

105TH CONGRESS
2D SESSION

H. R. 4713

To amend the Internal Revenue Code of 1986 to allow a deduction for State and local real property taxes paid by certain taxpayers aged 65 or older who do not itemize their deductions and to provide for the establishment of senior citizen real property tax accounts.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 7, 1998

Mr. FRANKS of New Jersey 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 deduction for State and local real property taxes paid by certain taxpayers aged 65 or older who do not itemize their deductions and to provide for the establishment of senior citizen real property tax accounts.

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 “Seniors Real Property
5 Tax Relief Act of 1998”.

1 **SEC. 2. ALLOWANCE OF DEDUCTION FOR STATE AND**
2 **LOCAL REAL PROPERTY TAXES TO CERTAIN**
3 **SENIORS WHO DO NOT ITEMIZE THEIR DE-**
4 **DUCTIONS.**

5 (a) IN GENERAL.—Subsection (a) of section 62 of the
6 Internal Revenue Code of 1986 (relating to definition of
7 adjusted gross income) is amended by adding at the end
8 the following new paragraph:

9 “(18) REAL PROPERTY TAXES OF ELIGIBLE
10 SENIOR TAXPAYERS.—

11 “(A) IN GENERAL.—In the case of an eligi-
12 ble senior taxpayer, the deduction for State and
13 local real property taxes (within the meaning of
14 section 164).

15 “(B) LIMITATION.—Subparagraph (A)
16 shall apply only to the portion of State and
17 local real property taxes which exceeds the ag-
18 gregate amount distributed for the taxable year
19 from the senior citizen real property tax ac-
20 count (as defined by section 222). The preced-
21 ing sentence shall not apply to a distribution
22 described in paragraph (3), (4), or (5) of sec-
23 tion 222(e).

24 “(C) ELIGIBLE SENIOR TAXPAYER DE-
25 FINED.—For purposes of subparagraph (A), the

1 term ‘eligible senior taxpayer’ means a tax-
2 payer—

3 “(i) who is not married or is married
4 filing a separate return and—

5 “(I) who has attained age 65 be-
6 fore the close of his taxable year, and

7 “(II) whose modified adjusted
8 gross income for such taxable year
9 does not exceed \$30,000, or

10 “(ii) who is filing a joint return or is
11 a surviving spouse (as defined in section
12 2(a)) and—

13 “(I) with respect to whom 1 of
14 the spouses has attained age 65 be-
15 fore the close of the taxpayer’s taxable
16 year, and

17 “(II) whose modified adjusted
18 gross income for such taxable year
19 does not exceed \$60,000.

20 “(D) MODIFIED ADJUSTED GROSS IN-
21 COME.—For purposes of subparagraph (C), the
22 term ‘modified adjusted gross income’ means
23 the adjusted gross income of the taxpayer for
24 the taxable year determined—

1 “(i) without regard to sections 911,
2 931, and 933, and

3 “(ii) after the application of sections
4 86, 469, 219, 220, and 222.

5 “(E) INFLATION ADJUSTMENT.—

6 “(i) IN GENERAL.—In the case of a
7 taxable year beginning after December 31,
8 1999, each of the dollar amounts in sub-
9 paragraphs (C)(i)(II) and (C)(ii)(II) shall
10 be increased by an amount equal to—

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

13 “(II) the cost-of-living adjust-
14 ment determined under section 1(f)(3)
15 for the calendar year in which the tax-
16 able year begins, determined by sub-
17 stituting ‘calendar year 1998’ for ‘cal-
18 endar year 1992’ in subparagraph (B)
19 thereof.

20 “(ii) ROUNDING.—If any amount as
21 adjusted under clause (i) is not a multiple
22 of \$100 such amount shall be rounded to
23 the next lowest multiple of \$100.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

4 **SEC. 3. SENIOR CITIZEN REAL PROPERTY TAX ACCOUNTS.**

5 (a) IN GENERAL.—Part VII of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 (relating to
7 additional itemized deductions for individuals) is amended
8 by redesignating section 222 as section 223 and by insert-
9 ing after section 221 the following new section:

10 **“SEC. 222. SENIOR CITIZEN REAL PROPERTY TAX AC-**
11 **COUNTS.**

12 “(a) DEDUCTION ALLOWED.—In the case of an indi-
13 vidual, there shall be allowed as a deduction for the tax-
14 able year an amount equal to the cash contributions made
15 for such taxable year to a senior citizen real property tax
16 account maintained for the benefit of such individual.

17 “(b) MAXIMUM AMOUNT OF DEDUCTION.—The
18 amount allowable as a deduction under subsection (a) to
19 any individual for any taxable year shall not exceed
20 \$2,000.

21 “(c) DEFINITIONS.—For purposes of this section—

22 “(1) SENIOR CITIZEN REAL PROPERTY TAX AC-
23 COUNT.—The term ‘senior citizen real property tax
24 account’ means a trust created or organized in the
25 United States exclusively for the purpose of paying

1 the qualified property tax expenses of the account
2 beneficiary of the trust, but only if the trust is des-
3 ignated as a senior citizen real property tax account
4 at the time created or organized and the written
5 governing instrument creating the trust meets the
6 following requirements:

7 “(A) No contribution (other than a rollover
8 contribution described in subsection (e)(5)) will
9 be accepted—

10 “(i) unless it is in cash,

11 “(ii) in excess of \$2,000 for the tax-
12 able year, or

13 “(iii) after the date on which such
14 beneficiary attains age 59½.

15 “(B) The trustee is a bank (as defined in
16 section 408(n)) or another person who dem-
17 onstrates to the satisfaction of the Secretary
18 that the manner in which that person will ad-
19 minister the trust will be consistent with the re-
20 quirements of this section or who has so dem-
21 onstrated with respect to any individual retire-
22 ment plan.

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

1 “(D) The assets of the trust shall not be
2 commingled with other property except in a
3 common trust fund or common investment
4 fund.

5 “(2) QUALIFIED PROPERTY TAX EXPENSES.—

6 “(A) IN GENERAL.—The term ‘qualified
7 property tax expenses’ means State and local,
8 and foreign, real property taxes imposed on the
9 account beneficiary (determined in accordance
10 with section 164) with respect to the principal
11 residence (within the meaning of section 121)
12 of such beneficiary. Such term shall not include
13 taxes imposed for any real property tax period
14 ending before the date such beneficiary attains
15 age 59½.

16 “(B) JOINTLY HELD PROPERTY.—In the
17 case of any residence which is held as joint ten-
18 ants, tenants by the entirety, or community
19 property by individuals who are married to each
20 other, if one spouse satisfies the age require-
21 ment of subparagraph (A), then both spouses
22 shall be treated as satisfying such requirement.

23 “(3) ACCOUNT BENEFICIARY.—The term ‘ac-
24 count beneficiary’ means the individual for whose

1 benefit the senior citizen real property tax account
2 was established.

3 “(4) CERTAIN RULES TO APPLY.—Rules similar
4 to the following rules shall apply for purposes of this
5 section:

6 “(A) Section 219(d)(2) (relating to no de-
7 duction for rollovers).

8 “(B) Section 219(f)(3) (relating to time
9 when contributions deemed made).

10 “(C) Section 408(d)(6) (relating to trans-
11 fer of account incident to divorce).

12 “(D) Section 408(g) (relating to commu-
13 nity property laws).

14 “(E) Section 408(h) (relating to custodial
15 accounts).

16 “(d) TAX TREATMENT OF ACCOUNTS.—

17 “(1) IN GENERAL.—A senior citizen real prop-
18 erty tax account is exempt from taxation under this
19 subtitle unless such account has ceased to be such
20 an account. Notwithstanding the preceding sentence,
21 any such account is subject to the taxes imposed by
22 section 511 (relating to imposition of tax on unre-
23 lated business income of charitable, etc. organiza-
24 tions).

1 “(2) ACCOUNT TERMINATIONS.—Rules similar
2 to the rules of paragraphs (2) and (4) of section
3 408(e) shall apply to senior citizen real property tax
4 accounts, and any amount treated as distributed
5 under such rules shall be treated as not used to pay
6 qualified property tax expenses.

7 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

8 “(1) IN GENERAL.—If any distribution is made
9 from a senior citizen real property tax account dur-
10 ing the taxable year, the account beneficiary’s tax
11 imposed by this chapter for such taxable year shall
12 be increased by an amount equal to—

13 “(A) 50 percent of any such distribution
14 which is made before the date the account bene-
15 ficiary attains age 59½, and

16 “(B) 25 percent of any such distribution
17 which is made on or after such date.

18 The increase in tax under the preceding sentence
19 shall be in lieu of any inclusion in gross income.

20 “(2) AMOUNTS USED FOR QUALIFIED PROP-
21 ERTY TAX EXPENSES.—

22 “(A) IN GENERAL.—Paragraph (1) shall
23 not apply to the extent that the aggregate dis-
24 tributions during the taxable year from the sen-
25 ior citizen real property tax accounts of the ac-

1 count beneficiary do not exceed the aggregate
2 qualified property tax expenses of such bene-
3 ficiary for such year.

4 “(B) EXCLUSION FROM GROSS INCOME.—
5 Gross income shall not include any distribution
6 excluded from paragraph (1) by reason of sub-
7 paragraph (A).

8 “(3) TREATMENT AFTER DEATH OF ACCOUNT
9 BENEFICIARY; DISABILITY.—Paragraph (1) shall not
10 apply to a distribution—

11 “(A) which is made by reason of the death
12 of the account beneficiary and is made (either
13 directly or by the estate of such beneficiary) to
14 any senior citizen real property tax account or
15 individual retirement plan of any individual, or

16 “(B) which is attributable to the account
17 beneficiary’s being disabled (within the meaning
18 of section 72(m)(7)).

19 In the case of a distribution which is made by rea-
20 son of the death of the account beneficiary and to
21 which paragraph (1) applies after the application of
22 the preceding sentence, the tax on such distribution
23 shall be determined under paragraph (1)(A).

24 “(4) EXCESS CONTRIBUTIONS RETURNED BE-
25 FORE THE DUE DATE OF RETURN.—

1 “(A) IN GENERAL.—If any excess con-
2 tribution is contributed for a taxable year to a
3 senior citizen real property tax account of an
4 individual, paragraph (1) shall not apply to dis-
5 tributions from the senior citizen real property
6 tax accounts of such individual (to the extent
7 such distributions do not exceed the aggregate
8 excess contributions to all such accounts of
9 such individual for such year) if—

10 “(i) such distribution is received by
11 the individual on or before the last day
12 prescribed by law (including extensions of
13 time) for filing such individual’s return for
14 such taxable year, and

15 “(ii) such distribution is accompanied
16 by the amount of net income attributable
17 to such excess contribution.

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

21 “(B) EXCESS CONTRIBUTION.—For pur-
22 poses of subparagraph (A), the term ‘excess
23 contribution’ means any contribution (other
24 than a rollover contribution) that is not deduct-
25 ible under this section.

1 “(5) ROLLOVER CONTRIBUTION.—An amount is
2 described in this paragraph as a rollover contribu-
3 tion if it meets the requirements of subparagraphs
4 (A) and (B).

5 “(A) IN GENERAL.—Paragraph (1) shall
6 not apply to any amount distributed from a
7 senior citizen real property tax account to the
8 account beneficiary to the extent the amount
9 received is paid into a senior citizen real prop-
10 erty tax account for the benefit of such bene-
11 ficiary not later than the 60th day after the day
12 on which the beneficiary receives the payment
13 or distribution.

14 “(B) LIMITATION.—This paragraph shall
15 not apply to any amount described in subpara-
16 graph (A) received by an individual from a sen-
17 ior citizen real property tax account if, at any
18 time during the 1-year period ending on the day
19 of such receipt, such individual received any
20 other amount described in subparagraph (A)
21 from a senior citizen real property tax account
22 which was not includible in the individual’s
23 gross income because of the application of this
24 paragraph.

25 “(f) SPECIAL RULES.—

1 “(1) MARRIED INDIVIDUALS.—The maximum
2 deduction under subsection (b) shall be computed
3 separately for each individual.

4 “(2) TIME WHEN CONTRIBUTIONS DEEMED
5 MADE.—For purposes of this section, a taxpayer
6 shall be deemed to have made a contribution to a
7 senior citizen real property tax account on the last
8 day of the preceding taxable year if the contribution
9 is made on account of such taxable year and is made
10 not later than the time prescribed by law for filing
11 the return for such taxable year (not including ex-
12 tensions thereof).

13 “(g) REPORTS.—The Secretary may require the
14 trustee of a senior citizen real property tax account to
15 make such reports regarding such account to the Sec-
16 retary and to the account beneficiary with respect to con-
17 tributions, distributions, and such other matters as the
18 Secretary determines appropriate. The reports required by
19 this subsection shall be filed at such time and in such a
20 manner and furnished to such individuals at such time and
21 in such manner as may be required by the Secretary.”.

22 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
23 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
24 of section 62 of such Code, as amended by section 2, is

1 amended by inserting after paragraph (18) the following
2 new paragraph:

3 “(19) SENIOR CITIZEN REAL PROPERTY TAX
4 ACCOUNTS.—The deduction allowed by section
5 222.”.

6 (c) TAX ON PROHIBITED TRANSACTIONS.—

7 (1) IN GENERAL.—Paragraph (1) of section
8 4975(e) of such Code (relating to prohibited trans-
9 actions) is amended by redesignating subparagraphs
10 (E) and (F) as subparagraphs (F) and (G), respec-
11 tively, and by inserting after subparagraph (D) the
12 following new subparagraph:

13 “(E) a senior citizen real property tax ac-
14 count described in section 222(e),”.

15 (2) SPECIAL RULE.—Subsection (c) of section
16 4975 of such Code is amended by adding at the end
17 the following new paragraph:

18 “(6) SPECIAL RULE FOR SENIOR CITIZEN REAL
19 PROPERTY TAX ACCOUNTS.—The individual for
20 whose benefit a senior citizen real property tax ac-
21 count is established shall be exempt from the tax im-
22 posed by this section with respect to any transaction
23 concerning such account (which would otherwise be
24 taxable under this section) if section 222(d)(2) ap-
25 plies with respect to such transaction.”.

1 (d) FAILURE TO PROVIDE REPORTS ON SENIOR CITIZEN REAL PROPERTY TAX ACCOUNTS.—Paragraph (2)
2 IZEN REAL PROPERTY TAX ACCOUNTS.—Paragraph (2)
3 of section 6693(a) of such Code (relating to failure to provide reports on individual retirement accounts or annuities) is amended by redesignating subparagraphs (C) and
4 vide reports on individual retirement accounts or annuities) is amended by redesignating subparagraphs (C) and
5 ities) is amended by redesignating subparagraphs (C) and
6 (D) as subparagraphs (D) and (E), respectively, and by
7 inserting after subparagraph (B) the following new subparagraph:
8 paragraph:

9 “(C) section 222(g) (relating to senior citizen real property tax accounts),”.

10 (e) TAX ON EXCESS CONTRIBUTIONS.—

11 (1) IN GENERAL.—Subsection (a) of section
12 4973 of such Code is amended by redesignating
13 paragraphs (3) and (4) as paragraphs (4) and (5),
14 respectively, and by inserting after paragraph (2)
15 the following new paragraph:
16 the following new paragraph:

17 “(3) a senior citizen real property tax account
18 (as defined in section 222(e)),”.

19 (2) EXCESS CONTRIBUTIONS DEFINED.—Section
20 4973 of such Code is amended by adding at the
21 end the following new subsection:

22 “(g) EXCESS CONTRIBUTIONS TO SENIOR CITIZEN
23 REAL PROPERTY TAX ACCOUNTS.—For purposes of this
24 section—

1 “(1) IN GENERAL.—In the case of senior citizen
 2 real property tax accounts maintained for the benefit
 3 of any 1 beneficiary, the term ‘excess contributions’
 4 means the amount by which the amount contributed
 5 for the taxable year to such accounts exceeds
 6 \$2,000.

7 “(2) SPECIAL RULES.—For purposes of para-
 8 graph (1), the following contributions shall not be
 9 taken into account:

10 “(A) Any contribution which is distributed
 11 out of the senior citizen real property tax ac-
 12 count in a distribution to which section
 13 222(e)(4) applies.

14 “(B) Any rollover contribution.”.

15 (f) CLERICAL AMENDMENT.—The table of sections
 16 for part VII of subchapter B of chapter 1 of such Code
 17 is amended by striking the last item and inserting the fol-
 18 lowing new items:

 “Sec. 222. Senior citizen real property tax accounts.
 “Sec. 223. Cross reference.”.

19 (g) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to taxable years beginning after
 21 the date of the enactment of this Act.

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