

112TH CONGRESS  
1ST SESSION

# H. R. 3360

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

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 3, 2011

Mr. RENACCI (for himself, Mr. CARNEY, Mr. MEEHAN, Mr. WEBSTER, Mr. QUIGLEY, and Mr. WELCH) 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 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 2011”.

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

1 72(t)(8)(C)) incurred with respect to the  
2 principal residence of the account bene-  
3 ficiary, and

4 “(ii) any payment to an individual re-  
5 tirement account but only if—

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

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

13 Any payment described in clause (ii) shall  
14 be treated for purposes of this title as a  
15 rollover contribution to the individual re-  
16 tirement account.

17 “(C) QUALIFIED IRA PAYMENT.—For pur-  
18 poses of subparagraph (B), the term ‘qualified  
19 IRA payment’ means any payment if—

20 “(i) the account beneficiary—

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

23 “(II) attains age 55 as of the  
24 close of the taxable year during which  
25 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 beginning in a calendar after 2012, the  
9           dollar amount in subsection (b)(1) shall be in-  
10          creased 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 2011’ 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 (e) 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, 2011.

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