘account beneficiary’ means the individual for
23 whose benefit the housing equity savings ac-
24 count was established.

1 “(B) PRINCIPAL RESIDENCE.—The term
 2 ‘principal residence’ has the same meaning as
 3 when used in section 121, except that such
 4 term shall include only residences located in the
 5 United States.

6 “(2) COST-OF-LIVING ADJUSTMENT.—

7 “(A) IN GENERAL.—In the case of any
 8 taxable year beginning in a calendar year after
 9 2015, the dollar amount in subsection (b)(1)
 10 shall be increased by an amount equal to—

11 “(i) such dollar amount, multiplied by

12 “(ii) the cost-of-living adjustment de-
 13 termined under section 1(f)(3) for the cal-
 14 endar year in which such taxable year be-
 15 gins determined by substituting ‘calendar
 16 year 2014’ for ‘calendar year 1992’ in sub-
 17 paragraph (B) thereof.

18 “(B) ROUNDING.—If any increase under
 19 subparagraph (A) is not a multiple of \$50, such
 20 increase shall be rounded to the nearest mul-
 21 tiple of \$50.

22 “(3) CERTAIN RULES TO APPLY.—Rules similar
 23 to the following rules shall apply for purposes of this
 24 section:

1 “(A) Section 219(d)(2) (relating to no de-
2 duction for rollovers).

3 “(B) Section 219(f)(3) (relating to time
4 when contributions deemed made).

5 “(C) Section 219(f)(5) (relating to em-
6 ployer payments).

7 “(D) Section 408(g) (relating to commu-
8 nity property laws).

9 “(E) Section 408(h) (relating to custodial
10 accounts).

11 “(i) REPORTS.—The trustee of a housing equity sav-
12 ings account shall make such reports regarding such ac-
13 count to the Secretary and to the individual for whose ben-
14 efit the account is maintained with respect to contribu-
15 tions, distributions, and such other matters as the Sec-
16 retary may by regulation prescribe. The reports required
17 by this subsection shall be filed at such time and in such
18 manner, and furnished to such individuals at such time
19 and in such manner, as may be required by such regula-
20 tions.”.

21 (b) DEDUCTION ALLOWED IN ARRIVING AT AD-
22 JUSTED GROSS INCOME.—Subsection (a) of section 62 of
23 such Code is amended by inserting after paragraph (21)
24 the following new paragraph:

1 “(22) HOUSING EQUITY SAVINGS ACCOUNT
2 CONTRIBUTIONS.—The deduction allowed by section
3 224.”.

4 (c) TAX ON EXCESS CONTRIBUTIONS.—

5 (1) Subsection (a) of section 4973 of such Code
6 (relating to tax on excess contributions to individual
7 retirement accounts, etc.) is amended by striking
8 “or” at the end of paragraph (4), by inserting “or”
9 at the end of paragraph (5), and by inserting after
10 paragraph (5) the following new paragraph:

11 “(6) a housing equity savings account (within
12 the meaning of section 224(d)),”.

13 (2) Section 4973 of such Code is amended by
14 adding at the end the following new subsection:

15 “(h) EXCESS CONTRIBUTIONS TO HOUSING EQUITY
16 SAVINGS ACCOUNTS.—For purposes of this section, in the
17 case of housing equity savings accounts (within the mean-
18 ing of section 224(d)), the term ‘excess contributions’
19 means the sum of—

20 “(1) the excess (if any) of—

21 “(A) the aggregate amount contributed for
22 the taxable year to the accounts (other than
23 rollover contributions), over

24 “(B) the amount allowable as a deduction
25 under section 224 for such contributions, and

1 “(2) the amount determined under this sub-
2 section for the preceding taxable year, reduced by
3 the sum of—

4 “(A) the distributions out of the accounts
5 which were included in gross income under
6 rules similar to the rules of section 408(d)(5)
7 which apply to such accounts by reason of sec-
8 tion 224(e)(3), and

9 “(B) the excess (if any) of—

10 “(i) the maximum amount allowable
11 as a deduction under section 224(b) for
12 the taxable year, over

13 “(ii) the amount contributed to the
14 accounts for the taxable year.

15 For purposes of this subsection, any contribution
16 which is distributed out of the housing equity sav-
17 ings account in a distribution to which the rules
18 similar to the rules of section 408(d)(4) which apply
19 to such accounts by reason of section 224(e)(3) shall
20 be treated as an amount not contributed.”.

21 (d) TAX ON PROHIBITED TRANSACTIONS.—

22 (1) IN GENERAL.—Paragraph (1) of section
23 4975(e) of such Code (relating to prohibited trans-
24 actions) is amended by striking “or” at the end of
25 subparagraph (F), by redesignating subparagraph

1 (G) as subparagraph (H), and by inserting after
2 subparagraph (F) the following new subparagraph:

3 “(G) a housing equity savings account de-
4 scribed in section 224(d), or”.

5 (2) SPECIAL RULE.—Subsection (c) of section
6 4975 of such Code is amended by adding at the end
7 the following new paragraph:

8 “(7) SPECIAL RULE FOR HOUSING EQUITY SAV-
9 INGS ACCOUNTS.—An individual for whose benefit a
10 housing equity savings account is established shall
11 be exempt from the tax imposed by this section with
12 respect to any transaction concerning such account
13 (which would otherwise be taxable under this sec-
14 tion) if section 224(f)(2) applies with respect to such
15 transaction.”.

16 (e) FAILURE TO PROVIDE REPORTS ON HOUSING
17 EQUITY SAVINGS ACCOUNTS.—Paragraph (2) of section
18 6693(a) of such Code (relating to failure to provide re-
19 ports on individual retirement accounts or annuities) is
20 amended by striking “and” at the end of subparagraph
21 (D), by striking the period at the end of subparagraph
22 (E) and inserting “, and”, and by adding at the end the
23 following new subparagraph:

24 “(F) Section 224(i) (relating to housing
25 equity savings accounts).”.

1 (f) CLERICAL AMENDMENT.—The table of sections
2 for part VII of subchapter B of chapter 1 of such Code
3 is amended by striking the item relating to section 224
4 and inserting the following new items:

“Sec. 224. Housing equity savings accounts.
“Sec. 225. Cross references.”.

5 (g) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to contributions for taxable years
7 beginning after December 31, 2013.

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