AMENDMENT TO RULES COMMITTEE PRINT 115-39

OFFERED BY MR. ELLISON OF MINNESOTA

At the end of the bill, add the following new title:

TITLE VI—COMMON SENSE HOUSING INVESTMENT

SEC. 601. REPLACEMENT OF MORTGAGE INTEREST DEDUCTION WITH MORTGAGE INTEREST CREDIT.

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

"SEC. 25E. INTEREST ON INDEBTEDNESS SECURED BY QUALIFIED RESIDENCE.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 15 percent of the qualified residence interest paid or accrued during the taxable year.

"(b) QUALIFIED RESIDENCE INTEREST.—For purposes of this section—
(1) In General.—The term ‘qualified residence interest’ means interest which is paid or accrued during the taxable year on—

(A) acquisition indebtedness with respect to any qualified residence of the taxpayer, or

(B) home equity indebtedness with respect to any qualified residence of the taxpayer.

For purposes of the preceding sentence, the determination of whether any property is a qualified residence of the taxpayer shall be made as of the time the interest is accrued.

(2) Overall Limitation.—The aggregate amount of indebtedness taken into account for any period for purposes of this section shall not exceed $500,000 ($250,000 in the case of a married individual filing a separate return or unmarried individuals filing separate returns for the same property).

(3) Acquisition Indebtedness.—The term ‘acquisition indebtedness’ means any indebtedness which—

(A) is incurred in acquiring, constructing, or substantially improving any qualified residence of the taxpayer, and

(B) is secured by such residence.
Such term also includes any indebtedness secured by such residence resulting from the refinancing of indebtedness meeting the requirements of the preceding sentence (or this sentence), but only to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced indebtedness.

“(4) HOME EQUITY INDEBTEDNESS.—

“(A) IN GENERAL.—The term ‘home equity indebtedness’ means any indebtedness (other than acquisition indebtedness) secured by a qualified residence to the extent the aggregate amount of such indebtedness does not exceed—

“(i) the fair market value of such qualified residence, reduced by

“(ii) the amount of acquisition indebtedness with respect to such residence.

“(B) LIMITATION.—The aggregate amount treated as home equity indebtedness for any period shall not exceed $100,000 ($50,000 in the case of a married individual filing a separate return).

“(c) SPECIAL RULES.—For purposes of this section—
“(1) QUALIFIED RESIDENCE.—The term ‘qualified residence’ means—

“(A) the principal residence (within the meaning of section 121) of the taxpayer, and

“(B) 1 other residence of the taxpayer which is selected by the taxpayer for purposes of this subsection for the taxable year and which is used by the taxpayer as a residence (within the meaning of section 280A(d)(1)).

“(2) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If a married couple does not file a joint return for the taxable year—

“(A) such couple shall be treated as 1 taxpayer for purposes of paragraph (1), and

“(B) each individual shall be entitled to take into account 1 residence unless both individuals consent in writing to 1 individual taking into account the principal residence and 1 other residence.

“(3) RESIDENCE NOT RENTED.—For purposes of paragraph (1)(B), notwithstanding section 280A(d)(1), if the taxpayer does not rent a dwelling unit at any time during a taxable year, such unit may be treated as a residence for such taxable year.
“(4) UNENFORCEABLE SECURITY INTERESTS.—
Indebtedness shall not fail to be treated as secured
by any property solely because, under any applicable
State or local homestead or other debtor protection
law in effect on August 16, 1986, the security inter-
est is ineffective or the enforceability of the security
interest is restricted.

“(5) SPECIAL RULES FOR ESTATES AND
TRUSTS.—For purposes of determining whether any
interest paid or accrued by an estate or trust is
qualified residence interest, any residence held by
such estate or trust shall be treated as a qualified
residence of such estate or trust if such estate or
trust establishes that such residence is a qualified
residence of a beneficiary who has a present interest
in such estate or trust or an interest in the resid-
uary of such estate or trust.

“(d) COORDINATION WITH DEDUCTION.—In the case
of any taxable year beginning in calendar years 2017
through 2021, the taxpayer may elect to apply this section
in lieu of the deduction under section 163 for qualified
residence interest.”.

(b) PHASEOUT OF DEDUCTION.—Section 163(h) of
such Code is amended by adding at the end the following
new paragraph:
“(6) PHASEOUT.—

“(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2017, the amount otherwise allowable as a deduction by reason of paragraph (2)(D) shall be the applicable percentage of such amount.

“(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>For taxable years beginning in calendar year:</th>
<th>The applicable percentage is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 ..................................................</td>
<td>100%</td>
</tr>
<tr>
<td>2018 ..................................................</td>
<td>80%</td>
</tr>
<tr>
<td>2019 ..................................................</td>
<td>60%</td>
</tr>
<tr>
<td>2020 ..................................................</td>
<td>40%</td>
</tr>
<tr>
<td>2021 ..................................................</td>
<td>20%</td>
</tr>
<tr>
<td>2022 and thereafter ..................................</td>
<td>0%</td>
</tr>
</tbody>
</table>

(e) PHASEDOWN OF MORTGAGE LIMIT.—Subparagraph (B) of section 163(h)(3) of such Code is amended by adding at the end the following:

“(iii) PHASEDOWN.—

“(I) IN GENERAL.—In the case of any taxable year beginning in calendar years 2017 through 2021, clause (ii) shall be applied by substituting the amounts specified in the table in subclause (II) of this clause...
for ‘$1,000,000’ and ‘$500,000’, respectively.

“(II) PHASEDOWN AMOUNTS.—

For purposes of subclause (I), the amounts specified in this subclause for a taxable year shall be the amounts specified in the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount substituted for $1,000,000</th>
<th>Amount substituted for $500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$1,000,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>2018</td>
<td>$900,000</td>
<td>$450,000</td>
</tr>
<tr>
<td>2019</td>
<td>$800,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>2020</td>
<td>$700,000</td>
<td>$350,000</td>
</tr>
<tr>
<td>2021</td>
<td>$600,000</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

(d) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting after section 25D the following new item:

“Sec. 25E. Interest on indebtedness secured by qualified residence.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to interest paid or accrued after December 31, 2016.
SEC. 602. DEDUCTION ALLOWED FOR INTEREST AND TAXES RELATING TO LAND FOR DWELLING PURPOSES OWNED OR LEASED BY COOPERATIVE HOUSING CORPORATIONS.

(a) In General.—Subparagraph (B) of section 216(b)(1) of the Internal Revenue Code of 1986 is amended by inserting “or land,” after “building,”.

(b) Effective Date.—The amendment made by subsection (a) shall apply to amounts paid or accrued after December 31, 2016.

SEC. 603. USE OF MORTGAGE INTEREST SAVINGS TO INCREASE LOW-INCOME HOUSING TAX CREDIT.

(a) In General.—Subclause (I) of section 42(h)(3)(C)(ii) of the Internal Revenue Code of 1986 is amended by striking “$1.75 ($1.50 for 2001)” and inserting “$2.70”.

(b) Inflation Adjustment.—Subparagraph (H) of section 42(h)(3) of such Code is amended to read as follows:

“(H) Cost-of-Living Adjustment.—

“(i) In General.—In the case of a calendar year after 2002, the $2,000,000 amount in subparagraph (C) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by
“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2001’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) PER CAPITA AMOUNT.—In the case of a calendar year after 2017, the $2.70 amount in subparagraph (C) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2016’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(iii) ROUNDING.—

“(I) In the case of the $2,000,000 amount, any increase under clause (i) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.
“(II) In the case of the $2.70 amount, any increase under clause (ii) which is not a multiple of 5 cents shall be rounded to the next lowest multiple of 5 cents.”.

(c) ELIGIBLE BASIS.—Clause (i) of section 42(d)(5)(B) of such Code is amended by striking “and” at the end of subclause (I), by striking the period at the end of subclause (II) and inserting “, and”, and by adding at the end the following:

“(III) in the case of a building containing units which are designated to serve extremely low-income households by the State housing credit agency and require the increase in credit under this subparagraph in order for such building to be financially feasible as part of a qualified low-income housing project, the eligible basis of such building determined by the portion of such units shall be 150 percent of such basis determined without regard to this subparagraph.”.
(d) Effective Date.—The amendments made by this section shall apply to allocations made in calendar years beginning after December 31, 2017.

SEC. 604. USE OF MORTGAGE INTEREST SAVINGS FOR AFFORDABLE HOUSING PROGRAMS.

(a) Use of Savings.—For each year, the Secretary of the Treasury shall determine the amount of revenues accruing to the general fund of the Treasury by reason of the enactment of section 601 of this Act that remain after use of such revenues in accordance with section 603 of this Act and shall credit an amount equal to such remaining revenues as follows:

(1) Housing Trust Fund.—The Secretary shall credit the Housing Trust Fund established under section 1338 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4568) with an amount equal to 60 percent of the amount of such remaining revenues.

(2) Rental Assistance.—An amount equal to 30 percent of the amount of such remaining revenues shall be credited for rental assistance, which may include a new Renter's Tax Credit and an expansion of rental assistance by the Secretary of Housing and Urban Development under any program of such Department providing such assistance.
or by the Secretary of Agriculture under any rural
housing program of such Department providing such
assistance.

(3) **Public Housing Capital Fund.**—The
Secretary shall credit an amount equal to 10 percent
of the amount of such remaining revenues to the
Public Housing Capital Fund under section 9(d) of
the United States Housing Act of 1937 (42 U.S.C.
1437g(d)).

(b) **Changes to Housing Trust Fund.**—Not later
than the expiration of the 6-month period beginning on
the date of the enactment of this Act, the Secretary of
Housing and Urban Development shall revise the regula-
tions relating to the Housing Trust Fund established
under section 1338 of the Federal Housing Enterprises
4568) to provide that such section is carried out with the
maximum amount of flexibility possible while complying
with such section, which shall include revising such regula-
tions—

(1) to increase the limitation on amounts from
the Fund that are available for use for operating as-
sistance for housing;

(2) to allow public housing agencies and tribally
designated housing entities to be recipient of grants
amounts from the Fund that are allocated to a State or State designated entity; and

(3) eliminate the applicability of rules for the Fund that are based on the HOME Investment Partnerships Act (42 U.S.C. 1721 et seq.).