

105TH CONGRESS  
1ST SESSION

# H. R. 317

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for the purchase of a principal residence by a first-time homebuyer.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 1997

Mr. SOLOMON introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for the purchase of a principal residence by a first-time homebuyer.

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 “First-Time Homebuyer  
5 Tax Credit Act of 1997”.

6 **SEC. 2. CREDIT FOR FIRST-TIME HOMEBUYERS.**

7 (a) IN GENERAL.—Subpart A of part IV of sub-  
8 chapter A of chapter 1 of the Internal Revenue Code of  
9 1986 (relating to nonrefundable personal credits) is

1 amended by inserting after section 23 the following new  
2 section:

3 **“SEC. 24. PURCHASE OF PRINCIPAL RESIDENCE BY FIRST-  
4 TIME HOMEBUYER.**

5 “(a) ALLOWANCE OF CREDIT.—If an individual who  
6 is a first-time homebuyer purchases a principal residence  
7 (within the meaning of section 1034), there shall be al-  
8 lowed to such individual as a credit against the tax im-  
9 posed by this chapter an amount equal to 10 percent of  
10 the purchase price of the principal residence.

11 “(b) LIMITATIONS.—

12 “(1) MAXIMUM CREDIT.—The credit allowed  
13 under subsection (a) shall not exceed \$5,000.

14 “(2) LIMITATION TO ONE RESIDENCE.—The  
15 credit under this section shall be allowed with re-  
16 spect to only one residence of the taxpayer.

17 “(3) MARRIED INDIVIDUALS FILING JOINTLY.—  
18 In the case of a husband and wife who file a joint  
19 return, the credit under this section is allowable only  
20 if both the husband and wife are first-time home-  
21 buyers, and the amount specified under paragraph  
22 (1) shall apply to the joint return.

23 “(4) OTHER TAXPAYERS.—In the case of indi-  
24 viduals to whom paragraph (3) does not apply who  
25 together purchase the same new principal residence

1 for use as their principal residence, the credit under  
2 this section is allowable only if each of the individ-  
3 uals is a first-time homebuyer, and the sum of the  
4 amount of credit allowed to such individuals shall  
5 not exceed the lesser of \$5,000 or 10 percent of the  
6 total purchase price of the residence. The amount of  
7 any credit allowable under this section shall be ap-  
8 portioned among such individuals under regulations  
9 to be prescribed by the Secretary.

10 “(5) CARRYFORWARD OF UNUSED CREDITS.—If  
11 the credit allowable under subsection (a) for any tax-  
12 able year exceeds the limitation imposed by section  
13 26(a) for such taxable year reduced by the sum of  
14 the credits allowable under this subpart (other than  
15 this section and section 23), such excess shall be  
16 carried to the succeeding taxable year and added to  
17 the credit allowable under subsection (a) for such  
18 taxable year. No credit may be carried forward  
19 under this subsection to any taxable year following  
20 the fifth taxable year after the taxable year in which  
21 the residence is purchased. For purposes of the pre-  
22 ceding sentence, credits shall be treated as used on  
23 a first-in first-out basis.

24 “(6) YEAR FOR WHICH CREDIT ALLOWED.—  
25 Fifty percent of the credit allowed by subsection (a)

1 shall be allowed in the taxable year in which the res-  
2 idence is purchased and the remaining fifty percent  
3 of the credit shall be allowed in the succeeding tax-  
4 able year.

5 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-  
6 poses of this section—

7 “(1) PURCHASE PRICE.—The term ‘purchase  
8 price’ means the adjusted basis of the principal resi-  
9 dence on the date of the acquisition thereof.

10 “(2) FIRST-TIME HOMEBUYER.—

11 “(A) IN GENERAL.—The term ‘first-time  
12 homebuyer’ means any individual if such indi-  
13 vidual has not had a present ownership interest  
14 in any residence (including an interest in a  
15 housing cooperative) at any time within the 36-  
16 month period ending on the date of acquisition  
17 of the residence on which the credit allowed  
18 under subsection (a) is to be claimed. An inter-  
19 est in a partnership, S corporation, or trust  
20 that owns an interest in a residence is not con-  
21 sidered an interest in a residence for purposes  
22 of this paragraph except as may be provided in  
23 regulations.

24 “(B) CERTAIN INDIVIDUALS.—Notwith-  
25 standing subparagraph (A), an individual is not

1 a first-time homebuyer on the date of purchase  
2 of a residence if on that date the running of  
3 any period of time specified in section 1034 is  
4 suspended under subsection (h) or (k) of sec-  
5 tion 1034 with respect to that individual.

6 “(3) SPECIAL RULES FOR CERTAIN ACQUISI-  
7 TIONS.—No credit is allowable under this section  
8 if—

9 “(A) the residence is acquired from a per-  
10 son whose relationship to the person acquiring  
11 it would result in the disallowance of losses  
12 under section 267 or 707(b), or

13 “(B) the basis of the residence in the  
14 hands of the person acquiring it is deter-  
15 mined—

16 “(i) in whole or in part by reference  
17 to the adjusted basis of such residence in  
18 the hands of the person from whom it is  
19 acquired, or

20 “(ii) under section 1014(a) (relating  
21 to property acquired from a decedent).

22 “(d) RECAPTURE FOR CERTAIN DISPOSITIONS.—

23 “(1) IN GENERAL.—Except as provided in para-  
24 graphs (2) and (3), if the taxpayer disposes of prop-  
25 erty with respect to the purchase of which a credit

1 was allowed under subsection (a) at any time within  
2 36 months after the date the taxpayer acquired the  
3 property as his principal residence, then the tax im-  
4 posed under this chapter for the taxable year in  
5 which the disposition occurs is increased by an  
6 amount equal to the amount allowed as a credit for  
7 the purchase of such property.

8 “(2) ACQUISITION OF NEW RESIDENCE.—If, in  
9 connection with a disposition described in paragraph  
10 (1) and within the applicable period prescribed in  
11 section 1034, the taxpayer purchases a new principal  
12 residence, then the provisions of paragraph (1) shall  
13 not apply and the tax imposed by this chapter for  
14 the taxable year in which the new principal residence  
15 is purchased is increased to the extent the amount  
16 of the credit that could be claimed under this section  
17 on the purchase of the new residence (determined  
18 without regard to subsection (e)) is less than the  
19 amount of credit claimed by the taxpayer under this  
20 section.

21 “(3) DEATH OF OWNER; CASUALTY LOSS; IN-  
22 VOLUNTARY CONVERSION; ETC.—The provisions of  
23 paragraph (1) do not apply to—

24 “(A) a disposition of a residence made on  
25 account of the death of any individual having a

1 legal or equitable interest therein occurring dur-  
2 ing the 36-month period to which reference is  
3 made under paragraph (1),

4 “(B) a disposition of the old residence if it  
5 is substantially or completely destroyed by a  
6 casualty described in section 165(c)(3) or  
7 compulsorily or involuntarily converted (within  
8 the meaning of section 1033(a)), or

9 “(C) a disposition pursuant to a settlement  
10 in a divorce or legal separation proceeding  
11 where the residence is sold or the other spouse  
12 retains the residence as a principal residence.

13 “(e) PROPERTY TO WHICH SECTION APPLIES.—

14 “(1) IN GENERAL.—The provisions of this sec-  
15 tion apply to a principal residence if—

16 “(A) the taxpayer acquires the residence  
17 on or after January 1, 1997, and before Janu-  
18 ary 1, 1998, or

19 “(B) the taxpayer enters into, on or after  
20 January 1, 1997, and before January 1, 1998,  
21 a binding contract to acquire the residence, and  
22 acquires and occupies the residence before July  
23 1, 1998.”

24 (b) CLERICAL AMENDMENT.—The table of sections  
25 for subpart A of part IV of subchapter A of chapter 1

1 of such Code is amended by inserting after the item relat-  
2 ing to section 23 the following new item:

“Sec. 24. Purchase of principal residence by first-time home-  
buyer.”

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall take effect on January 1, 1997.

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