

AMENDMENT TO RULES COMMITTEE PRINT 119–**3****OFFERED BY MR. SMITH OF WASHINGTON**

At the appropriate place in title XI, insert the following new sections:

1 SEC. ____ . EXCISE TAX ON CERTAIN TAXPAYERS FAILING TO
2 SELL EXCESS SINGLE-FAMILY RESIDENCES.

3 (a) IN GENERAL.—Subtitle D is amended by adding
4 at the end the following new chapter:

5 “CHAPTER 50B—EXCESS SINGLE-FAMILY
6 RESIDENCES

“Sec. 5000E. Newly acquired single-family residences.

“Sec. 5000F. Excess single-family residences.

“Sec. 5000G. Definitions and other special rules.

7 “SEC. 5000E. NEWLY ACQUIRED SINGLE-FAMILY RESI-
8 DENCES.

9 “(a) IN GENERAL.—In the case of a hedge fund tax-
10 payer, there is hereby imposed a tax on the acquisition
11 of any newly acquired single-family residence equal to the
12 greater of—

13 “(1) 15 percent of the purchase price, or

14 “(2) \$10,000.

15 “(b) NEWLY ACQUIRED SINGLE-FAMILY RESI-
16 DENCE.—For purposes of this section, the term ‘newly ac-

1 quired single-family residence’ means any single-family
2 residence which was acquired by the taxpayer in any tax-
3 able year which begins after the date of the enactment
4 of this chapter.

5 “(c) PURCHASE PRICE.—For purposes of this sec-
6 tion, the term ‘purchase price’ means the adjusted basis
7 of the newly acquired single-family residence on the date
8 such residence is purchased.

9 **“SEC. 5000F. EXCESS SINGLE-FAMILY RESIDENCES.**

10 “(a) IN GENERAL.—In the case of an applicable tax-
11 payer who fails to meet the requirements of subsection (b),
12 there is hereby imposed a tax equal to the product of—

13 “(1) \$5,000, and

14 “(2) the excess of—

15 “(A) the number of applicable single-family
16 residences owned by the taxpayer as of the last
17 day of the taxable year, over

18 “(B) the maximum permissible units for
19 the taxable year.

20 “(b) REQUIREMENT.—

21 “(1) IN GENERAL.—An applicable taxpayer
22 meets the requirement of this subsection for any tax-
23 able year if the number of applicable single-family
24 residences owned by the taxpayer as of the last day
25 of the taxable year is equal to or less than the max-

1 imum permissible units determined with respect to
2 such taxpayer for such taxable year.

3 “(2) SPECIAL RULE FOR CERTAIN SALES.—For
4 purposes of applying paragraph (1), a single-family
5 residence which is sold or transferred in a disquali-
6 fied sale during the taxable year shall be treated as
7 a single-family residence which is owned by the ap-
8 plicable taxpayer as of the last day of such taxable
9 year.

10 “(c) MAXIMUM PERMISSIBLE UNITS.—The max-
11 imum permissible units with respect to any applicable tax-
12 payer for any taxable year shall be determined as follows:

“In the case of—	The maximum permis- sible units for a hedge fund taxpayer is—	The maximum permis- sible units for any other applicable taxpayer is—
the first full taxable year beginning after the ap- plicable date . . .	90 percent of the num- ber of applicable sin- gle-family residences owned by the taxpayer on the applicable date	50 plus 90 percent of the number of applicable single-family resi- dences owned by the taxpayer on the appli- cable date
the second taxable year beginning after the ap- plicable date . . .	80 percent of the num- ber of applicable sin- gle-family residences owned by the taxpayer on the applicable date	50 plus 80 percent of the number of applicable single-family resi- dences owned by the taxpayer on the appli- cable date
the third taxable year be- ginning after the ap- plicable date . . .	70 percent of the num- ber of applicable sin- gle-family residences owned by the taxpayer on the applicable date	50 plus 70 percent of the number of applicable single-family resi- dences owned by the taxpayer on the appli- cable date
the fourth taxable year beginning after the ap- plicable date . . .	60 percent of the num- ber of applicable sin- gle-family residences owned by the taxpayer on the applicable date	50 plus 60 percent of the number of applicable single-family resi- dences owned by the taxpayer on the appli- cable date

“In the case of—	The maximum permissible units for a hedge fund taxpayer is—	The maximum permissible units for any other applicable taxpayer is—
the fifth taxable year beginning after the applicable date . . .	50 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 50 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the sixth taxable year beginning after the applicable date . . .	40 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 40 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the seventh taxable year beginning after the applicable date . . .	30 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 30 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the eighth taxable year beginning after the applicable date . . .	20 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 20 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the ninth taxable year beginning after the applicable date . . .	10 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 10 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
any taxable year beginning more than 9 years after the applicable date . . .	0	50.

1 “(d) DEFINITIONS.—For purposes of this section—

2 “(1) APPLICABLE SINGLE-FAMILY RESI-
3 DENCE.—The term ‘applicable single-family resi-
4 dence’ means any single-family residence which was
5 acquired on or before the applicable date.

6 “(2) APPLICABLE DATE.—

7 “(A) IN GENERAL.—The term ‘applicable
8 date’ means—

1 “(i) the last day of the first full tax-
2 able year ending on or after the date of the
3 enactment of this chapter, or

4 “(ii) in the case of any taxpayer de-
5 scribed in subparagraph (B), the date pro-
6 vided in such subparagraph.

7 “(B) TAXPAYERS CHANGING STATUS.—

8 “(i) IN GENERAL.—In the case of any
9 applicable taxpayer described in clause (ii),
10 the applicable date means the last day of
11 the taxable year immediately preceding the
12 taxable year in which the taxpayer is de-
13 scribed in such clause.

14 “(ii) APPLICABLE TAXPAYER DE-
15 SCRIBED.—An applicable taxpayer is de-
16 scribed in this clause with respect to any
17 taxable year if—

18 “(I) such taxpayer was not a
19 hedge fund taxpayer for the preceding
20 taxable year, and

21 “(II) such taxpayer is a hedge
22 fund taxpayer for such taxable year.

23 “(3) DISQUALIFIED SALE.—The term ‘disquali-
24 fied sale’ means any sale or transfer to—

1 “(A) a corporation or other entity engaged
2 in a trade or business, or

3 “(B) an individual who owns any other sin-
4 gle-family residence at the time of such sale or
5 transfer.

6 **“SEC. 5000G. DEFINITIONS AND OTHER SPECIAL RULES.**

7 “(a) APPLICABLE TAXPAYER.—For purposes of this
8 chapter—

9 “(1) IN GENERAL.—The term ‘applicable tax-
10 payer’ means any applicable entity which—

11 “(A) manages funds pooled from investors,
12 and

13 “(B) is a fiduciary with respect to such in-
14 vestors.

15 “(2) APPLICABLE ENTITY.—

16 “(A) IN GENERAL.—The term ‘applicable
17 entity’ means—

18 “(i) any partnership,

19 “(ii) any corporation, or

20 “(iii) any real estate investment trust.

21 “(B) EXCEPTIONS.—The term ‘applicable
22 entity’ shall not include—

23 “(i) an organization which is de-
24 scribed in section 501(c)(3) and exempt
25 from tax under section 501(a), or

1 “(ii) an organization which is pri-
2 marily engaged in the construction or reha-
3 bilitation of single-family residences and
4 which offers such residences for sale in the
5 ordinary course of business.

6 “(b) HEDGE FUND TAXPAYER.—For purposes of
7 this section, the term ‘hedge fund taxpayer’ means, with
8 respect to any taxable year, any applicable taxpayer which
9 has \$50,000,000 or more in net value or assets under
10 management on any day during the taxable year.

11 “(c) SINGLE-FAMILY RESIDENCE.—For purposes of
12 this chapter—

13 “(1) IN GENERAL.—The term ‘single-family
14 residence’ means a residential property consisting of
15 1-to-4 dwelling units.

16 “(2) EXCEPTIONS.—A residential property shall
17 not be treated as a residential property described in
18 clause (i) if—

19 “(A) such property is unoccupied and ac-
20 quired through foreclosure (other than such a
21 residence acquired through foreclosure by a
22 hedge fund taxpayer, as defined in section
23 5000F((d)(3)),

24 “(B) such property is—

25 “(i) not rented or leased, and

1 “(ii) used as the principal residence
2 (within the meaning of section 121) of any
3 person who has an ownership interest in
4 the applicable taxpayer, or
5 “(C) such property—

6 “(i) was a building with respect to
7 which a credit was allowed under section
8 42 (relating to the low-income housing
9 credit), and

10 “(ii) is not owned by a hedge fund
11 taxpayer (as defined in section
12 5000F(d)(3)).

13 “(d) ACQUISITION; OWNERSHIP.—For purposes of
14 this chapter, an applicable taxpayer shall be treated—

15 “(1) as acquiring a single-family residence if
16 the applicable taxpayer acquires a majority owner-
17 ship interest in the single-family residence, regard-
18 less of the percentage of that ownership interest,
19 and

20 “(2) as owning a single-family residence if the
21 applicable taxpayer owns a majority ownership inter-
22 est in the single-family residence, regardless of the
23 percentage of that ownership interest.

24 “(e) AGGREGATION RULES.—

1 “(1) IN GENERAL.—For purposes of this chap-
2 ter, all persons which are treated as a single em-
3 ployer under subsections (a) and (b) of section 52
4 shall be treated as a single person.

5 “(2) MODIFICATIONS.—For purposes of this
6 subsection—

7 “(A) section 52(a) shall be applied by sub-
8 stituting ‘component members’ for ‘members’,
9 and

10 “(B) for purposes of applying section
11 52(b), the term ‘trade or business’ shall include
12 any activity treated as a trade or business
13 under paragraph (5) or (6) of section 469(c)
14 (determined without regard to the phrase ‘To
15 the extent provided in regulations’ in such para-
16 graph (6)).

17 “(3) COMPONENT MEMBER.—For purposes of
18 this paragraph, the term ‘component member’ has
19 the meaning given such term by section 1563(b), ex-
20 cept that the determination shall be made without
21 regard to section 1563(b)(2).”.

22 (b) CLERICAL AMENDMENT.—The table of chapters
23 for subtitle D is amended by adding at the end the fol-
24 lowing new item:

 “CHAPTER 50B—EXCESS SINGLE-FAMILY RESIDENCES”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of enactment of this Act.

4 **SEC. ____ . DISALLOWANCE OF MORTGAGE INTEREST AND**
5 **DEPRECIATION IN CONNECTION WITH SIN-**
6 **GLE FAMILY RESIDENCES OWNED BY COV-**
7 **ERED TAXPAYERS.**

8 (a) MORTGAGE INTEREST.—

9 (1) IN GENERAL.—Section 163 is amended by
10 redesignating subsection (n) as subsection (o) and
11 by inserting after subsection (m) the following new
12 subsection:

13 “(n) CERTAIN INTEREST PAID BY COVERED TAX-
14 PAYERS.—

15 “(1) IN GENERAL.—No deduction shall be al-
16 lowed under this chapter for a taxable year with re-
17 spect to interest paid or accrued on acquisition in-
18 debtedness with respect to any single-family resi-
19 dence if the owner of such single-family residence is
20 liable for tax under chapter 50B for such taxable
21 year.

22 “(2) DEFINITIONS.—For purposes of this sub-
23 section—

24 “(A) ACQUISITION INDEBTEDNESS.—The
25 term ‘acquisition indebtedness’ has the meaning

1 given such term under subsection (h)(3)(B), de-
2 termined—

3 “(i) by substituting ‘single-family resi-
4 dence (as defined in section 5000G(b))’ for
5 ‘qualified residence’, and

6 “(ii) without regard to clause (ii)
7 thereof.

8 “(B) SINGLE-FAMILY RESIDENCE.—The
9 term ‘single-family residence’ has the meaning
10 given such term under section 5000G(b).

11 “(C) OWNERSHIP.—The rules of section
12 5000G(c) shall apply for purposes of deter-
13 mining ownership.”.

14 (2) EFFECTIVE DATE.—The amendments made
15 by this subsection shall apply to taxable years begin-
16 ning after the date of the enactment of this Act.

17 (b) DEPRECIATION.—

18 (1) IN GENERAL.—Section 167 is amended by
19 redesignating subsection (i) as subsection (j) and by
20 inserting after subsection (h) the following new sub-
21 section:

22 “(i) DEDUCTION DISALLOWED FOR DISQUALIFIED
23 SINGLE FAMILY PROPERTY OWNERS.—

24 “(1) IN GENERAL.—No deduction shall be al-
25 lowed under this section for a taxable year with re-

1 spect to a single-family residence if the owner of
2 such single-family residence is liable for tax under
3 chapter 50B for such taxable year.

4 “(2) DEFINITIONS.—For purposes of this sub-
5 section—

6 “(A) SINGLE-FAMILY RESIDENCE.—The
7 term ‘single-family residence’ has the meaning
8 given such term under section 5000G(b).

9 “(B) OWNERSHIP.—The rules of section
10 5000G(c) shall apply for purposes of deter-
11 mining ownership.”.

12 (2) EFFECTIVE DATE.—The amendments made
13 by this subsection shall apply to taxable years begin-
14 ning after the date of the enactment of this Act.

