

110TH CONGRESS  
2D SESSION

# H. R. 5962

To amend the Internal Revenue Code of 1986 to provide temporary housing related tax relief for individuals, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 5, 2008

Mr. MARIO DIAZ-BALART of Florida (for himself, Mr. DAVIS of Illinois, Mr. LINCOLN DIAZ-BALART of Florida, Mr. TIM MURPHY of Pennsylvania, Mr. PAUL, Ms. ROS-LEHTINEN, and Mr. TURNER) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide temporary housing related tax relief for individuals, 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 “Keep Our Homes Act  
5 of 2008”.

6 **SEC. 2. TEMPORARY DEDUCTION FOR CERTAIN MORTGAGE**  
7 **COUNSELING.**

8 (a) IN GENERAL.—Part VII of subchapter B of chap-  
9 ter 1 of the Internal Revenue Code of 1986 (relating to

1 additional itemized deductions) is amended by redesignig-  
2 nating section 224 as section 225 and by inserting after  
3 section 223 the following new section:

4 **“SEC. 224. CERTAIN MORTGAGE COUNSELING.**

5       “(a) IN GENERAL.—In the case of an individual,  
6 there shall be allowed as a deduction an amount equal to  
7 the amount paid or incurred by the taxpayer during the  
8 taxable year for qualified mortgage counseling.

9       “(b) LIMITATION.—The deduction allowed under sub-  
10 section (a) shall not exceed \$500 for any taxable year.

11       “(c) QUALIFIED MORTGAGE COUNSELING.—For pur-  
12 poses of this section, the term ‘qualified mortgage coun-  
13 seling’ means any mortgage counseling provided by an or-  
14 ganization accredited by the Federal Housing Administra-  
15 tion to provide such counseling if such counseling is ob-  
16 tained before the issuance of the loan with respect to  
17 which such counseling relates. Such term shall not include  
18 any counseling if such counseling is provided with respect  
19 to a loan which is not secured by the principal residence  
20 (within the meaning of section 121) of the taxpayer.

21       “(d) TERMINATION.—The deduction under this sec-  
22 tion shall not be allowed with respect to any amount paid  
23 or incurred after December 31, 2012.”.

24       (b) DEDUCTION ALLOWED IN COMPUTING AD-  
25 JUSTED GROSS INCOME.—Subsection (a) of section 62 of

1 such Code is amended by inserting before the last sentence  
2 the following new paragraph:

3           “(21) CERTAIN MORTGAGE COUNSELING.—The  
4           deduction allowed by section 224.”.

5           (c) CLERICAL AMENDMENT.—The table of sections  
6 for part VII of subchapter B of chapter 1 of such Code  
7 is amended by redesignating the item relating to section  
8 224 as an item relating to section 225 and inserting before  
9 such item the following new item:

          “Sec. 224. Certain mortgage counseling.”.

10           (d) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to taxable years beginning after  
12 December 31, 2007.

13 **SEC. 3. TEMPORARY DEDUCTION FOR UPSIDE DOWN MORT-**  
14 **GAGES.**

15           (a) IN GENERAL.—Part VII of subchapter B of chap-  
16 ter 1 of the Internal Revenue Code of 1986 (relating to  
17 additional itemized deductions), as amended by this Act,  
18 is amended by redesignating section 225 as section 226  
19 and by inserting after section 224 the following new sec-  
20 tion:

21 **“SEC. 225. UPSIDE DOWN MORTGAGES.**

22           “(a) IN GENERAL.—In the case of an individual,  
23 there shall be allowed as a deduction an amount equal to  
24 20 percent of the excess (if any) of—

1           “(1) the acquisition indebtedness (within the  
2           meaning of section 163) as determined at the close  
3           of the taxable year with respect to the principal resi-  
4           dence (within the meaning of section 121) of the  
5           taxpayer, over

6           “(2) the valuation (as in effect at the close of  
7           such taxable year) of such residence as determined  
8           for purposes of State and local real property tax as-  
9           sessments.

10          “(b) LIMITATION.—The deduction allowed under sub-  
11         section (a) shall not exceed \$5,000 for any taxable year.

12          “(c) DENIAL OF BENEFIT FOR FRAUDULENTLY OB-  
13         TAINED MORTGAGES.—Acquisition indebtedness shall not  
14         be taken into account under subsection (a) if material  
15         misstatements were made by the taxpayer in obtaining  
16         such indebtedness.

17          “(d) TERMINATION.—The deduction under this sec-  
18         tion shall not be allowed with respect to any amount paid  
19         or incurred after December 31, 2009.”.

20          (b) DEDUCTION ALLOWED IN COMPUTING AD-  
21         JUSTED GROSS INCOME.—Subsection (a) of section 62 of  
22         such Code, as amended by this Act, is amended by insert-  
23         ing before the last sentence the following new paragraph:

24                 “(22) UPSIDE DOWN MORTGAGES.—The deduc-  
25                 tion allowed by section 224.”.

1 (c) CLERICAL AMENDMENT.—The table of sections  
2 for part VII of subchapter B of chapter 1 of such Code,  
3 as amended by this Act, is amended by redesignating the  
4 item relating to section 225 as an item relating to section  
5 226 and inserting before such item the following new item:

“Sec. 225. Upside down mortgages.”.

6 (d) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to taxable years beginning after  
8 December 31, 2007.

9 **SEC. 4. TEMPORARY CREDIT FOR CERTAIN HOME PUR-**  
10 **CHASES.**

11 (a) ALLOWANCE OF CREDIT.—Subpart A of part IV  
12 of subchapter A of chapter 1 of the Internal Revenue Code  
13 of 1986 (relating to nonrefundable personal credits) is  
14 amended by inserting after section 25D the following new  
15 section:

16 **“SEC. 25E. CREDIT FOR CERTAIN HOME PURCHASES.**

17 **“(a) ALLOWANCE OF CREDIT.—**

18 **“(1) IN GENERAL.—**In the case of an individual  
19 who is a purchaser of a qualified principal residence  
20 during the taxable year, there shall be allowed as a  
21 credit against the tax imposed by this chapter an  
22 amount equal to the lesser of—

23 **“(A) 10 percent of the purchase price of**  
24 **the residence, or**

1           “(B) \$7,500 (\$9,000 if such residence is in  
2           a high cost area (as determined by the Sec-  
3           retary of Housing and Urban Development)).

4           “(2) ALLOCATION OF CREDIT AMOUNT.—The  
5           amount of the credit allowed under paragraph (1)  
6           shall be equally divided among the 2 taxable years  
7           beginning with the taxable year in which the pur-  
8           chase of the qualified principal residence is made.

9           “(b) LIMITATIONS.—

10           “(1) DATE OF PURCHASE.—The credit allowed  
11           under subsection (a) shall be allowed only with re-  
12           spect to purchases made—

13           “(A) after the date of the enactment of  
14           this section, and

15           “(B) before the date that is 12 months  
16           after such date.

17           “(2) LIMITATION BASED ON MODIFIED AD-  
18           JUSTED GROSS INCOME.—

19           “(A) IN GENERAL.—The amount allowable  
20           as a credit under subsection (a) (determined  
21           without regard to this paragraph) for the tax-  
22           able year shall be reduced (but not below zero)  
23           by the amount which bears the same ratio to  
24           the amount which is so allowable as—

25           “(i) the excess (if any) of—

1                   “(I) the taxpayer’s modified ad-  
2                   justed gross income for such taxable  
3                   year, over

4                   “(II) \$70,000 (\$140,000 in the  
5                   case of a joint return), bears to

6                   “(ii) \$20,000.

7                   “(B) MODIFIED ADJUSTED GROSS IN-  
8                   COME.—For purposes of subparagraph (A), the  
9                   term ‘modified adjusted gross income’ means  
10                  the adjusted gross income of the taxpayer for  
11                  the taxable year increased by any amount ex-  
12                  cluded from gross income under section 911,  
13                  931, or 933.

14                  “(3) LIMITATION BASED ON AMOUNT OF  
15                  TAX.—In the case of a taxable year to which section  
16                  26(a)(2) does not apply, the credit allowed under  
17                  subsection (a) for any taxable year shall not exceed  
18                  the excess of—

19                         “(A) the sum of the regular tax liability  
20                         (as defined in section 26(b)) plus the tax im-  
21                         posed by section 55, over

22                         “(B) the sum of the credits allowable  
23                         under this subpart (other than this section and  
24                         section 23) for the taxable year.

25                         “(4) ONE-TIME ONLY.—

1           “(A) IN GENERAL.—If a credit is allowed  
2           under this section in the case of any individual  
3           (and such individual’s spouse, if married) with  
4           respect to the purchase of any qualified prin-  
5           cipal residence, no credit shall be allowed under  
6           this section in any taxable year with respect to  
7           the purchase of any other qualified principal  
8           residence by such individual or a spouse of such  
9           individual.

10           “(B) JOINT PURCHASE.—In the case of a  
11           purchase of a qualified principal residence by 2  
12           or more unmarried individuals or by 2 married  
13           individuals filing separately, no credit shall be  
14           allowed under this section if a credit under this  
15           section has been allowed to any of such individ-  
16           uals in any taxable year with respect to the  
17           purchase of any other qualified principal resi-  
18           dence.

19           “(c) QUALIFIED PRINCIPAL RESIDENCE.—For pur-  
20           poses of this section—

21           “(1) IN GENERAL.—The term ‘qualified prin-  
22           cipal residence’ means any residence that is pur-  
23           chased to be the principal residence of the pur-  
24           chaser.



1           “(2) PRINCIPAL RESIDENCE.—The term ‘prin-  
2           cipal residence’ has the same meaning as when used  
3           in section 121.

4           “(d) DENIAL OF DOUBLE BENEFIT.—No credit shall  
5           be allowed under this section for any purchase for which  
6           a credit is allowed under section 1400C.

7           “(e) RECAPTURE IN THE CASE OF CERTAIN DISPOSI-  
8           TIONS.—In the event that a taxpayer—

9                 “(1) disposes of the qualified principal resi-  
10           dence with respect to which a credit is allowed under  
11           subsection (a), or

12                 “(2) fails to occupy such residence as the tax-  
13           payer’s principal residence,

14           at any time within 24 months after the date on which the  
15           taxpayer purchased such residence, then the remaining  
16           portion of the credit allowed under subsection (a) shall be  
17           disallowed in the taxable year during which such dispo-  
18           sition occurred or in which the taxpayer failed to occupy  
19           the residence as a principal residence, and in any subse-  
20           quent taxable year in which the remaining portion of the  
21           credit would, but for this subsection, have been allowed.

22           “(f) SPECIAL RULES.—

23                 “(1) JOINT PURCHASE.—

24                         “(A) MARRIED INDIVIDUALS FILING SEPA-  
25           RATELY.—In the case of 2 married individuals

1 filing separately, subsection (a) shall be applied  
2 to each such individual by substituting ‘\$3,500’  
3 for ‘\$7,000’ in paragraph (1) thereof.

4 “(B) UNMARRIED INDIVIDUALS.—If 2 or  
5 more individuals who are not married purchase  
6 a qualified principal residence, the amount of  
7 the credit allowed under subsection (a) shall be  
8 allocated among such individuals in such man-  
9 ner as the Secretary may prescribe, except that  
10 the total amount of the credits allowed to all  
11 such individuals shall not exceed \$7,000.

12 “(2) PURCHASE; PURCHASE PRICE.—Rules  
13 similar to the rules of paragraphs (2) and (3) of sec-  
14 tion 1400C(e) (as in effect on the date of the enact-  
15 ment of this section) shall apply for purposes of this  
16 section.

17 “(3) REPORTING REQUIREMENT.—Rules similar  
18 to the rules of section 1400C(f) (as so in effect)  
19 shall apply for purposes of this section.

20 “(g) BASIS ADJUSTMENT.—For purposes of this sub-  
21 title, if a credit is allowed under this section with respect  
22 to the purchase of any residence, the basis of such resi-  
23 dence shall be reduced by the amount of the credit so al-  
24 lowed.”.

25 (b) CONFORMING AMENDMENTS.—

1           (1) Section 24(b)(3)(B) of the Internal Revenue  
2 Code of 1986 is amended by striking “and 25B”  
3 and inserting “, 25B, and 25E”.

4           (2) Section 25(e)(1)(C)(ii) of such Code is  
5 amended by inserting “25E,” after “25D,”.

6           (3) Section 25B(g)(2) of such Code is amended  
7 by striking “section 23” and inserting “sections 23  
8 and 25E”.

9           (4) Section 25D(c)(2) of such Code is amended  
10 by striking “and 25B” and inserting “25B, and  
11 25E”.

12           (5) Section 26(a)(1) of such Code is amended  
13 by striking “and 25B” and inserting “25B, and  
14 25E”.

15           (6) Section 904(i) of such Code is amended by  
16 striking “and 25B” and inserting “25B, and 25E”.

17           (7) Subsection (a) of section 1016 of such Code  
18 is amended by striking “and” at the end of para-  
19 graph (36), by striking the period at the end of  
20 paragraph (37) and inserting “, and”, and by add-  
21 ing at the end the following new paragraph:

22           “(38) to the extent provided in section  
23 25E(g).”.

1           (8) Section 1400C(d)(2) of such Code is  
2           amended by striking “and 25D” and inserting  
3           “25D, and 25E”.

4           (c) CLERICAL AMENDMENT.—The table of sections  
5 for subpart A of part IV of subchapter A of chapter 1  
6 of the Internal Revenue Code of 1986 is amended by in-  
7 serting after the item relating to section 25D the following  
8 new item:

          “Sec. 25E. Credit for certain home purchases.”.

9           (d) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to purchases in taxable years end-  
11 ing after the date of the enactment of this Act.

12          (e) APPLICATION OF EGTRRA SUNSET.—The  
13 amendment made by subsection (b)(1) shall be subject to  
14 title IX of the Economic Growth and Tax Relief Reconcili-  
15 ation Act of 2001 in the same manner as the provisions  
16 of such Act to which such amendment relates.

17 **SEC. 5. TEMPORARY ADDITIONAL STANDARD DEDUCTION**  
18                           **FOR REAL PROPERTY TAXES FOR NON-**  
19                           **ITEMIZERS.**

20          (a) IN GENERAL.—Section 63(c)(1) of the Internal  
21 Revenue Code of 1986 (defining standard deduction) is  
22 amended by striking “and” at the end of subparagraph  
23 (A), by striking the period at the end of subparagraph  
24 (B) and inserting “, and”, and by adding at the end the  
25 following new subparagraph:

1           “(C) in the case of any taxable year begin-  
2           ning in 2008 or 2009, the real property tax de-  
3           duction.”.

4           (b) DEFINITION.—Section 63(c) of the Internal Rev-  
5           enue Code of 1986 is amended by adding at the end the  
6           following new paragraph:

7           “(8) REAL PROPERTY TAX DEDUCTION.—

8           “(A) IN GENERAL.—For purposes of para-  
9           graph (1), the real property tax deduction is so  
10          much of the amount of the eligible State and  
11          local real property taxes paid or accrued by the  
12          taxpayer during the taxable year which do not  
13          exceed \$500 (\$1,000 in the case of a joint re-  
14          turn).

15          “(B) ELIGIBLE STATE AND LOCAL REAL  
16          PROPERTY TAXES.—For purposes of subpara-  
17          graph (A), the term ‘eligible State and local  
18          real property taxes’ means State and local real  
19          property taxes (within the meaning of section  
20          164), but only if the rate of tax for all residen-  
21          tial real property taxes in the jurisdiction has  
22          not been increased at any time after April 2,  
23          2008, and before January 1, 2009.”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2007.

4 **SEC. 6. TEMPORARY EXCLUSION OF UNEMPLOYMENT COM-**  
5 **PENSATION FROM GROSS INCOME.**

6       (a) IN GENERAL.—Section 85 of the Internal Rev-  
7 enue Code of 1986 is amended by adding at the end the  
8 following new subsection:

9       “(c) TEMPORARY EXCLUSION.—Notwithstanding  
10 subsection (a), in the case of unemployment compensation  
11 received by an individual during 2008 or 2009, gross in-  
12 come shall not include such compensation.”.

13       (b) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to amounts received after Decem-  
15 ber 31, 2007.

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