

.....  
(Original Signature of Member)

119TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to provide home ownership assistance, and for other purposes.

\_\_\_\_\_  
IN THE HOUSE OF REPRESENTATIVES

Mr. McCORMICK introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Internal Revenue Code of 1986 to provide home ownership assistance, 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 “Own Not Rent Act”.

5       **SEC. 2. STATE PROGRAMS TO INSURE AND GUARANTEE SE-**  
6       **CURED MORTGAGES.**

7       (a) IN GENERAL.—It is the sense of the Congress  
8       that States should establish programs to insure or guar-

1 antee mortgages that are secured by property located in  
2 such State.

3 (b) FANNIE MAE.—Section 302(b)(2) of the Federal  
4 National Mortgage Association Charter Act (12 U.S.C.  
5 1717(b)(2)) is amended—

6 (1) by striking “; or (C) that portion” and in-  
7 serting “; (C) that portion”; and

8 (2) by striking “by a qualified insurer as deter-  
9 mined by the corporation” and inserting the fol-  
10 lowing: “by a qualified insurer as determined by the  
11 corporation; or (D) that portion of the unpaid prin-  
12 cipal balance of the mortgage which is in excess of  
13 such 80 per centum is insured or guaranteed under  
14 a qualifying State mortgage insurance or guarantee  
15 program and the property securing the mortgage is  
16 located within the State whose program insures or  
17 guarantees the mortgage”; and

18 (3) by adding at the end the following:

19 “(8) QUALIFYING STATE MORTGAGE INSUR-  
20 ANCE OR GUARANTEE PROGRAM DEFINED.—In this  
21 section, the term ‘qualifying State mortgage insur-  
22 ance or guarantee program’ means a mortgage in-  
23 surance or guarantee program established under the  
24 laws of a State—

1           “(A) that insures or guarantees, at a min-  
2           imum, that portion of the unpaid principal bal-  
3           ance of residential mortgages secured by prop-  
4           erties located within such State which is in ex-  
5           cess of 80 per centum of the value of the prop-  
6           erty securing the mortgage at the time of the  
7           mortgage;

8           “(B) that is approved by the Director of  
9           the Federal Housing Finance Agency; and

10          “(C) the obligations of which are backed  
11          by—

12                 “(i) the full faith and credit of the  
13                 State in which such program is estab-  
14                 lished; or

15                 “(ii) a dedicated insurance or guar-  
16                 antee fund that is established by State law  
17                 and maintained in accordance with capital  
18                 and reserve requirements determined by  
19                 the Director of the Federal Housing Fi-  
20                 nance Agency to be sufficient to ensure the  
21                 ability of the program to satisfy its obliga-  
22                 tions with respect to all insured or guaran-  
23                 teed mortgages.”.

1 (c) FREDDIE MAC.—Section 305(a)(2) of the Federal  
2 Home Loan Mortgage Corporation Act (12 U.S.C.  
3 1454(a)(2)) is amended—

4 (1) by striking “; or (C) that portion” and in-  
5 serting “; (C) that portion”; and

6 (2) by striking “by a qualified insurer as deter-  
7 mined by the corporation” and inserting the fol-  
8 lowing: “by a qualified insurer as determined by the  
9 corporation; or (D) that portion of the unpaid prin-  
10 cipal balance of the mortgage which is in excess of  
11 such 80 per centum is insured or guaranteed under  
12 a qualifying State mortgage insurance or guarantee  
13 program and the property securing the mortgage is  
14 located within the State whose program insures or  
15 guarantees the mortgage”; and

16 (3) by adding at the end the following:

17 “(10) QUALIFYING STATE MORTGAGE INSUR-  
18 ANCE OR GUARANTEE PROGRAM DEFINED.—In this  
19 section, the term ‘qualifying State mortgage insur-  
20 ance or guarantee program’ means a mortgage in-  
21 surance or guarantee program established under the  
22 laws of a State—

23 “(A) that insures or guarantees, at a min-  
24 imum, that portion of the unpaid principal bal-  
25 ance of residential mortgages secured by prop-

1           erties located within such State which is in ex-  
2           cess of 80 per centum of the value of the prop-  
3           erty securing the mortgage at the time of the  
4           mortgage;

5           “(B) that is approved by the Director of  
6           the Federal Housing Finance Agency; and

7           “(C) the obligations of which are backed  
8           by—

9           “(i) the full faith and credit of the  
10          State in which such program is estab-  
11          lished; or

12          “(ii) a dedicated insurance or guar-  
13          antee fund that is established by State law  
14          and maintained in accordance with capital  
15          and reserve requirements determined by  
16          the Director of the Federal Housing Fi-  
17          nance Agency to be sufficient to ensure the  
18          ability of the program to satisfy its obliga-  
19          tions with respect to all insured or guaran-  
20          teed mortgages.”.

21 **SEC. 3. INCREASE IN LIMITATION ON PENALTY-FREE**  
22 **FIRST-TIME HOMEBUYER DISTRIBUTIONS.**

23          (a) IN GENERAL.—Section 72(t)(8)(B)(i) of the In-  
24          ternal Revenue Code of 1986 is amended by striking  
25          “\$10,000” and inserting “\$25,000”.

1 (b) INFLATION ADJUSTMENT.—Section 72(t)(8) of  
2 such Code is amended by adding at the end the following  
3 new subparagraph:

4 “(G) INFLATION ADJUSTMENT.—

5 “(i) IN GENERAL.—In the case of any  
6 taxable year beginning in a calendar year  
7 after 2026, the \$25,000 amount in sub-  
8 paragraph (B)(i) shall be increased by an  
9 amount equal to—

10 “(I) such dollar amount, multi-  
11 plied by

12 “(II) the cost-of-living adjust-  
13 ment determined under section 1(f)(3)  
14 for the calendar year in which the tax-  
15 able year begins, by substituting ‘cal-  
16 endar year 2026’ for ‘calendar year  
17 2016’ in subparagraph (A)(ii), there-  
18 of.

19 “(ii) ROUNDING.—Any increase deter-  
20 mined under the preceding sentence shall  
21 be rounded to the nearest multiple of  
22 \$100.”.

23 (c) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to distributions made after Decem-  
25 ber 31, 2026, in taxable years ending after such date.

1   **SEC. 4. DOWN PAYMENT SAVINGS ACCOUNTS.**

2           (a) IN GENERAL.—Part VII of subchapter B of chap-  
3   ter 1 of the Internal Revenue Code of 1986 is amended  
4   by redesignating section 224 as section 225 and inserting  
5   after section 223 the following new section:

6   **“SEC. 224. DOWN PAYMENT SAVINGS ACCOUNTS.**

7           “(a) DEDUCTION ALLOWED.—In the case of an indi-  
8   vidual, there shall be allowed as a deduction for the tax-  
9   able year an amount equal to the aggregate first-time  
10   homebuyer contributions paid in cash by or on behalf of  
11   such individual to a down payment savings account of such  
12   individual.

13          “(b) LIMITATION.—

14               “(1) OVERALL LIMITATION ON ACCOUNTS.—No  
15   deduction shall be allowed under subsection (a) with  
16   respect to any contribution made by or on behalf of  
17   any account beneficiary to the extent that, after  
18   such contribution, the fair market value of all assets  
19   of all down payment savings accounts of such ac-  
20   count beneficiary would exceed \$100,000.

21               “(2) ANNUAL LIMITATION ON CONTRIBU-  
22   TIONS.—

23                   “(A) IN GENERAL.—The amount allowable  
24   as a deduction under subsection (a) to an indi-  
25   vidual for any taxable year shall not exceed  
26   \$25,000.

1                   “(B) REDUCTION BASED ON ADJUSTED  
2 GROSS INCOME.—

3                   “(i) IN GENERAL.—In the case of a  
4 taxpayer whose adjusted gross income for  
5 the taxable year immediately preceding the  
6 taxable year referred to in subparagraph  
7 (A) exceeds \$250,000 (twice such amount  
8 in the case of a joint return), the dollar  
9 amount in effect under subparagraph (A)  
10 shall be reduced (but not below zero) by  
11 the amount which bears the same ratio to  
12 the dollar amount in effect under subpara-  
13 graph (A) as such excess bears to the dol-  
14 lar amount in effect under subparagraph  
15 (A).

16                   “(ii) ELECTION TO DETERMINE IN-  
17 COME BASED ON CURRENT TAXABLE  
18 YEAR.—In the case of a taxpayer which  
19 elects the application of this clause (at  
20 such time and in such manner as the Sec-  
21 retary may provide), clause (i) shall be ap-  
22 plied with respect to the taxpayer’s ad-  
23 justed gross income for the taxable year  
24 referred to in subparagraph (A).

1                   “(C) COORDINATION WITH EMPLOYER EX-  
2                   CLUSION.—The limitation which would (but for  
3                   this subparagraph) apply under this paragraph  
4                   to an individual for any taxable year shall be  
5                   reduced (but not below zero) by the aggregate  
6                   amount contributed to down payment savings  
7                   accounts of such individual which is excludable  
8                   from the taxpayer’s gross income for such tax-  
9                   able year under section 139J.

10                  “(3) DENIAL OF DEDUCTION TO DEPEND-  
11                  ENTS.—No deduction shall be allowed under this  
12                  section to any individual with respect to whom a de-  
13                  duction under section 151 is allowable to another  
14                  taxpayer for a taxable year beginning in the cal-  
15                  endar year in which such individual’s taxable year  
16                  begins.

17                  “(c) QUALIFIED FIRST-TIME HOMEBUYER CON-  
18                  TRIBUTION.—For purposes of this section, the term  
19                  ‘qualified first-time homebuyer contribution’ means any  
20                  contribution made to a down payment savings account if,  
21                  at all times during the 2-year period ending on the date  
22                  of such contribution, the account beneficiary (and, if mar-  
23                  ried, such beneficiary’s spouse) did not have any present  
24                  ownership interest in a principal residence (within the  
25                  meaning of section 121).

1       “(d) DOWN PAYMENT SAVINGS ACCOUNT.—For pur-  
2 poses of this section—

3               “(1) IN GENERAL.—The term ‘down payment  
4 savings account’ means a trust created or organized  
5 in the United States as a down payment savings ac-  
6 count exclusively for the purpose of making a quali-  
7 fied down payment of the account beneficiary, but  
8 only if the written governing instrument creating the  
9 trust meets the following requirements:

10               “(A) Except in the case of a rollover con-  
11 tribution described in subsection (f)(5), no con-  
12 tribution will be accepted—

13                       “(i) unless it is in cash,

14                       “(ii) to the extent such contribution,  
15 when added to previous contributions to  
16 the trust for the calendar year, exceeds the  
17 dollar amount in effect under subsection  
18 (b)(2)(A), or

19                       “(iii) to the extent that, after such  
20 contribution, the fair market value of the  
21 assets of the trust would exceed the dollar  
22 amount in effect under subsection (b)(1).

23               “(B) The trustee is a bank (as defined in  
24 section 408(n)), an insurance company (as de-  
25 fined in section 816), or another person who

1 demonstrates to the satisfaction of the Sec-  
2 retary that the manner in which such person  
3 will administer the trust will be consistent with  
4 the requirements of this section.

5 “(C) No part of the trust assets will be in-  
6 vested in life insurance contracts.

7 “(D) The assets of the trust will not be  
8 commingled with other property except in a  
9 common trust fund or common investment  
10 fund.

11 “(E) The interest of an individual in the  
12 balance in his account is nonforfeitable.

13 “(2) QUALIFIED DOWN PAYMENT.—The term  
14 ‘qualified down payment’ means, with respect to an  
15 account beneficiary, the qualified acquisition costs  
16 (as defined in section 72(t)(8)(C)) with respect to a  
17 principal residence (within the meaning of section  
18 121) of such individual.

19 “(3) ACCOUNT BENEFICIARY.—The term ‘ac-  
20 count beneficiary’ means the individual on whose be-  
21 half the down payment savings account was estab-  
22 lished.

23 “(4) CERTAIN RULES TO APPLY.—Rules similar  
24 to the following rules shall apply for purposes of this  
25 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       “(e) TAX TREATMENT OF ACCOUNTS.—

12           “(1) IN GENERAL.—A down payment savings  
13          account is exempt from taxation under this subtitle  
14          unless such account has ceased to be a down pay-  
15          ment savings account. Notwithstanding the pre-  
16          ceding sentence, any such account is subject to the  
17          taxes imposed by section 511 (relating to imposition  
18          of tax on unrelated business income of charitable,  
19          etc. organizations).

20           “(2) ACCOUNT TERMINATION.—Rules similar to  
21          the rules of paragraphs (2) and (4) of section 408(e)  
22          shall apply to down payment savings accounts, and  
23          any amount treated as distributed under such rules  
24          shall be treated as not used to make a qualified  
25          down payment.

1 “(f) TAX TREATMENT OF DISTRIBUTIONS.—

2 “(1) AMOUNTS USED FOR QUALIFIED DOWN  
3 PAYMENT.—Any amount paid or distributed out of  
4 a down payment savings account which is used ex-  
5 clusively to make qualified down payments of any  
6 account beneficiary shall not be includible in gross  
7 income.

8 “(2) INCLUSION OF AMOUNTS NOT USED FOR  
9 QUALIFIED DOWN PAYMENTS.—Any amount paid or  
10 distributed out of a down payment savings account  
11 which is not used exclusively to make qualified down  
12 payments of the account beneficiary shall be in-  
13 cluded in the gross income of such beneficiary.

14 “(3) EXCESS CONTRIBUTIONS RETURNED BE-  
15 FORE DUE DATE OF RETURN.—

16 “(A) IN GENERAL.—If any excess con-  
17 tribution is contributed for a taxable year to  
18 any down payment savings account of an indi-  
19 vidual, paragraph (2) shall not apply to dis-  
20 tributions from the down payment savings ac-  
21 counts of such individual (to the extent such  
22 distributions do not exceed the aggregate excess  
23 contributions to all such accounts of such indi-  
24 vidual for such year) if—

1 “(i) such distribution is received by  
2 the individual on or before the last day  
3 prescribed by law (including extensions of  
4 time) for filing such individual’s return for  
5 such taxable year, and

6 “(ii) such distribution is accompanied  
7 by the amount of net income attributable  
8 to such excess contribution.

9 Any net income described in clause (ii) shall be  
10 included in the gross income of the individual  
11 for the taxable year in which it is received.

12 “(B) EXCESS CONTRIBUTION.—For pur-  
13 poses of subparagraph (A), the term ‘excess  
14 contribution’ means any contribution (other  
15 than a rollover contribution described in para-  
16 graph (5)) which is neither excludable from  
17 gross income under section 139J nor deductible  
18 under this section.

19 “(4) ADDITIONAL TAX ON DISTRIBUTIONS NOT  
20 USED FOR QUALIFIED DOWN PAYMENTS.—

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 down payment savings account  
25 of such beneficiary which is includible in gross

1 income under paragraph (2) shall be increased  
2 by 20 percent of the amount which is so includ-  
3 ible.

4 “(B) EXCEPTION FOR DISABILITY OR  
5 DEATH.— Subparagraph (A) shall not apply if  
6 the payment or distribution is made after the  
7 account beneficiary becomes disabled within the  
8 meaning of section 72(m)(7) or dies.

9 “(5) ROLLOVER CONTRIBUTION.—An amount is  
10 described in this paragraph as a rollover contribu-  
11 tion if it meets the requirements of subparagraphs  
12 (A) and (B).

13 “(A) IN GENERAL.—Paragraph (2) shall  
14 not apply to any amount paid or distributed  
15 from a down payment savings account to the  
16 account beneficiary to the extent the amount  
17 received is paid into a down payment savings  
18 account for the benefit of such beneficiary not  
19 later than the 60th day after the day on which  
20 the beneficiary receives the payment or distribu-  
21 tion.

22 “(B) LIMITATION.—This paragraph shall  
23 not apply to any amount described in subpara-  
24 graph (A) received by an individual from a  
25 down payment savings account if, at any time

1           during the 1-year period ending on the day of  
2           such receipt, such individual received any other  
3           amount described in subparagraph (A) from a  
4           down payment savings account which was not  
5           includible in the individual's gross income be-  
6           cause of the application of this paragraph.

7           “(6) TRANSFER OF ACCOUNT INCIDENT TO DI-  
8       VORCE.—The transfer of an individual's interest in  
9       a down payment savings account to an individual's  
10      spouse or former spouse under a divorce or separa-  
11      tion instrument described in clause (i) of section  
12      121(d)(3)(C) shall not be considered a taxable trans-  
13      fer made by such individual notwithstanding any  
14      other provision of this subtitle, and such interest  
15      shall, after such transfer, be treated as a down pay-  
16      ment savings account with respect to which such  
17      spouse is the account beneficiary.

18           “(7) TREATMENT AFTER DEATH OF ACCOUNT  
19      BENEFICIARY.—

20           “(A) TREATMENT IF DESIGNATED BENE-  
21      FICIARY IS SPOUSE.—If the account bene-  
22      ficiary's surviving spouse acquires such bene-  
23      ficiary's interest in a down payment savings ac-  
24      count by reason of being the designated bene-  
25      ficiary of such account at the death of the ac-

1 count beneficiary, such down payment savings  
2 account shall be treated as if the spouse were  
3 the account beneficiary.

4 “(B) OTHER CASES.—

5 “(i) IN GENERAL.—If, by reason of  
6 the death of the account beneficiary, any  
7 person acquires the account beneficiary’s  
8 interest in a down payment savings ac-  
9 count in a case to which subparagraph (A)  
10 does not apply—

11 “(I) such account shall cease to  
12 be a down payment savings account  
13 as of the date of death, and

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

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) by such  
7                   person.

8                   “(g) INFLATION ADJUSTMENT.—

9                   “(1) IN GENERAL.—In the case of any taxable  
10                  year beginning after December 31, 2026, the dollar  
11                  amounts in paragraphs (1), (2)(A), (2)(B)(i) of sub-  
12                  section (b) shall each be increased by an amount  
13                  equal to—

14                  “(A) such dollar amount, multiplied by

15                  “(B) the cost-of-living adjustment deter-  
16                  mined under section 1(f)(3) for the calendar  
17                  year in which such taxable year begins deter-  
18                  mined by substituting ‘calendar year 2026’ for  
19                  ‘calendar year 2016’ in subparagraph (A)(ii),  
20                  thereof.

21                  “(2) ROUNDING.—If any increase under para-  
22                  graph (1) is not a multiple of \$1,000, such increase  
23                  shall be rounded to the nearest multiple of \$1,000.

24                  “(h) REPORTS.—The Secretary may require the  
25                  trustee of a down payment savings account to make such

1 reports regarding such account to the Secretary and to  
2 the account beneficiary with respect to contributions, dis-  
3 tributions, the return of excess contributions, and such  
4 other matters as the Secretary determines appropriate.  
5 The reports required by this subsection shall be filed at  
6 such time and in such manner and furnished to such indi-  
7 viduals at such time and in such manner as may be re-  
8 quired by the Secretary.”.

9 (b) DEDUCTION ALLOWED WHETHER OR NOT INDIVIDUAL  
10 ITEMIZES OTHER DEDUCTIONS.—Section 62(a)  
11 of such Code is amended by inserting after paragraph (21)  
12 the following new paragraph:

13 “(22) DOWN PAYMENT SAVINGS ACCOUNTS.—  
14 The deduction allowed under section 224.”.

15 (c) EXCLUSIONS FOR EMPLOYER CONTRIBUTIONS TO  
16 DOWN PAYMENT SAVINGS ACCOUNTS.—

17 (1) EXCLUSION FROM INCOME TAX.—Part III  
18 of subchapter B of chapter 1 of such Code is amend-  
19 ed by adding at the end the following new section:

20 **“SEC. 139J. EMPLOYER CONTRIBUTIONS TO DOWN PAY-**  
21 **MENT SAVINGS ACCOUNTS.**

22 “(a) IN GENERAL.—In the case of any employee  
23 other than individual described in section 224(b)(3),  
24 amounts contributed by such employee’s employer to any  
25 down payment savings account (as defined in section

1 224(d)) of such employee shall not be includible in the  
2 gross income of such employee to the extent such amounts  
3 do not exceed the lower of the contribution limit under  
4 section 224(b)(1) or section 224(b)(2) (determined with-  
5 out regard to subparagraph (C) thereof).

6 “(b) SPECIAL RULES.—Rules similar to the rules of  
7 paragraphs (2), (3), and (4) section 106(b) shall apply  
8 for purposes of this subsection.

9 “(c) CROSS REFERENCE.—For penalty on failure by  
10 employer to make comparable contributions to the down  
11 payment savings accounts of comparable employees, see  
12 section 4980I.”.

13 (2) EXCLUSION FROM EMPLOYMENT TAXES.—

14 (A) RAILROAD RETIREMENT TAX.—Section  
15 3231(e) of such Code is amended by adding at  
16 the end the following new paragraph:

17 “(13) DOWN PAYMENT SAVINGS ACCOUNT CON-  
18 TRIBUTIONS.—The term ‘compensation’ shall not in-  
19 clude any payment made to or for the benefit of an  
20 employee if at the time of such payment it is reason-  
21 able to believe that the employee will be able to ex-  
22 clude such payment from income under section  
23 139J.”.

24 (B) UNEMPLOYMENT TAX.—Section  
25 3306(b) of such Code is amended by striking

1           “or” at the end of paragraph (19), by striking  
2           the period at the end of paragraph (20) and in-  
3           serting “; or”, and by inserting after paragraph  
4           (20) the following new paragraph:

5           “(21) any payment made to or for the benefit  
6           of an employee if at the time of such payment it is  
7           reasonable to believe that the employee will be able  
8           to exclude such payment from income under section  
9           139J.”.

10           (C) WITHHOLDING TAX.—Section 3401(a)  
11           of such Code is amended by striking “or” at  
12           the end of paragraph (22), by striking the pe-  
13           riod at the end of paragraph (23) and inserting  
14           “; or”, and by inserting after paragraph (23)  
15           the following new paragraph:

16           “(24) any payment made to or for the benefit  
17           of an employee if at the time of such payment it is  
18           reasonable to believe that the employee will be able  
19           to exclude such payment from income under section  
20           139J.”.

21           (3) EMPLOYER CONTRIBUTIONS REQUIRED TO  
22           BE SHOWN ON W-2.—Section 6051(a) of such Code  
23           is amended by striking “and” at the end of para-  
24           graph (16), by striking the period at the end of  
25           paragraph (17) and inserting “, and”, and by insert-

1       ing after paragraph (17) the following new para-  
2       graph:

3           “(18) the amount contributed to any down pay-  
4       ment savings account (as defined in section 224(d))  
5       of such employee.”.

6           (4) PENALTY FOR FAILURE OF EMPLOYER TO  
7       MAKE COMPARABLE DOWN PAYMENT SAVING AC-  
8       COUNT CONTRIBUTIONS.—Chapter 43 of such Code  
9       is amended by adding at the end the following new  
10      section:

11   **“SEC. 4980I. FAILURE OF EMPLOYER TO MAKE COM-**  
12           **PARABLE DOWN PAYMENT SAVINGS AC-**  
13           **COUNT CONTRIBUTIONS.**

14       “(a) IN GENERAL.—In the case of an employer who  
15      makes a contribution to the down payment savings ac-  
16      count of any employee during a calendar year, there is  
17      hereby imposed a tax on the failure of such employer to  
18      meet the requirements of subsection (b) for such calendar  
19      year.

20       “(b) RULES AND REQUIREMENTS.—Rules and re-  
21      quirements similar to the rules and requirements of sec-  
22      tion 4980E shall apply for purposes of this section.

23       “(c) REGULATIONS.—The Secretary shall issue such  
24      regulations or other guidance as may be necessary or ap-  
25      propriate to carry out the purposes of this section.”.

1 (d) TAX ON EXCESS CONTRIBUTIONS.—Section 4973  
2 of such Code is amended—

3 (1) by striking “or” at the end of subsection  
4 (a)(5), by inserting “or” at the end of subsection  
5 (a)(6), and by inserting after subsection (a)(6) the  
6 following new paragraph:

7 “(7) a down payment savings account (within  
8 the meaning of section 224(d)),” and

9 (2) by adding at the end the following new sub-  
10 section:

11 “(i) EXCESS CONTRIBUTIONS TO DOWN PAYMENT  
12 SAVINGS ACCOUNTS.—For purposes of this section, in the  
13 case of down payment savings accounts (within the mean-  
14 ing of section 224(d)), the term ‘excess contributions’  
15 means the sum of—

16 “(1) the aggregate amount of contributions to  
17 the account (other than a rollover contribution de-  
18 scribed in section 224(f)(5)) for the taxable year  
19 which are neither deductible under section 224 nor  
20 excludible under section 280J, and

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

1           “(A) the distributions out of the accounts  
2           which were included in gross income under sec-  
3           tion 224(f)(2), and

4           “(B) the excess (if any) of—

5           “(i) the lower of the contribution limit  
6           under section 224(b)(1) or section  
7           224(b)(2) (determined without regard to  
8           subparagraph (C) thereof), over

9           “(ii) the amount contributed to the  
10          accounts (other than a rollover contribu-  
11          tion described in section 224(f)(5)) for the  
12          taxable year.

13          For purposes of this subsection, any contribu-  
14          tion which is distributed out of the down pay-  
15          ment savings account in a distribution to which  
16          section 224(f)(3) applies shall be treated as an  
17          amount not contributed.”.

18          (e) TAX ON PROHIBITED TRANSACTIONS.—

19               (1) Section 4975(c) of such Code is amended by  
20          adding at the end the following new paragraph:

21               “(8) SPECIAL RULE FOR DOWN PAYMENT SAV-  
22          INGS ACCOUNTS.—An individual for whose benefit a  
23          down payment savings account (within the meaning  
24          of section 224(d)) is established shall be exempt  
25          from the tax imposed by this section with respect to

1       any transaction concerning such account (which  
2       would otherwise be taxable under this section) if,  
3       with respect to such transaction, the account ceases  
4       to be a down payment savings account by reason of  
5       the application of section 224(e)(2) to such ac-  
6       count.”.

7               (2) Section 4975(e)(1) of such Code is amended  
8       by redesignating subparagraphs (F) and (G) as sub-  
9       paragraphs (G) and (H), respectively, and by insert-  
10      ing after subparagraph (E) the following new sub-  
11      paragraph:

12               “(F) a down payment savings account de-  
13              scribed in section 224(d),”.

14      (f) FAILURE TO PROVIDE REPORTS ON DOWN PAY-  
15      MENT SAVINGS ACCOUNTS.—Section 6693(a)(2) of such  
16      Code is amended by striking “and” at the end of subpara-  
17      graph (E), by striking the period at the end of subpara-  
18      graph (F) and inserting “, and”, and by inserting after  
19      subparagraph (F) the following new subparagraph:

20               “(G) section 224(h) (relating to down pay-  
21              ment savings accounts).”.

22      (g) DOWN PAYMENT SAVINGS ACCOUNTS MAY BE  
23      OFFERED UNDER CAFETERIA PLANS.—Section 125(d)(2)  
24      is amended by adding at the end the following new sub-  
25      paragraph:

1                   “(E) EXCEPTION FOR DOWN PAYMENT  
2 SAVINGS ACCOUNTS.—Subparagraph (A) shall  
3 not apply to a plan to the extent of amounts  
4 which a covered employee may elect to have the  
5 employer pay as contributions to a down pay-  
6 ment savings account established on behalf of  
7 the employee.”.

8 (h) CLERICAL AMENDMENTS.—

9                   (1) The table of sections for part VII of sub-  
10 chapter B of chapter 1 of such Code is amended by  
11 redesignating the item relating to section 224 as an  
12 item relating to section 225 and inserting after the  
13 item relating to section 223 the following new item:

“Sec. 224. Down payment savings accounts.”.

14                   (2) The table of sections for part III of sub-  
15 chapter B of chapter 1 of such Code is amended by  
16 adding at the end the following new item:

“Sec. 139J. Employer contributions to down payment savings accounts.”.

17                   (3) The table of sections for chapter 43 of such  
18 Code is amended by adding at the end the following  
19 new item:

“Sec. 4980I. Failure of employer to make comparable down payment savings  
account contributions.”.

20 (i) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years beginning after  
22 December 31, 2026.

1 **SEC. 5. CREDIT FOR NEW OWNER-OCCUPIED HOMES.**

2 (a) IN GENERAL.—Subpart D of part IV of sub-  
3 chapter A of chapter 1 of the Internal Revenue Code of  
4 1986 is amended by adding at the end the following new  
5 section:

6 **“SEC. 45BB. NEW OWNER-OCCUPIED HOMES CREDIT.**

7 “(a) IN GENERAL.—For purposes of section 38, in  
8 the case of an eligible contractor, the new owner-occupied  
9 homes credit for any taxable year is 35 percent of the eligi-  
10 ble construction costs of each new owner-occupied home  
11 which is—

12 “(1) constructed by the eligible contractor, and

13 “(2) acquired during such taxable year from  
14 such eligible contractor by an individual who cer-  
15 tifies under penalty of perjury that such individual  
16 intends to use such home as the individual’s prin-  
17 cipal residence for not less than the 1-year period  
18 beginning on the date of acquisition.

19 “(b) DEFINITIONS.—For purposes of this section—

20 “(1) ELIGIBLE CONTRACTOR.—The term ‘eligi-  
21 ble contractor’ has the meaning given such term by  
22 section 45L(b)(1).

23 “(2) ELIGIBLE CONSTRUCTION COSTS.—The  
24 term ‘eligible construction costs’ means amounts  
25 properly chargeable to capital account with respect

1 to a new owner-occupied home other than amounts  
2 allocable to land.

3 “(3) NEW OWNER-OCCUPIED HOME.—The term  
4 ‘new owner-occupied home’ means a dwelling unit—

5 “(A) located in the United States, and

6 “(B) the construction of which is substan-  
7 tially completed after the date of the enactment  
8 of this section.

9 “(4) CONSTRUCTION.—The term ‘construction’  
10 shall not include reconstruction or rehabilitation.

11 “(5) ACQUIRE.—The term ‘acquire’ includes  
12 purchase.

13 “(c) BASIS ADJUSTMENT.—For purposes of this sub-  
14 title, if a credit is allowed under this section in connection  
15 with any expenditure for any property, the increase in the  
16 basis of such property which would (but for this sub-  
17 section) result from such expenditure shall be reduced by  
18 the amount of the credit so determined.

19 “(d) REGULATIONS.—The Secretary shall issue such  
20 regulations or other guidance as the Secretary determines  
21 necessary to carry out the purposes of this subsection, in-  
22 cluding regulations or other guidance which provides for  
23 requirements for recordkeeping or information reporting  
24 for purposes of administering the requirements of this  
25 subsection.”.

1 (e) CREDIT MADE PART OF GENERAL BUSINESS

2 CREDIT.—Subsection (b) of section 38 of such Code is  
3 amended—

4 (1) by striking “plus” at the end of paragraph  
5 (40),

6 (2) by striking the period at the end of para-  
7 graph (41) and inserting “, plus”, and

8 (3) by adding at the end the following new  
9 paragraph:

10 “(42) the new owner-occupied homes credit de-  
11 termined under section 45BB.”.

12 (f) CLERICAL AMENDMENT.—The table of sections  
13 for subpart D of part IV of subchapter A of chapter 1  
14 of such Code is amended by adding at the end the fol-  
15 lowing new item:

“Sec. 45BB. New owner-occupied homes credit.”.

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