

103^D CONGRESS
1ST SESSION

H. R. 644

To amend the Internal Revenue Code of 1986 to expand the one-time exclusion of gain from sale of a principal residence based on the amount of increase in equity in the new residence.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 1993

Mr. THOMAS of California 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 expand the one-time exclusion of gain from sale of a principal residence based on the amount of increase in equity in the new residence.

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. EXPANSION OF ONE-TIME EXCLUSION OF GAIN**

4 **FROM SALE OF PRINCIPAL RESIDENCE.**

5 (a) IN GENERAL.—Section 121 of the Internal Reve-
6 nue Code of 1986 (relating to one-time exclusion of gain
7 from sale of principal residence by individual who has at-

1 tained age 55) is amended by adding at the end thereof
2 the following new subsection:

3 “(e) ELECTION TO COMPUTE MAXIMUM EXCLUSION
4 BASED ON INCREASE IN EQUITY.—

5 “(1) IN GENERAL.—If—

6 “(A) the taxpayer meets the holding and
7 use requirements of subsection (a) with respect
8 to the sale or exchange of any property, and

9 “(B) the requirements of section 1034 for
10 nonrecognition of gain on such sale or exchange
11 are met (without regard to the limitation based
12 on the taxpayer’s cost of purchasing the new
13 residence),

14 then, at the election of the taxpayer, in lieu of apply-
15 ing the dollar limitation under subsection (b)(1), the
16 maximum amount of gain excluded from gross in-
17 come under subsection (a) shall be determined under
18 this subsection and subsection (a) shall be applied
19 by substituting ‘age 45’ for ‘age 55’.

20 “(2) LIMITATION.—

21 “(A) IN GENERAL.—The limitation deter-
22 mined under this subsection is the amount
23 equal to the excess of—

24 “(i) the taxpayer’s equity in the new
25 residence, over

1 “(ii) the taxpayer’s equity in the old
2 residence.

3 “(B) EQUITY IN RESIDENCE.—For pur-
4 poses of subparagraph (A), the taxpayer’s eq-
5 uity in a residence is the excess of—

6 “(i) the taxpayer’s adjusted basis in
7 the residence, over

8 “(ii) the amount of indebtedness se-
9 cured by such residence.

10 In the case of the old residence, the amount de-
11 scribed in clause (ii) shall be determined with-
12 out regard to indebtedness incurred during the
13 5-year period ending on the date of the sale of
14 the old residence unless such indebtedness was
15 incurred in acquiring, constructing, or substan-
16 tially improving the old residence.

17 “(3) RECAPTURE OF BENEFIT IF INDEBTED-
18 NESS SECURING RESIDENCE INCREASES.—If, as of
19 the close of any taxable year—

20 “(A) the amount of indebtedness securing
21 the taxpayer’s principal residence exceeds

22 “(B) the amount taken into account under
23 paragraph (2)(A)(i),

1 such excess shall be included in gross income for
2 such year as gain from the sale of a capital asset
3 held for more than 1 year.

4 “(4) SUBSEQUENT ELECTION PERMITTED.—
5 Any election under subsection (a) with respect to the
6 sale or exchange of any property to which an elec-
7 tion under this subsection applies shall not be taken
8 into account in determining whether any subsequent
9 election may be made under subsection (a) by the
10 taxpayer.

11 “(5) DEFINITIONS.—Terms used in this sub-
12 section which are also used in section 1034 shall
13 have the meanings given such terms by section
14 1034.”

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall apply to sales and exchanges after the
17 date of the enactment of this Act.

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