

114TH CONGRESS  
2D SESSION

# H. R. 5480

To amend the Internal Revenue Code of 1986 to provide a credit for early payment of principal on certain home mortgages and to reduce the amount which may be treated as acquisition indebtedness for purposes of determining the home mortgage interest deduction.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 14, 2016

Mr. RYAN of Ohio 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 a credit for early payment of principal on certain home mortgages and to reduce the amount which may be treated as acquisition indebtedness for purposes of determining the home mortgage interest deduction.

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 “Boosting Equity for  
5 the American Middle Class Act of 2016” or as the  
6 “BEAM Act of 2016”.

1 **SEC. 2. REFUNDABLE CREDIT FOR EARLY PRINCIPAL PAY-**  
2 **MENTS ON CERTAIN HOME MORTGAGES.**

3 (a) IN GENERAL.—Subpart C of part IV of sub-  
4 chapter A of chapter 1 of the Internal Revenue Code of  
5 1986 is amended by inserting after section 36B the fol-  
6 lowing new section:

7 **“SEC. 36C. EARLY PRINCIPAL PAYMENTS ON CERTAIN**  
8 **HOME MORTGAGES.**

9 “(a) IN GENERAL.—In the case of an individual,  
10 there shall be allowed as a credit against the tax imposed  
11 by this subtitle for the taxable year an amount equal to  
12 50 percent of the excess home mortgage principal pay-  
13 ments made by the taxpayer during such taxable year.

14 “(b) ANNUAL DOLLAR LIMITATION.—The credit al-  
15 lowed under subsection (a) with respect to any taxpayer  
16 for any taxable year shall not exceed \$500.

17 “(c) LIFETIME LIMITATION.—No credit shall be al-  
18 lowed under subsection (a) to any taxpayer for any taxable  
19 year if credit was allowed under subsection (a) to such  
20 taxpayer for any 10 preceding taxable years.

21 “(d) LIMITATION BASED ON MODIFIED ADJUSTED  
22 GROSS INCOME.—

23 “(1) IN GENERAL.—The amount which would  
24 (but for this paragraph and after the application of  
25 subsection (b)) be allowable as a credit under sub-  
26 section (a) shall be reduced (but not below zero) by

1 the amount which bears the same ratio to the  
2 amount which would be so allowable as—

3 “(A) the excess of—

4 “(i) the taxpayer’s modified adjusted  
5 gross income for the taxable year, over

6 “(ii) \$125,000 (twice such amount in  
7 the case of a joint return), bears to

8 “(B) \$10,000 (twice such amount in the  
9 case of a joint return).

10 “(2) MODIFIED ADJUSTED GROSS INCOME.—

11 The term ‘modified adjusted gross income’ means  
12 adjusted gross income increased by any amount ex-  
13 cluded from gross income under section 911, 931, or  
14 933.

15 “(e) EXCESS HOME MORTGAGE PRINCIPAL PAY-  
16 MENTS.—For purposes of this subsection—

17 “(1) IN GENERAL.—The term ‘excess home  
18 mortgage principal payments’ means, with respect to  
19 qualified home mortgage indebtedness for any tax-  
20 able year, the excess of—

21 “(A) the aggregate amount of principal  
22 paid by the taxpayer with respect to such in-  
23 debtedness during such taxable year, over

24 “(B) the aggregate amount of principal  
25 which would have been paid by the taxpayer

1 with respect to such indebtedness during such  
2 taxable year if the taxpayer had timely made  
3 each required payment under the terms of the  
4 indebtedness during such taxable year (and no  
5 other payments).

6 “(2) QUALIFIED HOME MORTGAGE INDEBTED-  
7 NESS.—

8 “(A) IN GENERAL.—The term ‘qualified  
9 home mortgage indebtedness’ means any acqui-  
10 sition indebtedness (as defined in section  
11 163(h)(3)(B)) if—

12 “(i) the residence with respect to such  
13 acquisition indebtedness is the primary res-  
14 idence (within the meaning of section 121)  
15 of the taxpayer, and

16 “(ii) such indebtedness constitutes a  
17 traditional mortgage.

18 “(B) TRADITIONAL MORTGAGE.—For pur-  
19 poses of this paragraph, the term ‘traditional  
20 mortgage’ means indebtedness—

21 “(i) the term of which is not less than  
22 15 years and not more than 30 years, and

23 “(ii) the required payments under  
24 which are each the same amount and made  
25 in equal intervals during the term of the

1           indebtedness (or if any payment is re-  
2           quired at a different interval, the amount  
3           of such payment is adjusted in the same  
4           proportion as the change in interval).

5           “(f) RULES RELATED TO JOINT RETURNS.—

6           “(1) NO CREDIT FOR MARRIED INDIVIDUALS  
7           FILING SEPARATELY.—In the case of a married indi-  
8           vidual, no credit shall be allowed under this section  
9           for any taxable year unless such individual files a  
10          joint return with such individual’s spouse for such  
11          taxable year.

12          “(2) APPLICATION OF LIFETIME LIMITATION  
13          WITH RESPECT TO JOINT RETURNS.—If the credit  
14          under subsection (a) is allowed with respect to a  
15          joint return for any taxable year, such credit shall  
16          be treated for purposes of applying subsection (c) as  
17          allowed to both spouses for such taxable year. For  
18          purposes of applying subsection (c) with respect to  
19          a joint return for any taxable year, the taxpayer  
20          shall be treated as having been allowed the credit  
21          under subsection (a) for 10 or more preceding tax-  
22          able years only if both spouses have been so allowed  
23          such credits.”.

24          (b) REPORTING OF EXCESS HOME MORTGAGE PRIN-  
25          CIPAL PAYMENTS.—Section 6050H(b)(2) of such Code is

1 amended by striking “and” at the end of subparagraph  
2 (C), by redesignating subparagraph (D) as subparagraph  
3 (E), and by inserting after subparagraph (C) the following  
4 new subparagraph:

5 “(D) the amount of excess home mortgage  
6 principal payments (as defined in section  
7 36C(e)) received with respect to such mortgage  
8 during the calendar year, and”.

9 (c) CONFORMING AMENDMENTS.—

10 (1) Section 6211(b)(4)(A) of such Code is  
11 amended by inserting “36C,” after “36B,”.

12 (2) Section 1324(b)(2) of title 31, United  
13 States Code, is amended by inserting “36C,” after  
14 “36B,”.

15 (3) The table of sections for subpart C of part  
16 IV of subchapter A of chapter 1 of the Internal Rev-  
17 enue Code of 1986 is amended by inserting after the  
18 item relating to section 36B the following new item:

“Sec. 36C. Early principal payments on certain home mortgages.”.

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

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