

103^D CONGRESS
1ST SESSION

H. R. 402

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for the purchase of a principal residence by a first-time homebuyer.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1993

Mr. SOLOMON 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 credit against income tax for the purchase of a principal residence by a first-time homebuyer.

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. CREDIT FOR FIRST-TIME HOMEBUYERS.**

4 (a) IN GENERAL.—Subpart A of part IV of sub-
5 chapter A of chapter 1 of the Internal Revenue Code of
6 1986 (relating to nonrefundable personal credits) is
7 amended by inserting after section 22 the following new
8 section:

1 **“SEC. 23. PURCHASE OF PRINCIPAL RESIDENCE BY FIRST-**
2 **TIME HOMEBUYER.**

3 “(a) ALLOWANCE OF CREDIT.—If an individual who
4 is a first-time homebuyer purchases a principal residence
5 (within the meaning of section 1034), there shall be al-
6 lowed to such individual as a credit against the tax im-
7 posed by this subtitle an amount equal to 10 percent of
8 the purchase price of the principal residence.

9 “(b) LIMITATIONS.—

10 “(1) MAXIMUM CREDIT.—The credit allowed
11 under subsection (a) shall not exceed \$5,000.

12 “(2) LIMITATION TO ONE RESIDENCE.—The
13 credit under this section shall be allowed with re-
14 spect to only one residence of the taxpayer.

15 “(3) MARRIED INDIVIDUALS FILING JOINTLY.—
16 In the case of a husband and wife who file a joint
17 return under section 6013, the credit under this sec-
18 tion is allowable only if both the husband and wife
19 are first-time homebuyers, and the amount specified
20 under paragraph (1) shall apply to the joint return.

21 “(4) OTHER TAXPAYERS.—In the case of indi-
22 viduals to whom paragraph (3) does not apply who
23 together purchase the same new principal residence
24 for use as their principal residence, the credit under
25 this section is allowable only if each of the individ-
26 uals is a first-time homebuyer, and the sum of the

1 amount of credit allowed to such individuals shall
2 not exceed the lesser of \$5,000 or 10 percent of the
3 total purchase price of the residence. The amount of
4 any credit allowable under this section shall be ap-
5 portioned among such individuals under regulations
6 to be prescribed by the Secretary.

7 “(5) APPLICATION WITH OTHER CREDITS.—

8 “(A) GENERAL RULE.—The credit allowed
9 by subsection (a) for any taxable year shall not
10 exceed the amount of the tax imposed by this
11 chapter for the taxable year, reduced by the
12 sum of any other credits allowable under this
13 chapter.

14 “(B) CARRYFORWARD OF UNUSED CRED-
15 ITS.—Any credit that is not allowed for the tax-
16 able year solely by reason of subparagraph (A)
17 shall be carried forward to the succeeding tax-
18 able year and allowed as a credit for that tax-
19 able year. However, the credit shall not be car-
20 ried forward more than 5 taxable years after
21 the taxable year in which the residence is pur-
22 chased.

23 “(6) YEAR FOR WHICH CREDIT ALLOWED.—

24 Fifty percent of the credit allowed by subsection (a)
25 shall be allowed in the taxable year in which the res-

1 idence is purchased and the remaining fifty percent
2 of the credit shall be allowed in the succeeding tax-
3 able year.

4 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-
5 poses of this section—

6 “(1) PURCHASE PRICE.—The term ‘purchase
7 price’ means the adjusted basis of the principal resi-
8 dence on the date of the acquisition thereof.

9 “(2) FIRST-TIME HOMEBUYER.—

10 “(A) IN GENERAL.—The term ‘first-time
11 homebuyer’ means any individual if such indi-
12 vidual has not had a present ownership interest
13 in any residence (including an interest in a
14 housing cooperative) at any time within the 36-
15 month period ending on the date of acquisition
16 of the residence on which the credit allowed
17 under subsection (a) is to be claimed. An inter-
18 est in a partnership, S corporation, or trust
19 that owns an interest in a residence is not con-
20 sidered an interest in a residence for purposes
21 of this paragraph except as may be provided in
22 regulations.

23 “(B) CERTAIN INDIVIDUALS.—Notwith-
24 standing subparagraph (A), an individual is not
25 a first-time homebuyer on the date of purchase

1 of a residence if on that date the running of
2 any period of time specified in section 1034 is
3 suspended under subsection (h) or (k) of sec-
4 tion 1034 with respect to that individual.

5 “(3) SPECIAL RULES FOR CERTAIN ACQUISI-
6 TIONS.—No credit is allowable under this section
7 if—

8 “(A) the residence is acquired from a per-
9 son whose relationship to the person acquiring
10 it would result in the disallowance of losses
11 under section 267 or 707(b), or

12 “(B) the basis of the residence in the
13 hands of the person acquiring it is deter-
14 mined—

15 “(i) in whole or in part by reference
16 to the adjusted basis of such residence in
17 the hands of the person from whom it is
18 acquired, or

19 “(ii) under section 1014(a) (relating
20 to property acquired from a decedent).

21 “(d) RECAPTURE FOR CERTAIN DISPOSITIONS.—

22 “(1) IN GENERAL.—Except as provided in para-
23 graphs (2) and (3), if the taxpayer disposes of prop-
24 erty with respect to the purchase of which a credit
25 was allowed under subsection (a) at any time within

1 36 months after the date the taxpayer acquired the
2 property as his principal residence, then the tax im-
3 posed under this chapter for the taxable year in
4 which the disposition occurs is increased by an
5 amount equal to the amount allowed as a credit for
6 the purchase of such property.

7 “(2) ACQUISITION OF NEW RESIDENCE.—If, in
8 connection with a disposition described in paragraph
9 (1) and within the applicable period prescribed in
10 section 1034, the taxpayer purchases a new principal
11 residence, then the provisions of paragraph (1) shall
12 not apply and the tax imposed by this chapter for
13 the taxable year in which the new principal residence
14 is purchased is increased to the extent the amount
15 of the credit that could be claimed under this section
16 on the purchase of the new residence (determined
17 without regard to subsection (e)) is less than the
18 amount of credit claimed by the taxpayer under this
19 section.

20 “(3) DEATH OF OWNER; CASUALTY LOSS; IN-
21 VOLUNTARY CONVERSION; ETC.—The provisions of
22 paragraph (1) do not apply to—

23 “(A) a disposition of a residence made on
24 account of the death of any individual having a
25 legal or equitable interest therein occurring dur-

1 ing the 36-month period to which reference is
2 made under paragraph (1),

3 “(B) a disposition of the old residence if it
4 is substantially or completely destroyed by a
5 casualty described in section 165(c)(3) or
6 compulsorily or involuntarily converted (within
7 the meaning of section 1033(a)), or

8 “(C) a disposition pursuant to a settlement
9 in a divorce or legal separation proceeding
10 where the residence is sold or the other spouse
11 retains the residence as a principal residence.

12 “(e) PROPERTY TO WHICH SECTION APPLIES.—

13 “(1) IN GENERAL.—The provisions of this sec-
14 tion apply to a principal residence if—

15 “(A) the taxpayer acquires the residence
16 on or after January 1, 1993, and before Janu-
17 ary 1, 1994, or

18 “(B) the taxpayer enters into, on or after
19 January 1, 1993, and before January 1, 1994,
20 a binding contract to acquire the residence, and
21 acquires and occupies the residence before July
22 1, 1994.”

23 (b) CLERICAL AMENDMENT.—The table of sections
24 for subpart A of part IV of subchapter A of chapter 1

1 of such Code is amended by inserting after the item relat-
2 ing to section 22 the following new item:

“Sec. 23. Purchase of principal residence by first-time home-
buyer.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on January 1, 1993.

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