

114TH CONGRESS
2D SESSION

H. R. 5575

To amend the Internal Revenue Code of 1986 to provide a tax-preferred savings account for first-time homebuyers.

IN THE HOUSE OF REPRESENTATIVES

JUNE 24, 2016

Mr. COFFMAN (for himself, Mr. SEAN PATRICK MALONEY of New York, and Mrs. COMSTOCK) 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 provide a tax-preferred savings account for first-time homebuyers.

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 “First-Time Homebuyer
5 Savings Account Act of 2016”.

6 **SEC. 2. FIRST-TIME HOMEBUYER ACCOUNT.**

7 (a) IN GENERAL.—Part VIII of subchapter F of
8 chapter 1 of the Internal Revenue Code of 1986 is amend-
9 ed by adding at the end the following new section:

1 **“SEC. 530A. FIRST-TIME HOMEBUYER ACCOUNT.**

2 “(a) IN GENERAL.—A first-time homebuyer account
3 shall be exempt from taxation under this subtitle. Not-
4 withstanding the preceding sentence, the first-time home-
5 buyer account shall be subject to the taxes imposed by
6 section 511 (relating to imposition of tax on unrelated
7 business income of charitable organizations).

8 “(b) FIRST-TIME HOMEBUYER ACCOUNT.—The term
9 ‘first-time homebuyer account’ means a trust created or
10 organized in the United States exclusively for the purpose
11 of paying the qualified principal residence purchase ex-
12 penditures of an individual who is the designated bene-
13 ficiary of the trust (and designated as a first-time home-
14 buyer account at the time created or organized), but only
15 if the written governing instrument creating the trust
16 meets the following requirements:

17 “(1) No contribution will be accepted—

18 “(A) unless it is in cash,

19 “(B) except in the case of a rollover con-
20 tribution, if such contribution would result in
21 aggregate contributions—

22 “(i) for the taxable year exceeding
23 \$14,000 (200 percent of such amount in
24 effect for the taxable year in the case of in-
25 dividuals who are married, own a first-time

1 homebuyer account jointly, and file a joint
2 return for the taxable year),

3 “(ii) for all taxable years exceeding
4 \$50,000, and

5 “(C) if the fair market value of the ac-
6 count to exceeds, or to the extent such contribu-
7 tion would result in the fair market value of the
8 account exceeding, \$150,000.

9 “(2) The trustee is a bank (as defined in sec-
10 tion 408(n)) or another person who demonstrates to
11 the satisfaction of the Secretary that the manner in
12 which that person will administer the trust will be
13 consistent with the requirements of this section or
14 who has so demonstrated with respect to any indi-
15 vidual retirement plan.

16 “(3) No part of the trust assets will be invested
17 in life insurance contracts.

18 “(4) The assets of the trust shall not be com-
19 mingled with other property except in a common
20 trust fund or common investment fund.

21 “(c) QUALIFIED PRINCIPAL RESIDENCE PURCHASE
22 EXPENDITURES.—For purposes of this section—

23 “(1) IN GENERAL.—The term ‘qualified prin-
24 cipal residence purchase expenditures’ means, with

1 respect to a designated beneficiary who is a first-
2 time homebuyer—

3 “(A) any amount paid toward the purchase
4 price of a principal residence of the beneficiary,

5 “(B) any amount required to be paid to
6 settle the purchase of such residence, and

7 “(C) any amount required to be paid by
8 the beneficiary to obtain acquisition indebted-
9 ness with respect to such residence.

10 “(2) PURCHASE PRICE.—The term ‘purchase
11 price’ means the adjusted basis of the residence on
12 the date such residence is purchased.

13 “(d) TAX TREATMENT.—

14 “(1) DISTRIBUTIONS.—

15 “(A) IN GENERAL.—If distributions from a
16 first-time homebuyer account for the taxable
17 year do not exceed the qualified principal resi-
18 dence purchase expenditures of the designated
19 beneficiary for the taxable year, no amount
20 shall be includible in gross income.

21 “(B) DISTRIBUTIONS IN EXCESS OF EX-
22 PENDITURES.—If such distributions exceed
23 such expenditures for the taxable year, such
24 distributions shall be includible in the gross in-
25 come of the distributee in the manner as pro-

1 vided in section 72 (to the extent not excluded
2 from gross income under any other provision of
3 this chapter), reduced by an amount which
4 bears the same ratio to the amount otherwise so
5 includible as such expenses bear to such dis-
6 tributions.

7 “(C) ADDITIONAL TAX FOR DISTRIBUTI-
8 TIONS NOT USED FOR FIRST-TIME HOMEBUYER
9 PURPOSES.—

10 “(i) IN GENERAL.—The tax imposed
11 by this chapter for any taxable year on any
12 taxpayer who receives a payment or dis-
13 tribution from a first-time homebuyer ac-
14 count which is includible in gross income
15 shall be increased by the applicable per-
16 centage of the amount which is so includ-
17 ible.

18 “(ii) APPLICABLE PERCENTAGE.—For
19 purposes of clause (i), the applicable per-
20 centage is—

21 “(I) in the case of a payment or
22 distribution made not later than 10
23 years after the date of the first con-
24 tribution to the account, 5 percent,
25 and

1 “(II) in the case of any other
2 payment or distribution, 10 percent.

3 “(iii) EXCEPTIONS.—Clause (i) shall
4 not apply if the payment or distributions—

5 “(I) is made to a beneficiary (or
6 to the estate of the designated bene-
7 ficiary) on or after the death of the
8 designated beneficiary,

9 “(II) is attributable to the des-
10 ignated beneficiary’s being disabled
11 (within the meaning of section
12 72(m)(7)), or

13 “(III) are made under rules simi-
14 lar to the rules under section
15 408(d)(4) (relating to contributions
16 returned before due date of return).

17 “(D) ROLLOVERS.—Subparagraph (A)
18 shall not apply to any amount paid or distrib-
19 uted from a first-time homebuyer account to
20 the extent that the amount received is paid, not
21 later than the 60th day after the date of such
22 payment or distribution, into another first-time
23 homebuyer account for the benefit of the same
24 beneficiary. The preceding sentence shall not
25 apply to any payment or distribution if it ap-

1 plied to any prior payment or distribution dur-
2 ing the 12-month period ending on the date of
3 the payment or distribution.

4 “(E) CHANGE IN BENEFICIARY.—Any
5 change in the beneficiary of a first-time home-
6 buyer account shall not be treated as a distribu-
7 tion for purposes of subparagraph (A).

8 “(F) DISALLOWANCE OF EXCLUDED
9 AMOUNTS AS DEDUCTION, CREDIT, OR EXCLU-
10 SION.—No deduction, credit, or exclusion shall
11 be allowed to the taxpayer under any other sec-
12 tion for any qualified principal residence pur-
13 chase expenditures to the extent taken into ac-
14 count in determining the amount of the exclu-
15 sion under this paragraph.

16 “(2) ESTATE AND GIFT TAX WITH RESPECT TO
17 THE ACCOUNT.—Rules similar to the rules of para-
18 graphs (2), (4), and (5) of section 529(c) shall apply
19 for purposes of this section.

20 “(3) TAX TREATMENT AFTER DEATH OF AC-
21 COUNT HOLDER.—

22 “(A) JOINTLY HELD ACCOUNTS.—In the
23 case of a first-time homebuyer account which
24 was jointly held by spouses, if the surviving
25 spouse acquires the deceased spouse’s interest

1 in a first-time homebuyer account by reason of
2 being the designated beneficiary of such ac-
3 count at the death, such account shall be treat-
4 ed as if the spouse were the sole account holder.

5 “(B) OTHER CASES.—

6 “(i) IN GENERAL.—If, by reason of
7 the death of the account holder, any per-
8 son acquires the account holder’s interest
9 in an first-time homebuyer account in a
10 case to which subparagraph (A) does not
11 apply—

12 “(I) such account shall cease to
13 be a first-time homebuyer account as
14 of the date of death, and

15 “(II) an amount equal to the fair
16 market value of the assets in such ac-
17 count on such date shall be includible
18 if such person is not the estate of
19 such holder, in such person’s gross in-
20 come for the taxable year which in-
21 cludes such date, or if such person is
22 the estate of such holder, in such
23 holder’s gross income for the last tax-
24 able year of such holder.

1 “(ii) DEDUCTION FOR ESTATE
2 TAXES.—An appropriate deduction shall be
3 allowed under section 691(c) to any person
4 (other than the decedent or the decedent’s
5 spouse) with respect to amounts included
6 in gross income under clause (i).

7 “(e) OTHER DEFINITIONS AND SPECIAL RULES.—
8 For purposes of this section—

9 “(1) FIRST-TIME HOMEBUYER.—

10 “(A) IN GENERAL.—The term ‘first-time
11 homebuyer’ means any individual if such indi-
12 vidual (and if married, such individual’s spouse)
13 has had no present ownership interest in a prin-
14 cipal residence.

15 “(B) SPECIAL RULE FOR DIVORCED INDIV-
16 VIDUALS.—Any individual who is divorced and
17 is not described in subparagraph (A) shall be
18 treated as a first-time homebuyer for purposes
19 of this section if such individual had no present
20 ownership interest in a principal residence since
21 such individual’s most recent divorce and dur-
22 ing the 3-year period ending on the date of the
23 purchase of the principal residence with respect
24 to which payments from a first-time homebuyer
25 account are made under this section.

1 “(2) PRINCIPAL RESIDENCE.—The term ‘prin-
2 cipal residence’ has the same meaning as when used
3 in section 121.

4 “(3) DESIGNATED BENEFICIARY.—The term
5 ‘designated beneficiary’ means—

6 “(A) the individual designated at the com-
7 mencement of the first-time homebuyer account
8 as the beneficiary of amounts paid (or to be
9 paid) to the account, or

10 “(B) in the case of a change in bene-
11 ficiaries described in subsection (d)(1)(C), the
12 individual who is the new beneficiary

13 “(4) ACCOUNT OWNERSHIP.—Except in the
14 case of individuals who are married, an account may
15 be owned by only one individual and may only have
16 one designated beneficiary.

17 “(5) COST-OF-LIVING ADJUSTMENT.—In the
18 case of any taxable year beginning in a calendar
19 year after 2017, the dollar amounts under sub-
20 section (b)(1) shall be increased by an amount equal
21 to—

22 “(A) such dollar amount, multiplied by

23 “(B) the cost-of-living adjustment deter-
24 mined under section 1(f)(3) for the calendar
25 year in which the taxable year begins, deter-

1 mined by substituting ‘calendar year 2007’ for
2 ‘calendar year 1992’ in subparagraph (B)
3 thereof.

4 If any amount after adjustment under the preceding
5 sentence is not a multiple of \$100, such amount
6 shall be rounded to the next lower multiple of
7 \$100.”.

8 (b) EXCESS CONTRIBUTIONS.—

9 (1) IN GENERAL.—Section 4973(a) of such
10 Code is amended by striking “or” at the end of
11 paragraph (5), by inserting “or” at the end of para-
12 graph (6), and by inserting after paragraph (6) the
13 following new paragraph:

14 “(7) a first-time homebuyer account (within the
15 meaning of section 530A),”.

16 (2) EXCESS CONTRIBUTIONS.—Section 4973 of
17 such Code is amended by adding at the end the fol-
18 lowing new subsection:

19 “(i) EXCESS CONTRIBUTIONS TO FIRST-TIME HOME-
20 BUYER ACCOUNT.—In the case of a first-time homebuyer
21 account, the term ‘excess contributions’ means the amount
22 by which the amount contributed for the taxable year to
23 such account (other than contributions described in sec-
24 tion 530A(d)(1)(C) (iv) and (v)) exceeds the contribution
25 limits under section 530A(b). For purposes of the pre-

1 ceding sentence, any contribution which is distributed
2 from the account in a distribution to which section
3 530A(d)(1)(C)(iii)(III) applies shall be treated as an
4 amount not contributed.”.

5 (c) CLERICAL AMENDMENT.—The table of sections
6 for part VIII of subchapter F of chapter 1 of such Code
7 is amended by adding at the end the following new item:

“Sec. 530A. First-time homebuyer account.”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 the date of the enactment of this Act.

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