

105TH CONGRESS
1ST SESSION

H. R. 1682

To amend the Internal Revenue Code of 1986 to provide for an exclusion of capital gains upon the sale of a principal residence.

IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1997

Mr. BLUMENAUER 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 provide for an exclusion of capital gains upon the sale of a principal residence.

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. EXCLUSION OF GAIN ON SALE OF PRINCIPAL**
4 **RESIDENCE.**

5 (a) IN GENERAL.—Section 121 of the Internal Reve-
6 nue Code of 1986 is amended to read as follows:

7 **“SEC. 121. EXCLUSION OF GAIN ON SALE OF PRINCIPAL**
8 **RESIDENCE.**

9 “(a) GENERAL RULE.—Gross income does not in-
10 clude gain from the sale or exchange of property if during

1 the 5-year period ending on the date of the sale or ex-
2 change, such property has been owned and used by the
3 taxpayer as his principal residence for periods aggregating
4 2 years or more.

5 “(b) DOLLAR LIMITATION.—

6 “(1) IN GENERAL.—The amount of the gain ex-
7 cluded from gross income under subsection (a) shall
8 not exceed \$250,000 (\$500,000 in the case of a joint
9 return where both spouses meet the holding and use
10 requirements of subsection (a)).

11 “(2) INFLATION ADJUSTMENT.—

12 “(A) IN GENERAL.—In the case of a tax-
13 able year beginning in a calendar year after
14 1997, the \$250,000 and \$500,000 amounts
15 contained in paragraph (1) shall each be in-
16 creased by an amount equal to—

17 “(i) such dollar amount, multiplied by

18 “(ii) the cost-of-living adjustment
19 under section 1(f)(3) for the calendar year
20 in which the taxable year begins, deter-
21 mined by substituting ‘calendar year 1996’
22 for ‘calendar year 1992’ in subparagraph
23 (B) thereof.

24 “(B) ROUNDING.—If any amount as ad-
25 justed under subparagraph (A) is not a multiple

1 of \$100, such amount shall be rounded to the
2 nearest multiple of \$100.

3 “(c) SPECIAL RULES.—

4 “(1) PROPERTY HELD JOINTLY BY HUSBAND
5 AND WIFE.—For purposes of this section, if—

6 “(A) property is held by a husband and
7 wife as joint tenants, tenants by the entirety, or
8 community property,

9 “(B) such husband and wife make a joint
10 return under section 6013 for the taxable year
11 of the sale or exchange, and

12 “(C) one spouse satisfies the holding and
13 use requirements of subsection (a) with respect
14 to such property,

15 then both husband and wife shall be treated as satis-
16 fying the holding and use requirements of subsection
17 (a) with respect to such property.

18 “(2) PROPERTY OF DECEASED SPOUSE.—For
19 purposes of this section, in the case of an unmarried
20 individual whose spouse is deceased on the date of
21 the sale or exchange of property, if the deceased
22 spouse (during the 5-year period ending on the date
23 of the sale or exchange) satisfied the holding and
24 use requirements of subsection (a) with respect to
25 such property, then such individual shall be treated

1 as satisfying the holding and use requirements of
2 subsection (a) with respect to such property.

3 “(3) TENANT-STOCKHOLDER IN COOPERATIVE
4 HOUSING CORPORATION.—For purposes of this sec-
5 tion, if the taxpayer holds stock as a tenant-stock-
6 holder (as defined in section 216) in a cooperative
7 housing corporation (as defined in such section),
8 then—

9 “(A) the holding requirements of sub-
10 section (a) shall be applied to the holding of
11 such stock, and

12 “(B) the use requirements of subsection
13 (a) shall be applied to the house or apartment
14 which the taxpayer was entitled to occupy as
15 such stockholder.

16 “(4) INVOLUNTARY CONVERSIONS.—For pur-
17 poses of this section, the destruction, theft, seizure,
18 requisition, or condemnation of property shall be
19 treated as the sale of such property.

20 “(5) PROPERTY USED IN PART AS PRINCIPAL
21 RESIDENCE.—In the case of property only a portion
22 of which, during the 5-year period ending on the
23 date of the sale or exchange, has been owned and
24 used by the taxpayer as his principal residence for
25 periods aggregating 2 years or more, this section

1 shall apply with respect to so much of the gain from
2 the sale or exchange of such property as is deter-
3 mined, under regulations prescribed by the Sec-
4 retary, to be attributable to the portion of the prop-
5 erty so owned and used by the taxpayer.

6 “(6) DETERMINATION OF MARITAL STATUS.—
7 In the case of any sale or exchange, for purposes of
8 this section—

9 “(A) the determination of whether an indi-
10 vidual is married shall be made as of the date
11 of the sale or exchange; and

12 “(B) an individual legally separated from
13 his spouse under a decree of divorce or of sepa-
14 rate maintenance shall not be considered as
15 married.

16 “(7) APPLICATION OF SECTIONS 1033 AND
17 1034.—In applying sections 1033 (relating to invol-
18 untary conversions) and 1034 (relating to sale or ex-
19 change of residence), the amount realized from the
20 sale or exchange of property shall be treated as
21 being the amount determined without regard to this
22 section.

23 “(8) PROPERTY ACQUIRED AFTER INVOLUN-
24 TARY CONVERSION.—If the basis of the property
25 sold or exchanged is determined (in whole or in

1 part) under subsection (b) of section 1033 (relating
2 to basis of property acquired through involuntary
3 conversion), then the holding and use by the tax-
4 payer of the converted property shall be treated as
5 holding and use by the taxpayer of the property sold
6 or exchanged.

7 “(9) DETERMINATION OF USE DURING PERIODS
8 OF OUT-OF-RESIDENCE CARE.—In the case of a tax-
9 payer who—

10 “(A) becomes physically or mentally in-
11 capable of self-care, and

12 “(B) owns property and uses such property
13 as the taxpayer’s principal residence during the
14 5-year period described in subsection (a) for pe-
15 riods aggregating at least 1 year,

16 then the taxpayer shall be treated as using such
17 property as the taxpayer’s principal residence during
18 any time during such 5-year period in which the tax-
19 payer owns the property and resides in any facility
20 (including a nursing home) licensed by a State or
21 political subdivision to care for an individual in the
22 taxpayer’s condition.

23 “(d) ELECTION TO HAVE SECTION NOT APPLY.—
24 At the election of the taxpayer with respect to any sale

1 or exchange of a principal residence, this section shall not
2 apply to such sale or exchange.”

3 (b) CONFORMING AMENDMENTS.—

4 (1) Paragraph (3) of section 1033(k) is amend-
5 ed to read as follows:

6 “(3) For exclusion from gross income of gain
7 from involuntary conversion of principal residence,
8 see section 121.”

9 (2) Subparagraph (A) of section 1038(e)(1) is
10 amended by striking “(relating to one-time exclusion
11 of gain from sale of principal residence by individual
12 who has attained age 55)” and inserting the follow-
13 ing: “(relating to gain on sale of principal resi-
14 dence)”.

15 (3) subparagraph (B) of section 1250(d)(7) is
16 amended to read as follows:

17 “(B) property in respect of which the tax-
18 payer meets the ownership requirements of sec-
19 tion 121, but only to the extent that the tax-
20 payer meets the use requirements of such sec-
21 tion in respect of such property.”

22 (4) Subsection (c) of section 6012 is amended
23 by striking “(relating to one-time exclusion of gain
24 from sale of principal residence by individual who

1 has attained age 55)” and inserting “(relating to
2 gain from sale of principal residence)”.

3 (5) The item relating to section 121 in the table
4 of sections for part III of subchapter B of chapter
5 1 is amended to read as follows:

“Sec. 121. Exclusion of gain from sale of principal residence.”

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to sales and exchanges on or after
8 the date of the enactment of this Act.

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