

118TH CONGRESS  
1ST SESSION

# S. 2224

To amend the Internal Revenue Code of 1986 to deny interest and depreciation deductions for taxpayers owning 50 or more single family properties.

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## IN THE SENATE OF THE UNITED STATES

JULY 11, 2023

Mr. BROWN (for himself, Mr. WYDEN, Mr. REED, Ms. SMITH, Mr. MERKLEY, Mr. FETTERMAN, Ms. WARREN, and Ms. BALDWIN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to deny interest and depreciation deductions for taxpayers owning 50 or more single family properties.

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 “Stop Predatory Invest-  
5 ing Act”.

1 **SEC. 2. DISALLOWANCE OF INTEREST DEDUCTION FOR DIS-**  
 2 **QUALIFIED SINGLE FAMILY PROPERTY OWN-**  
 3 **ERS.**

4 (a) IN GENERAL.—Section 163 of the Internal Rev-  
 5 enue Code of 1986 is amended by redesignating subsection  
 6 (n) as subsection (o) and by inserting after subsection (m)  
 7 the following new subsection:

8 “(n) INTEREST PAID BY CERTAIN DISQUALIFIED  
 9 SINGLE FAMILY PROPERTY OWNERS.—

10 “(1) IN GENERAL.—In the case of a disquali-  
 11 fied single family property owner, no deduction shall  
 12 be allowed under this chapter for any interest paid  
 13 or accrued in connection with any single family resi-  
 14 dential rental property owned (directly or indirectly)  
 15 by such disqualified single family property owner.

16 “(2) EXCEPTION.—

17 “(A) IN GENERAL.—Paragraph (1) shall  
 18 not apply with respect to interest paid or ac-  
 19 crued in the taxable year in which such single  
 20 family residential rental property is sold.

21 “(B) EXCEPTION.—Subparagraph (A)  
 22 shall not apply unless the sale described in such  
 23 subparagraph is—

24 “(i) a sale to an individual for use as  
 25 the principle residence of the individual  
 26 (within the meaning of section 121), or

1                   “(ii) a sale to any qualified nonprofit  
2                   organization.

3                   “(C) QUALIFIED NONPROFIT ORGANIZA-  
4                   TION.—

5                   “(i) IN GENERAL.—For purposes of  
6                   this paragraph, the term ‘qualified non-  
7                   profit organization’ means any organiza-  
8                   tion which—

9                                 “(I) is not organized for profit,  
10                                and

11                               “(II) has as a principal purpose  
12                               the creation, development, or preser-  
13                               vation of affordable housing.

14                   “(ii) CERTAIN ORGANIZATIONS IN-  
15                   CLUDED.—The term ‘qualified nonprofit  
16                   organization’ shall include—

17                               “(I) any community development  
18                               corporation (as defined in section  
19                               204(b) of the Department of Veterans  
20                               Affairs and Housing and Urban De-  
21                               velopment, and Independent Agencies  
22                               Appropriations Act, 1997 (12 U.S.C.  
23                               1715z-11a(b)),

24                               “(II) any community housing de-  
25                               velopment organization (as defined in

1 section 104 of the Cranston-Gonzales  
2 National Affordable Housing Act (42  
3 U.S.C. 12704),

4 “(III) any community-based de-  
5 velopment organization qualified  
6 under section 570.204 of title 24,  
7 Code of Federal Regulations, as in ef-  
8 fect on the date of the enactment of  
9 this subsection,

10 “(IV) any land bank,

11 “(V) any resident-owned coopera-  
12 tive or community land trust, and

13 “(VI) any subsidiary of a public  
14 housing agency (as defined in section  
15 3(b)(6) of the United States Housing  
16 Act of 1937 (42 U.S.C. 1437a(b)(6)).

17 “(iii) LAND BANK.—For purposes of  
18 this subparagraph, the term ‘land bank’  
19 means a government entity, agency, or pro-  
20 gram, or a special purpose nonprofit entity  
21 formed by one or more units of govern-  
22 ment in accordance with State or local  
23 land bank enabling law, that has been des-  
24 ignated by one or more State or local gov-  
25 ernments to acquire, steward, and dispose

1 of vacant, abandoned, or other problem  
2 properties in accordance with locally-deter-  
3 mined priorities and goals.

4 “(iv) COMMUNITY LAND TRUST.—For  
5 purposes of this subparagraph, the term  
6 ‘community land trust’ means a nonprofit  
7 organization or State or local government  
8 or instrumentality that—

9 “(I) use a ground lease or deed  
10 covenant with an affordability period  
11 of at least 30 years or more to—

12 “(aa) make rental and  
13 homeownership units affordable  
14 to households; and

15 “(bb) stipulate a preemptive  
16 option to purchase the affordable  
17 rentals or homeownership units  
18 so that the affordability of the  
19 units is preserved for successive  
20 income-eligible households; and

21 “(II) monitors properties to en-  
22 sure affordability is preserved.

23 “(3) DISQUALIFIED SINGLE FAMILY PROPERTY  
24 OWNER.—For purposes of this subsection—

1           “(A) IN GENERAL.—The term ‘disqualified  
2           single family property owner’ means, with re-  
3           spect to any taxable year, any taxpayer who  
4           owns (directly or indirectly) 50 or more single  
5           family residential rental properties.

6           “(B) AGGREGATION RULES.—All persons  
7           treated as a single employer under subsection  
8           (a) or (b) of section 52, or subsection (m) or  
9           (o) of section 414, shall be treated as one tax-  
10          payer for purposes of this section.

11          “(C) MODIFICATIONS.—

12                 “(i) IN GENERAL.—For purposes of  
13                 applying subparagraph (B)—

14                         “(I) section 52(a) shall be ap-  
15                         plied by substituting ‘component  
16                         members’ for ‘members’, and

17                         “(II) for purposes of applying  
18                         section 52(b), the term ‘trade or busi-  
19                         ness’ shall include any activity treated  
20                         as a trade or business under para-  
21                         graph (5) or (6) of section 469(c) (de-  
22                         termined without regard to the phrase  
23                         ‘To the extent provided in regulations’  
24                         in such paragraph (6)).

1           “(ii) COMPONENT MEMBER.—For  
 2           purposes of this paragraph, the term ‘com-  
 3           ponent member’ has the meaning given  
 4           such term by section 1563(b), except that  
 5           the determination shall be made without  
 6           regard to section 1563(b)(2).

7           “(iii) NO INFERENCE.—The modifica-  
 8           tions made by clause (i) shall not be con-  
 9           strued to create any inference with respect  
 10          to the proper application of section 52 with  
 11          respect to any other provision of this title.

12          “(4) SINGLE FAMILY RESIDENTIAL RENTAL  
 13          PROPERTY.—For purposes of this subsection—

14               “(A) IN GENERAL.—The term ‘single fam-  
 15               ily residential rental property’ means—

16                   “(i) any residential rental property (as  
 17                   defined in section 168(e)(2)(A)(i)) which  
 18                   contains 4 or fewer dwelling units (as de-  
 19                   fined in section 168(e)(2)(A)(ii)(I)), and

20                   “(ii) improvements to real property  
 21                   directly related to such dwelling units lo-  
 22                   cated on the site of such dwelling units.

23          For purposes of clause (i), each townhouse or  
 24          rowhouse shall be treated as a separate build-  
 25          ing.

1           “(B) EXCEPTION FOR CERTAIN PROP-  
2           ERTIES.—Such term shall not include any resi-  
3           dential rental property (as so defined)—

4                   “(i) with respect to which a credit is  
5                   allowed under section 42 for such taxable  
6                   year or any property, or

7                   “(ii) which—

8                           “(I) was constructed by the tax-  
9                           payer, or

10                           “(II) acquired by the taxpayer  
11                           after its construction but before the  
12                           first date on which any dwelling unit  
13                           in such property was occupied by a  
14                           resident.

15           “(5) REGULATIONS.—The Secretary shall pre-  
16           scribe such regulations as may be necessary or ap-  
17           propriate to carry out the purposes of this sub-  
18           section, including regulations to prevent the avoid-  
19           ance of the purposes of this subsection.”.

20           (b) APPLICATION TO CAPITALIZED AMOUNTS.—

21                   (1) IN GENERAL.—Section 263A(f)(2) of the  
22                   Internal Revenue Code of 1986 is amended by add-  
23                   ing at the end the following new subparagraph:

24                           “(D) EXCEPTION FOR CERTAIN INTEREST  
25                           OF DISQUALIFIED SINGLE FAMILY PROPERTY



1 OWNERS.—Subparagraph (A) shall not apply to  
 2 any interest for which a deduction would be dis-  
 3 allowed under section 163(n).”.

4 (2) CARRYING CHARGES.—Section 266 of such  
 5 Code is amended—

6 (A) by striking “No deduction” and insert-  
 7 ing the following:

8 “(a) IN GENERAL.—No deduction”, and

9 (B) by adding at the end the following new  
 10 subsection:

11 “(b) SPECIAL RULE FOR CERTAIN INTEREST OF DIS-  
 12 QUALIFIED SINGLE FAMILY PROPERTY OWNERS.—No  
 13 election may be made under this section to treat as  
 14 chargeable to capital account any interest for which a de-  
 15 duction would be disallowed under section 163(n).”.

16 (c) EFFECTIVE DATE.—The amendments made by  
 17 this section shall apply to indebtedness incurred in taxable  
 18 years beginning after the date of the enactment of this  
 19 Act.

20 **SEC. 3. DISALLOWANCE OF DEPRECIATION IN CONNEC-**  
 21 **TION WITH PROPERTY USED BY DISQUALI-**  
 22 **FIED SINGLE FAMILY PROPERTY OWNERS.**

23 (a) IN GENERAL.—Section 167 of the Internal Rev-  
 24 enue Code of 1986 is amended by redesignating subsection

1 (i) as subsection (j) and by inserting after subsection (h)  
2 the following new subsection:

3 “(i) DEDUCTION DISALLOWED FOR DISQUALIFIED  
4 SINGLE FAMILY PROPERTY OWNERS.—

5 “(1) IN GENERAL.—In the case of a disquali-  
6 fied single family property owner, no deduction shall  
7 be allowed under this section for any single family  
8 residential rental property owned by such disquali-  
9 fied single family property owner.

10 “(2) EXCEPTION.—

11 “(A) IN GENERAL.—Paragraph (1) shall  
12 not apply with respect to depreciation deduction  
13 which is allowable—

14 “(i) in connection with a single family  
15 residential rental property, and

16 “(ii) in the taxable year in which such  
17 single family residential rental property is  
18 sold.

19 “(B) EXCEPTION.—Subparagraph (A)  
20 shall not apply unless the sale described in  
21 clause (ii) thereof is—

22 “(i) a sale to an individual for use as  
23 the principle residence of the individual  
24 (within the meaning of section 121), or

1                   “(ii) a sale to any qualified nonprofit  
2                   organization (as defined in section  
3                   163(n)(2)(C)).

4                   “(3) DEFINITIONS.—For purposes of this sub-  
5                   section, the terms ‘disqualified single family property  
6                   owner’ and ‘single family residential rental property’  
7                   have the respective meanings given such terms under  
8                   section 163(n).

9                   “(4) REGULATIONS.—The Secretary shall pre-  
10                  scribe such regulations as may be necessary or ap-  
11                  propriate to carry out the purposes of this sub-  
12                  section, including regulations to prevent the avoid-  
13                  ance of the purposes of this subsection.”.

14                  (b) EFFECTIVE DATE.—The amendments made by  
15                  this section shall apply to property placed in service in  
16                  taxable years beginning after the date of the enactment  
17                  of this Act.

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