

115TH CONGRESS
1ST SESSION

H. R. 948

To amend the Internal Revenue Code of 1986 to replace the mortgage interest deduction with a nonrefundable credit for indebtedness secured by a residence, to provide affordable housing to extremely low-income families, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 7, 2017

Mr. ELLISON introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to replace the mortgage interest deduction with a nonrefundable credit for indebtedness secured by a residence, to provide affordable housing to extremely low-income families, 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 “Common Sense Hous-
5 ing Investment Act of 2017”.

1 SEC. 2. CONGRESSIONAL FINDINGS.

2 The Congress finds the following:

3 (1) Two principal Federal housing goals are to
4 increase the rate of home ownership and make rent-
5 al housing affordable for low-income families and in-
6 dividuals.

7 (2) Much more progress has been achieved on
8 the first goal than on the second goal.

9 (3) The Federal Government devotes more than
10 three times the amount of budgetary resources to
11 supporting home ownership than it devotes to mak-
12 ing affordable rental housing available.

13 (4) The burden of housing costs is more pro-
14 nounced among renters than among owners.

15 (5) There is a shortage of more than 7 million
16 homes affordable to families in the bottom 20 per-
17 cent of income, meaning that there are only 31 af-
18 fordable units for every 100 families.

19 (6) Only one in four families that qualify for
20 rental housing assistance receives benefits.

21 (7) Housing assistance waiting lists can be 10
22 years long and in many communities are closed.

23 (8) The shortage of rental homes that are af-
24 fordable for extremely low-income households to be
25 the principal cause of homelessness in the United
26 States.

1 (9) Public housing facilities in the United
2 States have more than \$26 billion in deferred main-
3 tenance after decades of neglect which results in a
4 loss of 10,000 units each year.

5 (10) The low-income housing tax credit success-
6 fully provides 100,000 units of affordable housing
7 every year.

8 (11) Every tax reform commission has rec-
9 ommended capping the mortgage interest deduction
10 and converting it to a fairer and simpler credit.

11 (12) More than 75 percent of the value of the
12 mortgage interest deduction inures to the benefit of
13 the top 20 percent of earners.

14 (13) Fewer than half of tax filers with a home
15 mortgage claim the mortgage interest deduction.

16 (14) Only 9 percent of rural tax filers claim the
17 mortgage interest deduction.

18 (15) Ninety-four percent of homes sold between
19 2013 and 2015 sold for less than \$500,000.

20 (16) A better approach that provides equitable
21 benefits for families who buy homes, enables more
22 low- and moderate-income homeowners to receive a
23 benefit, and invests in affordable rental housing to
24 assist those who used to be homeless or who have

1 extremely or very low incomes is needed to strength-
2 en families and communities.

3 **SEC. 3. REPLACEMENT OF MORTGAGE INTEREST DEDUC-**
4 **TION WITH MORTGAGE INTEREST CREDIT.**

5 (a) **NONREFUNDABLE CREDIT.**—Subpart A of part
6 IV of subchapter A of chapter 1 of the Internal Revenue
7 Code of 1986 (relating to nonrefundable personal credits)
8 is amended by inserting after section 25D the following
9 new section:

10 **“SEC. 25E. INTEREST ON INDEBTEDNESS SECURED BY**
11 **QUALIFIED RESIDENCE.**

12 “(a) **ALLOWANCE OF CREDIT.**—In the case of an in-
13 dividual, there shall be allowed as a credit against the tax
14 imposed by this chapter for the taxable year an amount
15 equal to 15 percent of the qualified residence interest paid
16 or accrued during the taxable year.

17 “(b) **QUALIFIED RESIDENCE INTEREST.**—For pur-
18 poses of this section—

19 “(1) **IN GENERAL.**—The term ‘qualified resi-
20 dence interest’ means interest which is paid or ac-
21 crued during the taxable year on—

22 “(A) acquisition indebtedness with respect
23 to any qualified residence of the taxpayer, or

24 “(B) home equity indebtedness with re-
25 spect to any qualified residence of the taxpayer.

1 For purposes of the preceding sentence, the deter-
2 mination of whether any property is a qualified resi-
3 dence of the taxpayer shall be made as of the time
4 the interest is accrued.

5 “(2) OVERALL LIMITATION.—The aggregate
6 amount of indebtedness taken into account for any
7 period for purposes of this section shall not exceed
8 \$500,000 (\$250,000 in the case of a married indi-
9 vidual filing a separate return or unmarried individ-
10 uals filing separate returns for the same property).

11 “(3) ACQUISITION INDEBTEDNESS.—The term
12 ‘acquisition indebtedness’ means any indebtedness
13 which—

14 “(A) is incurred in acquiring, constructing,
15 or substantially improving any qualified resi-
16 dence of the taxpayer, and

17 “(B) is secured by such residence.

18 Such term also includes any indebtedness secured by
19 such residence resulting from the refinancing of in-
20 debtedness meeting the requirements of the pre-
21 ceding sentence (or this sentence), but only to the
22 extent the amount of the indebtedness resulting
23 from such refinancing does not exceed the amount of
24 the refinanced indebtedness.

25 “(4) HOME EQUITY INDEBTEDNESS.—

1 “(A) IN GENERAL.—The term ‘home equity indebtedness’ means any indebtedness
2 (other than acquisition indebtedness) secured
3 by a qualified residence to the extent the aggregate amount of such indebtedness does not exceed—
4
5
6

7 “(i) the fair market value of such
8 qualified residence, reduced by

9 “(ii) the amount of acquisition indebtedness with respect to such residence.
10

11 “(B) LIMITATION.—The aggregate amount
12 treated as home equity indebtedness for any period shall not exceed \$100,000 (\$50,000 in the
13 case of a married individual filing a separate return).
14
15

16 “(c) SPECIAL RULES.—For purposes of this section—
17

18 “(1) QUALIFIED RESIDENCE.—The term ‘qualified residence’ means—
19

20 “(A) the principal residence (within the meaning of section 121) of the taxpayer, and
21

22 “(B) 1 other residence of the taxpayer which is selected by the taxpayer for purposes
23 of this subsection for the taxable year and
24

1 which is used by the taxpayer as a residence
2 (within the meaning of section 280A(d)(1)).

3 “(2) MARRIED INDIVIDUALS FILING SEPARATE
4 RETURNS.—If a married couple does not file a joint
5 return for the taxable year—

6 “(A) such couple shall be treated as 1 tax-
7 payer for purposes of paragraph (1), and

8 “(B) each individual shall be entitled to
9 take into account 1 residence unless both indi-
10 viduals consent in writing to 1 individual taking
11 into account the principal residence and 1 other
12 residence.

13 “(3) RESIDENCE NOT RENTED.—For purposes
14 of paragraph (1)(B), notwithstanding section
15 280A(d)(1), if the taxpayer does not rent a dwelling
16 unit at any time during a taxable year, such unit
17 may be treated as a residence for such taxable year.

18 “(4) UNENFORCEABLE SECURITY INTERESTS.—
19 Indebtedness shall not fail to be treated as secured
20 by any property solely because, under any applicable
21 State or local homestead or other debtor protection
22 law in effect on August 16, 1986, the security inter-
23 est is ineffective or the enforceability of the security
24 interest is restricted.

1 “(5) SPECIAL RULES FOR ESTATES AND
2 TRUSTS.—For purposes of determining whether any
3 interest paid or accrued by an estate or trust is
4 qualified residence interest, any residence held by
5 such estate or trust shall be treated as a qualified
6 residence of such estate or trust if such estate or
7 trust establishes that such residence is a qualified
8 residence of a beneficiary who has a present interest
9 in such estate or trust or an interest in the resid-
10 uary of such estate or trust.

11 “(d) COORDINATION WITH DEDUCTION.—In the case
12 of any taxable year beginning in calendar years 2017
13 through 2021, the taxpayer may elect to apply this section
14 in lieu of the deduction under section 163 for qualified
15 residence interest.”.

16 (b) PHASEOUT OF DEDUCTION.—Section 163(h) of
17 such Code is amended by adding at the end the following
18 new paragraph:

19 “(6) PHASEOUT.—

20 “(A) IN GENERAL.—In the case of any
21 taxable year beginning in a calendar year after
22 2017, the amount otherwise allowable as a de-
23 duction by reason of paragraph (2)(D) shall be
24 the applicable percentage of such amount.

1 “(B) APPLICABLE PERCENTAGE.—For
 2 purposes of subparagraph (A), the applicable
 3 percentage shall be determined in accordance
 4 with the following table:

| “For taxable years beginning in calendar year: | The applicable percentage is: |
|--|-------------------------------|
| 2017 | 100% |
| 2018 | 80% |
| 2019 | 60% |
| 2020 | 40% |
| 2021 | 20% |
| 2022 and thereafter | 0%.”. |

5 (c) PHASEDOWN OF MORTGAGE LIMIT.—Subpara-
 6 graph (B) of section 163(h)(3) of such Code is amended
 7 by adding at the end the following:

8 “(iii) PHASEDOWN.—

9 “(I) IN GENERAL.—In the case
 10 of any taxable year beginning in cal-
 11 endar years 2017 through 2021,
 12 clause (ii) shall be applied by sub-
 13 stituting the amounts specified in the
 14 table in subclause (II) of this clause
 15 for ‘\$1,000,000’ and ‘\$500,000’, re-
 16 spectively.

17 “(II) PHASEDOWN AMOUNTS.—
 18 For purposes of subclause (I), the
 19 amounts specified in this subclause
 20 for a taxable year shall be the

1 amounts specified in the following
 2 table:

| “For taxable years beginning in calendar year: | Amount substituted for \$1,000,000: | Amount substituted for \$500,000: |
|--|--|--------------------------------------|
| 2017 | \$1,000,000 | \$500,000 |
| 2018 | \$900,000 | \$450,000 |
| 2019 | \$800,000 | \$400,000 |
| 2020 | \$700,000 | \$350,000 |
| 2021 | \$600,000 | \$300,000.”. |

3 (d) CLERICAL AMENDMENT.—The table of sections
 4 for subpart A of part IV of subchapter A of chapter 1
 5 of such Code is amended by inserting after section 25D
 6 the following new item:

“Sec. 25E. Interest on indebtedness secured by qualified residence.”.

7 (e) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply with respect to interest paid or
 9 accrued after December 31, 2016.

10 **SEC. 4. DEDUCTION ALLOWED FOR INTEREST AND TAXES**
 11 **RELATING TO LAND FOR DWELLING PUR-**
 12 **POSES OWNED OR LEASED BY COOPERATIVE**
 13 **HOUSING CORPORATIONS.**

14 (a) IN GENERAL.—Subparagraph (B) of section
 15 216(b)(1) of the Internal Revenue Code of 1986 is amend-
 16 ed by inserting “or land,” after “building,”.

17 (b) EFFECTIVE DATE.—The amendment made by
 18 subsection (a) shall apply to amounts paid or accrued after
 19 December 31, 2016.

1 SEC. 5. USE OF MORTGAGE INTEREST SAVINGS TO IN-
2 CREASE LOW-INCOME HOUSING TAX CREDIT.

3 (a) IN GENERAL.—Subclause (I) of section
4 42(h)(3)(C)(ii) of the Internal Revenue Code of 1986 is
5 amended by striking “\$1.75 (\$1.50 for 2001)” and insert-
6 ing “\$2.70”.

7 (b) INFLATION ADJUSTMENT.—Subparagraph (H) of
8 section 42(h)(3) of such Code is amended to read as fol-
9 lows:

10 “(H) COST-OF-LIVING ADJUSTMENT.—

11 “(i) IN GENERAL.—In the case of a
12 calendar year after 2002, the \$2,000,000
13 amount in subparagraph (C) shall be in-
14 creased by an amount equal to—

15 “(I) such dollar amount, multi-
16 plied by

17 “(II) the cost-of-living adjust-
18 ment determined under section 1(f)(3)
19 for such calendar year by substituting
20 ‘calendar year 2001’ for ‘calendar
21 year 1992’ in subparagraph (B) there-
22 of.

23 “(ii) PER CAPITA AMOUNT.—In the
24 case of a calendar year after 2017, the
25 \$2.70 amount in subparagraph (C) shall
26 be increased by an amount equal to—

1 “(I) such dollar amount, multi-
2 plied by

3 “(II) the cost-of-living adjust-
4 ment determined under section 1(f)(3)
5 for such calendar year by substituting
6 ‘calendar year 2016’ for ‘calendar
7 year 1992’ in subparagraph (B) there-
8 of.

9 “(iii) ROUNDING.—

10 “(I) In the case of the
11 \$2,000,000 amount, any increase
12 under clause (i) which is not a mul-
13 tiple of \$5,000 shall be rounded to the
14 next lowest multiple of \$5,000.

15 “(II) In the case of the \$2.70
16 amount, any increase under clause (ii)
17 which is not a multiple of 5 cents
18 shall be rounded to the next lowest
19 multiple of 5 cents.”.

20 (c) ELIGIBLE BASIS.—Clause (i) of section
21 42(d)(5)(B) of such Code is amended by striking “and”
22 at the end of subclause (I), by striking the period at the
23 end of subclause (II) and inserting “, and”, and by adding
24 at the end the following:

1 “(III) in the case of a building
2 containing units which are designated
3 to serve extremely low-income house-
4 holds by the State housing credit
5 agency and require the increase in
6 credit under this subparagraph in
7 order for such building to be finan-
8 cially feasible as part of a qualified
9 low-income housing project, the eligi-
10 ble basis of such building determined
11 by the portion of such units shall be
12 150 percent of such basis determined
13 without regard to this subpara-
14 graph.”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to allocations made in calendar
17 years beginning after December 31, 2017.

18 **SEC. 6. USE OF MORTGAGE INTEREST SAVINGS FOR AF-**
19 **FORDABLE HOUSING PROGRAMS.**

20 (a) USE OF SAVINGS.—For each year, the Secretary
21 of the Treasury shall determine the amount of revenues
22 accruing to the general fund of the Treasury by reason
23 of the enactment of section 3 of this Act that remain after
24 use of such revenues in accordance with section 5 of this

1 Act and shall credit an amount equal to such remaining
2 revenues as follows:

3 (1) HOUSING TRUST FUND.—The Secretary
4 shall credit the Housing Trust Fund established
5 under section 1338 of the Federal Housing Enter-
6 prises Financial Safety and Soundness Act of 1992
7 (12 U.S.C. 4568) with an amount equal to 60 per-
8 cent of the amount of such remaining revenues.

9 (2) RENTAL ASSISTANCE.—An amount equal to
10 30 percent of the amount of such remaining reve-
11 nues shall be credited for rental assistance, which
12 may include a new Renter’s Tax Credit and an ex-
13 pansion of rental assistance by the Secretary of
14 Housing and Urban Development under any pro-
15 gram of such Department providing such assistance
16 or by the Secretary of Agriculture under any rural
17 housing program of such Department providing such
18 assistance.

19 (3) PUBLIC HOUSING CAPITAL FUND.—The
20 Secretary shall credit an amount equal to 10 percent
21 of the amount of such remaining revenues to the
22 Public Housing Capital Fund under section 9(d) of
23 the United States Housing Act of 1937 (42 U.S.C.
24 1437g(d)).

1 (b) CHANGES TO HOUSING TRUST FUND.—Not later
2 than the expiration of the 6-month period beginning on
3 the date of the enactment of this Act, the Secretary of
4 Housing and Urban Development shall revise the regula-
5 tions relating to the Housing Trust Fund established
6 under section 1338 of the Federal Housing Enterprises
7 Financial Safety and Soundness Act of 1992 (12 U.S.C.
8 4568) to provide that such section is carried out with the
9 maximum amount of flexibility possible while complying
10 with such section, which shall include revising such regula-
11 tions—

12 (1) to increase the limitation on amounts from
13 the Fund that are available for use for operating as-
14 sistance for housing;

15 (2) to allow public housing agencies and tribally
16 designated housing entities to be recipient of grants
17 amounts from the Fund that are allocated to a State
18 or State designated entity; and

19 (3) eliminate the applicability of rules for the
20 Fund that are based on the HOME Investment
21 Partnerships Act (42 U.S.C. 1721 et seq.).

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