

119TH CONGRESS
2D SESSION

H. R. 7422

To amend the Internal Revenue Code of 1986 to allow the establishment
of first-time homebuyer savings accounts.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 9, 2026

Mrs. CAMMACK (for herself and Mr. MOYLAN) 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 the
establishment of first-time homebuyer savings 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 “Next-Generation Eq-
5 uity Savings Tool Act” or the “NEST Act”.

6 **SEC. 2. FIRST-TIME HOMEBUYER SAVINGS ACCOUNT.**

7 (a) IN GENERAL.—Part VII of subchapter B of chap-
8 ter 1 of the Internal Revenue Code of 1986 is amended
9 by inserting after section 223 the following new section:

1 **“SEC. 223A. FIRST-TIME HOMEBUYER SAVINGS ACCOUNT.**

2 “(a) DEDUCTION ALLOWED.—In the case of an ac-
3 count beneficiary, there shall be allowed as a deduction
4 for the taxable year an amount equal to the aggregate
5 amount paid in cash during such taxable year by or on
6 behalf of such individual to a first-time homebuyer savings
7 account of such individual.

8 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
9 poses of this section—

10 “(1) FIRST-TIME HOMEBUYER SAVINGS AC-
11 COUNT.—The term ‘first-time homebuyer savings ac-
12 count’ means a trust created or organized in the
13 United States exclusively for the purpose of paying
14 the qualified home ownership expenses of the ac-
15 count beneficiary (and designated as a first-time
16 homebuyer savings account at the time created or
17 organized), but only if the written governing instru-
18 ment creating the trust meets the following require-
19 ments:

20 “(A) No contribution will be accepted—

21 “(i) if the account beneficiary had an
22 ownership interest in a principal residence
23 at any time during the 3-year period end-
24 ing on the date of the contribution,

25 “(ii) if such contribution would result
26 in lifetime aggregate contributions to the

1 account exceeding the State threshold
2 amount,

3 “(iii) unless it is in cash, or

4 “(iv) except in the case of rollover
5 contributions, if such contribution would
6 result in aggregate contributions to the ac-
7 count for the taxable year exceeding the
8 amount in effect under subsection
9 (b)(1)(B).

10 “(B) The trustee is a bank (as defined in
11 section 408(n)) or another person who dem-
12 onstrates to the satisfaction of the Secretary
13 that the manner in which that person will ad-
14 minister the trust will be consistent with the re-
15 quirements of this section.

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

18 “(D) The assets of the trust shall not be
19 commingled with other property except in a
20 common trust fund or common investment
21 fund.

22 “(E) The account beneficiary has attained
23 the age of 18.

24 “(2) STATE THRESHOLD AMOUNT.—The term
25 ‘State threshold amount’ means 20 percent of the

1 median home sale price in the State in which such
2 account is established.

3 “(3) QUALIFIED HOME OWNERSHIP EX-
4 PENSES.—The term ‘qualified home ownership ex-
5 penses’ means costs to acquire, construct, or recon-
6 struct a residence, including a down payment, fi-
7 nancing, or other closing costs relating to the pur-
8 chase, if such residence is the primary residence of
9 the account beneficiary of a first-time homebuyer
10 savings account and such account beneficiary is a
11 first-time homebuyer (as defined in section 36(e))
12 with respect to such purchase.

13 “(4) ACCOUNT BENEFICIARY.—The term ‘ac-
14 count beneficiary’ means the individual on whose be-
15 half the first-time homebuyer savings account is es-
16 tablished.

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

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

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

24 “(C) Section 219(f)(5) (relating to em-
25 ployer payments).

1 “(D) Section 408(g) (relating to commu-
2 nity property laws).

3 “(c) TAX TREATMENT OF ACCOUNTS.—

4 “(1) IN GENERAL.—A first-time homebuyer
5 savings account is exempt from taxation under this
6 subtitle unless such account has ceased to be a first-
7 time homebuyer savings account. Notwithstanding
8 the preceding sentence, any such account is subject
9 to the taxes imposed by section 511 (relating to im-
10 position of tax on unrelated business income of char-
11 itable, etc. organizations).

12 “(2) ACCOUNT TERMINATIONS.—

13 “(A) ACQUISITION OF PRINCIPAL RESI-
14 DENCE.—If the account beneficiary acquires an
15 ownership interest in a principal residence—

16 “(i) each first-time homebuyer savings
17 account of such beneficiary shall cease to
18 be a first-time homebuyer savings account
19 as of the close of the 60-day period begin-
20 ning on the date of such acquisition, and

21 “(ii) the balance of such account as of
22 such date shall be treated as distributed to
23 such beneficiary.

24 “(B) PROHIBITED TRANSACTIONS, ETC.—

25 Rules similar to the rules of paragraphs (2) and

1 (4) of section 408(e) shall apply to any first-
2 time homebuyer savings account, and any
3 amounts treated as distributed under such rules
4 shall be treated as not used to pay qualified
5 home ownership expenses.

6 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

7 “(1) AMOUNTS USED FOR QUALIFIED HOME
8 OWNERSHIP EXPENSES.—Any amount paid or dis-
9 tributed out of a first-time homebuyer savings ac-
10 count which is used exclusively to pay qualified home
11 ownership expenses of any account beneficiary shall
12 not be includible in gross income.

13 “(2) INCLUSION OF AMOUNTS NOT USED FOR
14 QUALIFIED HOME OWNERSHIP EXPENSES.—Any
15 amount paid or distributed out of a first-time home-
16 buyer savings account which is not used exclusively
17 to pay the qualified home ownership expenses of the
18 account beneficiary shall be included in the gross in-
19 come of such beneficiary.

20 “(3) EXCESS CONTRIBUTIONS RETURNED BE-
21 FORE DUE DATE OF RETURN.—

22 “(A) IN GENERAL.—If any excess con-
23 tribution is contributed for a taxable year to
24 any first-time homebuyer savings account of an
25 individual, paragraph (2) shall not apply to dis-

1 tributions from the first-time homebuyer sav-
 2 ings accounts of such individual (to the extent
 3 such distributions do not exceed the aggregate
 4 excess contributions to all such accounts of
 5 such individual for such year) if—

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

11 “(ii) such distribution is accompanied
 12 by the amount of net income attributable
 13 to such excess contribution.

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

17 “(B) EXCESS CONTRIBUTION.—For pur-
 18 poses of subparagraph (A), the term ‘excess
 19 contribution’ means any contribution (other
 20 than a rollover contribution described in para-
 21 graph (5)) which is neither excludable from
 22 gross income under section 139J nor deductible
 23 under this section.

24 “(4) ADDITIONAL TAX FOR DISTRIBUTIONS NOT
 25 USED FOR HOME OWNERSHIP EXPENSES.—

1 “(A) IN GENERAL.—The tax imposed by
2 this chapter for any taxable year on any tax-
3 payer who receives a payment or distribution
4 from a first-time homebuyer savings account
5 which is includible in gross income shall be in-
6 creased by 20 percent of the amount which is
7 so includible.

8 “(B) EXCEPTIONS.—Subparagraph (A)
9 shall not apply if the payment or distribution is
10 made to the account beneficiary (or to the es-
11 tate of such account beneficiary) on or after the
12 death of such account beneficiary.

13 “(5) ROLLOVER CONTRIBUTION.—An amount is
14 described in this paragraph as a rollover contribu-
15 tion if it meets the following requirements:

16 “(A) IN GENERAL.—Paragraph (2) shall
17 not apply to any amount paid or distributed
18 from a first-time homebuyer savings account to
19 the account beneficiary to the extent the
20 amount received is paid into a first-time home-
21 buyer savings account for the benefit of such
22 beneficiary not later than the 60th day after
23 the day on which the beneficiary receives the
24 payment or distribution.

1 “(B) LIMITATION.—This paragraph shall
2 not apply to any amount described in subpara-
3 graph (A) received by an individual from a
4 first-time homebuyer savings account if, at any
5 time during the 1-year period ending on the day
6 of such receipt, such individual received any
7 other amount described in subparagraph (A)
8 from a first-time homebuyer savings account
9 which was not includible in the individual’s
10 gross income because of the application of this
11 paragraph.

12 “(6) SPECIAL RULES FOR DEATH AND DI-
13 VORCE.—Rules similar to the rules of paragraphs
14 (7) and (8) of section 223(f) shall apply for pur-
15 poses of this section.

16 “(7) DISALLOWANCE OF EXCLUDED AMOUNTS
17 AS DEDUCTION, CREDIT, OR EXCLUSION.—No deduc-
18 tion, credit, or exclusion shall be allowed to the tax-
19 payer under any other section of this chapter for any
20 qualified home ownership expenses to the extent
21 taken into account in determining the amount of the
22 exclusion under paragraph (1).

23 “(e) CONTRIBUTION LIMIT ADJUSTMENT.—

24 “(1) IN GENERAL.—Except as provided in para-
25 graph (2), in the case of any taxable year beginning

1 after 2025, the Secretary, after consultation with
2 the Secretary of Housing and Urban Development,
3 shall adjust the State threshold amount for each
4 State to reflect the median home price in each such
5 State using the most recent data available to the
6 Secretary.

7 “(2) LIMIT MAY NOT BE LOWERED.—The ad-
8 justment described in paragraph (1) may only be
9 used to increase the State threshold amount for a
10 State.

11 “(f) REPORTS.—

12 “(1) IN GENERAL.—The trustee of a first-time
13 homebuyer savings account shall make such reports
14 regarding such account to the Secretary and to the
15 account beneficiary with respect to contributions,
16 distributions, and such other matters as the Sec-
17 retary may require. The reports required by this
18 subsection shall be filed at such time and in such
19 manner and furnished to such individuals at such
20 time and in such manner as may be required.

21 “(2) ROLLOVER DISTRIBUTIONS.—In the case
22 of any distribution described in subsection (e)(5),
23 the officer or employee having control of the first-
24 time homebuyer savings account (or their designee)
25 shall provide a report to the trustee of the first-time

1 homebuyer savings account to which the distribution
 2 is made. Such report shall be filed at such time and
 3 in such manner as the Secretary may require and
 4 shall include information with respect to the con-
 5 tributions, distributions, and earnings of the first-
 6 time homebuyer savings account as of the date of
 7 the distribution described in such subsection, to-
 8 gether with such other matters as the Secretary may
 9 require.”.

10 (b) DEDUCTION ALLOWED ABOVE THE LINE.—Sec-
 11 tion 62(a) of such Code is amended by inserting after
 12 paragraph (21) the following new paragraph:

13 “(22) FIRST-TIME HOMEBUYER SAVINGS AC-
 14 COUNTS.—The deduction allowed by section 223A.”.

15 (c) EXCLUSIONS FOR EMPLOYER CONTRIBUTIONS TO
 16 FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS.—

17 (1) EXCLUSION FROM INCOME TAX.—

18 (A) IN GENERAL.—Part III of subchapter
 19 B of chapter 1 of such Code is amended by in-
 20 serting after section 139I the following new sec-
 21 tion:

22 **“SEC. 139J. FIRST-TIME HOMEBUYER SAVINGS ACCOUNT**
 23 **CONTRIBUTIONS.**

24 “In the case of an account beneficiary (as defined in
 25 section 223A(c)(3)), gross income does not include

1 amounts contributed by such account beneficiary's em-
 2 ployer to any first-time homebuyer savings account (as de-
 3 fined in section 223A(c)(1)) of such account beneficiary.”.

4 (B) CLERICAL AMENDMENT.—The table of
 5 sections for part III of subchapter B of chapter
 6 1 of such Code is amended by inserting after
 7 the item relating to section 139I the following
 8 new item:

“Sec. 139J. First-time homebuyer savings account contributions.”.

9 (2) EXCLUSION FROM EMPLOYMENT TAXES.—

10 (A) SOCIAL SECURITY TAXES.—

11 (i) IN GENERAL.—Section 3121(a) is
 12 amended by striking “or” at the end of
 13 paragraph (22)(B), by striking the period
 14 at the end of paragraph (23) and inserting
 15 “, or”, and by inserting after paragraph
 16 (23) the following new paragraph:

17 “(24) any payment made to or for the benefit
 18 of an employee if at the time of such payment it is
 19 reasonable to believe that the employee will be able
 20 to exclude such payment from income under section
 21 139J.”.

22 (ii) CONFORMING AMENDMENT TO SO-
 23 CIAL SECURITY ACT.—Section 209(a) of
 24 the Social Security Act is amended by
 25 striking “or” at the end of paragraph (19),

1 by striking “).” at the end of paragraph
2 (20) and inserting “; or”, and by inserting
3 after paragraph (20) the following new
4 paragraph:

5 “(21) any reimbursement which is excludable
6 from gross income under section 139J of the Inter-
7 nal Revenue Code of 1986.”.

8 (B) RAILROAD RETIREMENT TAX.—Section
9 3231(e) of such Code is amended by adding at
10 the end the following new paragraph:

11 “(13) FIRST-TIME HOMEBUYER SAVINGS AC-
12 COUNT CONTRIBUTIONS.—The term ‘compensation’
13 shall not include any payment made to or for the
14 benefit of an employee if at the time of such pay-
15 ment it is reasonable to believe that the employee
16 will be able to exclude such payment from income
17 under section 139J.”.

18 (C) UNEMPLOYMENT TAX.—Section
19 3306(b) of such Code is amended by striking
20 “or” at the end of paragraph (19)(B), by strik-
21 ing the period at the end of paragraph (20) and
22 inserting “; or”, and by inserting after para-
23 graph (20) the following new paragraph:

24 “(21) any payment made to or for the benefit
25 of an employee if at the time of such payment it is

1 reasonable to believe that the employee will be able
 2 to exclude such payment from income under section
 3 139J.”.

4 (D) WITHHOLDING TAX.—Section 3401(a)

5 of such Code is amended by striking “or” at
 6 the end of paragraph (22), by striking the pe-
 7 riod at the end of paragraph (23) and inserting
 8 “; or”, and by inserting after paragraph (23)
 9 the following new paragraph:

10 “(24) any payment made to or for the benefit
 11 of an employee if at the time of such payment it is
 12 reasonable to believe that the employee will be able
 13 to exclude such payment from income under section
 14 139J.”.

15 (3) EMPLOYER CONTRIBUTIONS REQUIRED TO

16 BE SHOWN ON W-2.—Section 6051(a) of such Code
 17 is amended by striking “and” at the end of para-
 18 graph (16), by striking the period at the end of
 19 paragraph (17) and inserting “, and”, and by insert-
 20 ing after paragraph (17) the following new para-
 21 graph:

22 “(18) the amount contributed to any first-time
 23 homebuyer savings account (as defined in section
 24 223A(c)(1)) of such employee.”.

25 (d) TAX ON EXCESS CONTRIBUTIONS.—

1 (1) IN GENERAL.—Section 4973(a) of such
2 Code is amended by striking “or” at the end of
3 paragraph (5), by inserting “or” at the end of para-
4 graph (6), and by inserting after paragraph (6) the
5 following new paragraph:

6 “(7) a first-time homebuyer savings account
7 (within the meaning of section 223A).”.

8 (2) EXCESS CONTRIBUTION.—Section 4973 of
9 such Code is amended by adding at the end the fol-
10 lowing new subsection:

11 “(i) EXCESS CONTRIBUTIONS TO FIRST-TIME HOME-
12 BUYER SAVINGS ACCOUNT.—For purposes of this section,
13 in the case of first-time homebuyer savings accounts (as
14 defined in section 223A), the term ‘excess contributions’
15 means the sum of—

16 “(1) the aggregate amount contributed for the
17 taxable year to first-time homebuyer savings ac-
18 counts (other than a rollover contribution contrib-
19 uted under section 223A(e)(4) or (6)) which is nei-
20 ther excludable from gross income under section
21 139J nor allowable as a deduction under section
22 223A for such year, plus

23 “(2) the amount determined under this sub-
24 section for the preceding taxable year, reduced by
25 the sum of—

1 “(A) the distribution out of the first-time
 2 homebuyer savings accounts which were in-
 3 cluded in gross income under section
 4 223A(e)(1), plus

5 “(B) the excess (if any) of—

6 “(i) the maximum amount allowable
 7 as a deduction under section 223A(b) (de-
 8 termined without regard to section 139J)
 9 for the taxable year, over

10 “(ii) the amount contributed to first-
 11 time homebuyer savings accounts for the
 12 taxable year.

13 For purposes of this subsection, any contribu-
 14 tion which is distributed out of the first-time
 15 homebuyer savings account in a distribution to
 16 which section 223A(e)(4)(C) applies shall be
 17 treated as an amount not contributed.”.

18 (e) TAX ON PROHIBITED TRANSACTIONS.—

19 (1) Section 4975(c) of such Code is amended by
 20 adding at the end the following new paragraph:

21 “(8) SPECIAL RULE FOR FIRST-TIME HOME-
 22 BUYER SAVINGS ACCOUNTS.—An individual for
 23 whose benefit a first-time homebuyer savings ac-
 24 count (within the meaning of section 223A(c)) is es-
 25 tablished shall be exempt from the tax imposed by

1 this section with respect to any transaction con-
 2 cerning such account (which would otherwise be tax-
 3 able under this section) if, with respect to such
 4 transaction, the account ceases to be a first-time
 5 homebuyer savings account by reason of the applica-
 6 tion of section 223(d)(2) to such account.”.

7 (2) Section 4975(e)(1) of such Code is amended
 8 by striking “or” at the end of subparagraph (F), by
 9 redesignating subparagraph (G) as subparagraph
 10 (H), and by inserting after subparagraph (F) the
 11 following new subparagraph:

12 “(G) a first-time homebuyer savings ac-
 13 count described in section 223A(c).”.

14 (f) PENALTY FOR FAILURE TO FILE REPORTS.—
 15 Section 6693(a)(2) of such Code is amended by striking
 16 “and” at the end of subparagraph (E), by striking the
 17 period at the end of subparagraph (F) and inserting “,
 18 and”, and by inserting after subparagraph (F) the fol-
 19 lowing new subparagraph:

20 “(G) Section 223A(g) (relating to first-
 21 time homebuyer savings accounts).”.

22 (g) CONFORMING AMENDMENTS.—

23 (1) Section 26(b)(2) of such Code is amended
 24 by striking “and” at the end of subparagraph (Y),
 25 by striking the period at the end of subparagraph

1 (Z) and inserting “, and”, and by inserting after
 2 subparagraph (Z) the following new subparagraph:

3 “(AA) section 223A(e)(2) (relating to addi-
 4 tional tax on first-time homebuyer savings ac-
 5 count not used for qualified home ownership ex-
 6 penses).”.

7 (2) Section 408(e)(2)(ii) of such Code is
 8 amended by inserting “or to a first-time homebuyer
 9 savings account under section 223A(e)(7)” before
 10 the period.

11 (3) Section 530(d)(9)(A)(ii) of such Code is
 12 amended by inserting “, to a first-time homebuyer
 13 savings account under section 223A(e)(7),” after
 14 “section 408(e)(2)”.

15 (4) Section 877A of such Code is amended—

16 (A) in subsection (e)(2) by inserting “a
 17 first-time homebuyer savings account (as de-
 18 fined in section 223A),” after “section 223),”,
 19 and

20 (B) in subsection (g)(6) by inserting
 21 “223(e)(4),” after “529A(c)(3),”.

22 (5) The table of sections for part VII of sub-
 23 chapter B of chapter 1 of such Code is amended by
 24 inserting after the item relating to section 223 the
 25 following new item:

“Sec. 223A. First-time homebuyer savings account.”.

1 (h) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2025.

○