

110TH CONGRESS
2D SESSION

H. R. 6373

To amend the Internal Revenue Code of 1986 to allow individuals to establish Home Ownership Mortgage Expense Accounts (HOME Accounts) which may be used to purchase, remodel, or make mortgage payments on the principal residence of the taxpayer.

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 2008

Mr. McCOTTER 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 individuals to establish Home Ownership Mortgage Expense Accounts (HOME Accounts) which may be used to purchase, remodel, or make mortgage payments on the principal residence of the taxpayer.

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 “Responsible Invest-
5 ment for Home Ownership Act of 2008”.

1 **SEC. 2. ESTABLISHMENT OF HOME OWNERSHIP MORTGAGE**
2 **EXPENSE ACCOUNTS.**

3 (a) IN GENERAL.—Part VII of subchapter B of chap-
4 ter 1 of the Internal Revenue Code of 1986 (relating to
5 additional itemized deductions for individuals) is amended
6 by redesignating section 224 as section 225 and by insert-
7 ing after section 223 the following new section:

8 **“SEC. 224. HOME OWNERSHIP MORTGAGE EXPENSE AC-**
9 **COUNTS.**

10 “(a) DEDUCTION ALLOWED.—In the case of an indi-
11 vidual (other than an illegal alien), there shall be allowed
12 as a deduction an amount equal to the aggregate amount
13 paid in cash for the taxable year by such individual to
14 a Home Ownership Mortgage Expense Account estab-
15 lished for the benefit of such individual.

16 “(b) MAXIMUM AMOUNT OF DEDUCTION.—The
17 amount allowable as a deduction under subsection (a) to
18 any individual for any taxable year shall not exceed an
19 amount equal to 50 percent of the limitation under section
20 219(b)(1) for such year, determined without regard to
21 subparagraphs (B) and (C) of section 219(b)(5).

22 “(c) REDUCTION IN DEDUCTION BASED ON AD-
23 JUSTED GROSS INCOME.—

24 “(1) IN GENERAL.—The dollar limitation other-
25 wise applicable under subsection (b) for a taxable

1 year shall be reduced (but not below zero) by the
2 amount determined under paragraph (2).

3 “(2) AMOUNT OF REDUCTION.—

4 “(A) IN GENERAL.—The amount deter-
5 mined under this paragraph with respect to
6 such dollar limitation shall be the amount which
7 bears the same ratio to such limitation as—

8 “(i) the excess of—

9 “(I) the taxpayer’s adjusted
10 gross income for such taxable year,
11 over

12 “(II) the applicable dollar
13 amount for such taxable year under
14 section 408A(c)(3) (relating to Roth
15 IRA’s), bears to

16 “(ii) \$10,000 (\$20,000 in the case of
17 a joint return for a taxable year).

18 “(B) NO REDUCTION BELOW \$200 UNTIL
19 COMPLETE PHASE-OUT.—Such dollar limitation
20 shall not be reduced below \$200 under para-
21 graph (1) unless (without regard to this sub-
22 paragraph) such limitation is reduced to zero.

23 “(C) ROUNDING.—Any amount determined
24 under this paragraph which is not a multiple of
25 \$10 shall be rounded to the next lowest \$10.

1 “(3) ADJUSTED GROSS INCOME.—For purposes
2 of this subsection, adjusted gross income shall be de-
3 termined—

4 “(A) without regard to this section and
5 sections 911, 931, and 933, and

6 “(B) after application of sections 86, 135,
7 137, 219, 221, 222, and 469.

8 “(d) HOME OWNERSHIP MORTGAGE EXPENSE AC-
9 COUNT.—For purposes of this section, the terms ‘Home
10 Ownership Mortgage Expense Account’ and ‘Home Ac-
11 count’ mean a trust created or organized in the United
12 States for the exclusive benefit of an individual, but only
13 if the written governing instrument creating the trust
14 meets the following requirements:

15 “(1) No contribution will be accepted unless it
16 is in cash.

17 “(2) The trustee is a bank (as defined in sec-
18 tion 408(n)) or another person who demonstrates to
19 the satisfaction of the Secretary that the manner in
20 which that person will administer the trust will be
21 consistent with the requirements of this section.

22 “(3) No part of the trust assets will be invested
23 in any collectible (as defined in section 408(m)).

1 “(4) The assets of the trust will not be commin-
2 gled with other property except in a common trust
3 fund or common investment fund.

4 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

5 “(1) IN GENERAL.—Except as otherwise pro-
6 vided in this subsection, any amount distributed out
7 of a HOME Account shall be included in gross in-
8 come by the distributee unless such amount is part
9 of a qualified home distribution.

10 “(2) QUALIFIED HOME DISTRIBUTION.—For
11 purposes of this subsection—

12 “(A) IN GENERAL.—Except as provided in
13 subparagraph (B), the term ‘qualified home dis-
14 tribution’ means any payment or distribution
15 received by an individual to the extent such
16 payment or distribution is used by the indi-
17 vidual within a reasonable period to pay—

18 “(i) qualified acquisition costs (as de-
19 fined in section 72(t)(8)(C)) with respect
20 to the principal residence (within the
21 meaning of section 121) of such individual,
22 or

23 “(ii) costs to remodel such residence.

24 “(B) LIMITATIONS.—

1 “(i) HALF OF REMODELING PAY-
2 MENTS INCLUDED IN INCOME.—50 percent
3 of any qualified home distribution de-
4 scribed in subparagraph (A)(ii) shall be in-
5 cluded in gross income by the distributee.

6 “(ii) ACQUISITION INDEBTEDNESS ON
7 PRINCIPAL RESIDENCE MUST BE FIXED
8 RATE AND SELF-AMORTIZING.—Subpara-
9 graph (A) shall apply to a distribution with
10 respect to a principal residence only if,
11 with respect to all acquisition indebtedness
12 (as defined in section 163(h)(3)(B)) se-
13 cured by such residence—

14 “(I) the interest rate on the in-
15 debtedness is the same throughout the
16 term of the indebtedness, and

17 “(II) substantially level amortiza-
18 tion of such indebtedness (with pay-
19 ments not less frequently than quar-
20 terly) is required over the term of the
21 indebtedness.

22 “(iii) DEBT PAYMENTS MAY NOT BE
23 MADE.—In no event shall the term ‘quali-
24 fied home distribution’ include payment of
25 principal or interest on any indebtedness.

1 “(3) CONTRIBUTIONS RETURNED BEFORE DUE
2 DATE OF RETURN.—Paragraph (1) shall not apply
3 to the distribution of any contribution paid during a
4 taxable year to a HOME Account if—

5 “(A) such distribution is received on or be-
6 fore the day prescribed by law (including exten-
7 sions of time) for filing such individual’s return
8 for such taxable year,

9 “(B) no deduction is allowed under this
10 section with respect to such contribution, and

11 “(C) such distribution is accompanied by
12 the amount of net income attributable to such
13 contribution.

14 In the case of such a distribution, for purposes of
15 section 61, any net income described in subpara-
16 graph (C) shall be deemed to have been earned and
17 receivable in the taxable year in which such con-
18 tribution is made.

19 “(4) ADDITIONAL TAX ON NONQUALIFIED DIS-
20 TRIBUTIONS.—

21 “(A) IN GENERAL.—The tax imposed by
22 this chapter on the account beneficiary for any
23 taxable year in which there is a payment or dis-
24 tribution from a HOME Account of such bene-
25 ficiary which is includible in gross income under

1 this subsection shall be increased by 10 percent
2 of the amount which is so includible.

3 “(B) EXCEPTION FOR DISABILITY OR
4 DEATH.—Subparagraph (A) shall not apply if
5 the payment or distribution is made after—

6 “(i) the account beneficiary becomes
7 disabled (within the meaning of section
8 72(m)(7)) or

9 “(ii) dies.

10 “(C) EXCEPTION FOR DEATH ONLY AP-
11 PLIES IF QUALIFIED HOME DISTRIBUTIONS
12 MADE FROM ACCOUNT.—Subparagraph (B)(ii)
13 shall apply to the beneficiary of a HOME Ac-
14 count only if, before the date of such bene-
15 ficiary’s death, the aggregate qualified home
16 distributions from the HOME Accounts of such
17 beneficiary are not less than the aggregate de-
18 ductible contributions to such Accounts.

19 “(f) TAX TREATMENT OF ACCOUNTS.—

20 “(1) EXEMPTION FROM TAX.—A HOME Ac-
21 count shall be exempt from taxation under this sub-
22 title unless such account has ceased to be a HOME
23 Account by reason of paragraph (2). Notwith-
24 standing the preceding sentence, HOME Accounts
25 shall be subject to the taxes imposed by section 511

1 (relating to imposition of tax on unrelated business
2 income of charitable, etc. organizations).

3 “(2) LOSS OF EXEMPTION OF ACCOUNT WHERE
4 INDIVIDUAL ENGAGES IN PROHIBITED TRANS-
5 ACTION.—

6 “(A) IN GENERAL.—If, during any taxable
7 year of the individual for whose benefit the
8 HOME Account is established, that individual
9 engages in any transaction prohibited by section
10 4975 with respect to the account, the account
11 shall cease to be a HOME Account as of the
12 first day of that taxable year

13 “(B) ACCOUNT TREATED AS DISTRIBUTING
14 ALL ITS ASSETS.—In any case in which any ac-
15 count ceases to be a HOME Account by reason
16 of subparagraph (A) on the first day of any
17 taxable year, subsection (e)(1) shall be applied
18 as if there were a distribution on such first day
19 in an amount equal to the fair market value (on
20 such first day) of all assets in the account (on
21 such first day).

22 “(3) EFFECT OF PLEDGING ACCOUNT AS SECUR-
23 RITY.—If, during any taxable year, an individual for
24 whose benefit a HOME Account is established uses
25 the account or any portion thereof as security for a

1 loan, the portion so used shall be treated as distrib-
2 uted to that individual.

3 “(4) ROLLOVER CONTRIBUTIONS.—Subsection
4 (e)(1) shall not apply to any amount paid or distrib-
5 uted out of a HOME Account to the individual for
6 whose benefit the account is maintained if such
7 amount is paid into another HOME Account for the
8 benefit of such individual not later than the 60th
9 day after the day on which he receives the payment
10 or distribution.

11 “(g) NO CONTRIBUTIONS AFTER BENEFICIARY AT-
12 TAINS AGE 59½.—No deduction shall be allowed under
13 this section with respect to any contribution for the benefit
14 of an individual if such individual has attained age 59½
15 before the close of such individual’s taxable year for which
16 the contribution was made.

17 “(h) TERMINATION OF ACCOUNT WHEN BENE-
18 FICIARY ATTAINS AGE 70½.—As of the close of the cal-
19 endar year in which the beneficiary of a HOME Account
20 attains age 70½—

21 “(1) such Account shall cease to be a HOME
22 Account, and

23 “(2) an amount equal to the fair market value
24 of the assets in such Account on such date shall be
25 includible in such beneficiary’s gross income for the

1 taxable year which includes the last day of such cal-
2 endar year.

3 “(i) TREATMENT AFTER DEATH OF ACCOUNT BENE-
4 FICIARY.—

5 “(1) TREATMENT IF DESIGNATED BENEFICIARY
6 IS SPOUSE.—If—

7 “(A) the account beneficiary’s surviving
8 spouse acquires such beneficiary’s interest in a
9 HOME Account by reason of being the des-
10 ignated beneficiary of such account at the death
11 of the account beneficiary, and

12 “(B) such surviving spouse has not at-
13 tained age 70½ as of the date of the death of
14 the account beneficiary,
15 such HOME Account shall be treated as if the
16 spouse were the account beneficiary.

17 “(2) OTHER CASES.—If, by reason of the death
18 of the account beneficiary, any person acquires the
19 account beneficiary’s interest in a HOME Account
20 in a case to which paragraph (1) does not apply—

21 “(A) such account shall cease to be a
22 HOME Account as of the date of death, and

23 “(B) an amount equal to the fair market
24 value of the assets in such account on such date
25 shall be includible if such person is not the es-

1 tate of such beneficiary, in such person’s gross
2 income for the taxable year which includes such
3 date, or if such person is the estate of such
4 beneficiary, in such beneficiary’s gross income
5 for the last taxable year of such beneficiary.

6 “(j) CERTAIN RULES TO APPLY.—Rules similar to
7 the following rules shall apply for purposes of this section:

8 “(1) Section 219(d)(2) (relating to no deduc-
9 tion for rollovers).

10 “(2) Section 219(f)(3) (relating to time when
11 contributions deemed made).

12 “(3) Except as provided in section 106(d), sec-
13 tion 219(f)(5) (relating to employer payments).

14 “(4) Section 219(f)(6) (relating to excess con-
15 tributions treated as contribution made during sub-
16 sequent year for which there is an unused limita-
17 tion).

18 “(5) Paragraphs (4) and (5) of 408(d) (relating
19 to excess contributions).

20 “(6) Section 408(d)(6) (relating to transfer of
21 account incident to divorce).

22 “(7) Section 408(g) (relating to community
23 property laws).

24 “(8) Section 408(h) (relating to custodial ac-
25 counts).

1 “(k) REPORTS.—

2 “(1) IN GENERAL.—The trustee of a HOME
3 Account shall make such reports regarding such ac-
4 count to the Secretary and to the individual for
5 whose benefit the account is maintained with respect
6 to contributions, distributions, and such other mat-
7 ters as the Secretary may require under regulations.
8 The reports required by this subsection shall be filed
9 at such time and in such manner and furnished to
10 such individuals at such time and in such manner as
11 may be required by those regulations.

12 “(2) NOTICE OF POST-59½ TAX PROVISIONS.—
13 In addition to the reports required under paragraph
14 (1), the trustee of a HOME Account shall, not later
15 than the first January 31 following the calendar
16 year in which the account beneficiary attains age
17 59½, provide such beneficiary (in such manner as
18 the Secretary shall prescribe) with a notice describ-
19 ing the application of—

20 “(A) subsection (e)(4) (relating to addi-
21 tional tax on nonqualified distributions),

22 “(B) subsection (h) (relating to termi-
23 nation of account when beneficiary attains age
24 70½), and

1 “(C) subsection (i) (relating to treatment
2 after death of account beneficiary).

3 “(1) ILLEGAL ALIEN.—For purposes of this section,
4 the term ‘illegal alien’ means an alien who—

5 “(1) entered the United States without inspec-
6 tion or at any time or place other than that des-
7 ignated by the Secretary of Homeland Security;

8 “(2) was admitted as a nonimmigrant and, at
9 the time the alien was taken into custody by the
10 State or political subdivision, had failed to—

11 “(A) maintain the nonimmigrant status in
12 which the alien was admitted or to which it was
13 changed under section 248 of the Immigration
14 and Nationality Act; or

15 “(B) comply with the conditions of the sta-
16 tus described in subparagraph (A);

17 “(3) was admitted as an immigrant and subse-
18 quently failed to comply with the requirements of
19 that status; or

20 “(4) failed to depart the United States as re-
21 quired under a voluntary departure agreement or
22 under a final order of removal.”.

23 (b) DEDUCTION ALLOWED IN ARRIVING AT AD-
24 JUSTED GROSS INCOME.—Subsection (a) of section 62 of
25 such Code (defining adjusted gross income) is amended

1 by inserting before the last sentence the following new
2 paragraph:

3 “(22) HOME ACCOUNT CONTRIBUTIONS.—The
4 deduction allowed by section 224 (relating to HOME
5 Accounts).”.

6 (c) COORDINATION WITH OTHER LIMITATIONS
7 BASED ON ADJUSTED GROSS INCOME.—

8 (1) Sections 86(b)(2)(A), 135(c)(4)(A),
9 137(b)(3)(A), and 221(b)(2)(C)(i) of such Code are
10 each amended by inserting “224,” after “222,”.

11 (2) Clause (i) of section 222(b)(2)(C) of such
12 Code is amended by inserting “224,” after “199,”.

13 (d) TAX ON EXCESS CONTRIBUTIONS.—

14 (1) IN GENERAL.—Subsection (a) of section
15 4973 of such Code (relating to tax on excess con-
16 tributions to certain tax-favored accounts and annu-
17 ities) is amended by striking “or” at the end of
18 paragraph (4), by inserting “or” at the end of para-
19 graph (5), and by inserting after paragraph (5) the
20 following new paragraph:

21 “(6) a HOME Account (as defined in section
22 224(d)),”.

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

1 “(h) EXCESS CONTRIBUTIONS TO HOME AC-
2 COUNTS.—For purposes of this section, in the case of
3 HOME Accounts (as defined in section 224(d)), the term
4 ‘excess contributions’ means the sum of—

5 “(1) the excess (if any) of—

6 “(A) the amount contributed for the tax-
7 able year to the accounts (other than a rollover
8 contribution), over

9 “(B) the amount allowable as a deduction
10 under section 224 for such contributions,

11 “(2) the amount determined under this sub-
12 section for the preceding taxable year reduced by the
13 sum of—

14 “(A) the distributions out of the account
15 for the taxable year which were included in the
16 gross income of the payee under section
17 224(e)(1),

18 “(B) the distributions out of the account
19 for the taxable year to which the rules similar
20 to the rules of section 408(d)(5) apply, and

21 “(C) the excess (if any) of the maximum
22 amount allowable as a deduction under section
23 224 for the taxable year over the amount con-
24 tributed (determined without regard to the

1 rules referred to in section 219(g)(4)) to the ac-
2 counts for the taxable year.

3 For purposes of this subsection, any contribution
4 which is distributed from a HOME Account in a dis-
5 tribution to which rules similar to the rules of sec-
6 tion 408(d)(4) apply shall be treated as an amount
7 not contributed.”.

8 (e) TAX ON PROHIBITED TRANSACTIONS.—

9 (1) Paragraph (1) of section 4975(e) of such
10 Code (relating to prohibited transactions) is amend-
11 ed by redesignating subparagraphs (F) and (G) as
12 subparagraphs (G) and (H), respectively, and by in-
13 sserting after subparagraph (E) the following new
14 subparagraph:

15 “(F) a HOME Account described in sec-
16 tion 224(d),”.

17 (2) Subsection (c) of section 4975 of such Code
18 is amended by adding at the end the following new
19 paragraph:

20 “(7) SPECIAL RULE FOR HOME ACCOUNTS.—An
21 individual for whose benefit a HOME Account (as
22 defined in section 224(d)) is established shall be ex-
23 empt from the tax imposed by this section with re-
24 spect to any transaction concerning such account
25 (which would otherwise be taxable under this sec-

1 tion) if, with respect to such transaction, the ac-
2 count ceases to be a HOME Account by reason of
3 the application of section 224(f)(2)(A) to such ac-
4 count.”.

5 (f) FAILURE TO PROVIDE REPORTS ON HOME AC-
6 COUNTS.—Paragraph (2) of section 6693(a) of such Code
7 is amended by redesignating subparagraphs (D) and (E)
8 as subparagraphs (E) and (F), respectively, and by insert-
9 ing after subparagraph (C) the following new subpara-
10 graph:

11 “(D) section 224(k) (relating to HOME
12 Accounts),”.

13 (g) CLERICAL AMENDMENT.—The table of sections
14 for part VII of subchapter B of chapter 1 of such Code
15 is amended by striking the item relating to section 224
16 and inserting the following:

 “Sec. 224. HOME Accounts.
 “Sec. 225. Cross reference.”.

17 (h) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 the date of the enactment of this Act.

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