

“(ii) ACQUISITION COST.—The term ‘acquisition cost’ has the meaning given such term by section 143(k)(3).

“(E) PRINCIPAL RESIDENCE.—The term ‘principal residence’ has the same meaning as when used in section 1034.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to arrangements entered into after the date of the enactment of this Act.

SEC. 106. LOANS USED TO ACQUIRE PRINCIPAL RESIDENCES FOR FIRST-TIME HOMEBUYERS.

(a) INDIVIDUAL RETIREMENT PLANS.—Section 408(e) (relating to tax treatment of accounts and annuities) is amended by adding at the end thereof the following new paragraph:

“(7) LOANS USED TO PURCHASE A HOME FOR FIRST-TIME HOMEBUYERS.—

“(A) IN GENERAL.—Paragraph (3) shall not apply to any qualified home purchase loan made by an individual retirement plan.

“(B) QUALIFIED HOME PURCHASE LOAN.—For purposes of this paragraph, the term ‘qualified home purchase loan’ means a loan—

“(i) made by the trustee of an individual retirement plan at the direction of the individual on whose behalf such plan is established,

“(ii) the proceeds of which are used for the acquisition of a dwelling unit which within a

reasonable period of time (determined at the time the loan is made) is to be used as the principal residence for a first-time homebuyer,

“(iii) which by its terms requires repayment in full not later than the earlier of—

“(I) the date which is 15 years after the date of acquisition of the dwelling unit, or

“(II) the date of the sale or other transfer of the dwelling unit,

“(iv) which by its terms treats any amount remaining unpaid in the taxable year beginning after the period described in clause (iii) as distributed in such taxable year to the individual on whose behalf such plan is established and subject to section 72(t)(1), and

“(v) which bears interest from the date of the loan at a rate not less than 2 percentage points below, and not more than 2 percentage points above, the rate for comparable United States Treasury obligations on such date.

Nothing in this paragraph shall be construed to require such a loan to be secured by the dwelling unit.

“(C) DEFINITIONS.—For purposes of this paragraph—

“(i) FIRST-TIME HOMEBUYER.—The term ‘first-time homebuyer’ has the meaning given such term by section 4975(h)(3)(B).

“(ii) ACQUISITION.—The term ‘acquisition’ has the meaning given such term by section 4975(h)(3)(D)(i).

“(iii) PRINCIPAL RESIDENCE.—The term ‘principal residence’ has the same meaning as when used in section 1034.

“(iv) DATE OF ACQUISITION.—The term ‘date of acquisition’ means the date—

“(I) on which a binding contract to acquire the principal residence to which subparagraph (B) applies is entered into, or

“(II) on which construction, reconstruction, or improvement of such a principal residence is commenced.”

(b) PROHIBITED TRANSACTION.—Section 4975(d) (relating to exemptions from tax on prohibited transactions) is amended by striking “or” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “; or”, and by inserting after paragraph (15) the following new paragraph:

“(16) any loan that is a qualified home purchase loan (as defined in section 408(e)(7)(B)).”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to loans made after the date of the enactment of this Act.