

114TH CONGRESS  
1ST SESSION

# H. R. 1662

To amend the Internal Revenue Code of 1986 to replace the mortgage interest deduction with a nonrefundable credit for indebtedness secured by a residence, to provide affordable housing to extremely low-income families, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 2015

Mr. ELLISON (for himself, Mr. CONYERS, Ms. EDWARDS, Ms. LEE, Mr. RUSH, and Mr. SCOTT of Virginia) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to replace the mortgage interest deduction with a nonrefundable credit for indebtedness secured by a residence, to provide affordable housing to extremely low-income families, and for other purposes.

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 “Common Sense Hous-  
5 ing Investment Act of 2015”.

1 **SEC. 2. CONGRESSIONAL FINDINGS.**

2 The Congress finds the following:

3 (1) Two principal Federal housing goals are to  
4 increase the rate of home ownership and make rent-  
5 al housing affordable for low-income families and in-  
6 dividuals.

7 (2) Much more progress has been achieved on  
8 the first goal than on the second goal.

9 (3) The Federal Government devotes more than  
10 three times the amount of budgetary resources to  
11 supporting home ownership than it devotes to mak-  
12 ing affordable rental housing available.

13 (4) The burden of housing costs is more pro-  
14 nounced among renters than among owners.

15 (5) There is a shortage of more than 7 million  
16 homes affordable to families in the bottom 20 per-  
17 cent of income, meaning that there are only 30 af-  
18 fordable units for every 100 families.

19 (6) Only one in four families that qualify for  
20 rental housing assistance receives benefits.

21 (7) Housing assistance waiting lists can be 10  
22 years long and in many communities are closed.

23 (8) The shortage of rental homes that are af-  
24 fordable for extremely low-income households to be  
25 the principal cause of homelessness in the United  
26 States.

1           (9) Public housing facilities in the United  
2 States have more than \$26 billion in deferred main-  
3 tenance after decades of neglect which results in a  
4 loss of 10,000 units each year.

5           (10) The low-income housing tax credit success-  
6 fully provides 100,000 units of affordable housing  
7 every year.

8           (11) Every tax reform commission has rec-  
9 ommended capping the mortgage interest deduction  
10 and converting it to a fairer and simpler credit.

11           (12) More than 75 percent of the value of the  
12 mortgage interest deduction inures to the benefit of  
13 the top 20 percent of earners.

14           (13) Fewer than half of tax filers with a home  
15 mortgage claim the mortgage interest deduction.

16           (14) Only 9 percent of rural tax filers claim the  
17 mortgage interest deduction.

18           (15) Ninety-six percent of homes sold between  
19 2005 and 2013 sold for less than \$500,000.

20           (16) A better approach that provides equitable  
21 benefits for families who buy homes, enables more  
22 low- and moderate-income homeowners to receive a  
23 benefit, and invests in affordable rental housing to  
24 assist those who used to be homeless or who have

1 extremely or very low incomes is needed to strength-  
2 en families and communities.

3 **SEC. 3. REPLACEMENT OF MORTGAGE INTEREST DEDUC-**  
4 **TION WITH MORTGAGE INTEREST CREDIT.**

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

10 **“SEC. 25E. INTEREST ON INDEBTEDNESS SECURED BY**  
11 **QUALIFIED RESIDENCE.**

12 “(a) **ALLOWANCE OF CREDIT.**—In the case of an in-  
13 dividual, there shall be allowed as a credit against the tax  
14 imposed by this chapter for the taxable year an amount  
15 equal to 15 percent of the qualified residence interest paid  
16 or accrued during the taxable year.

17 “(b) **QUALIFIED RESIDENCE INTEREST.**—For pur-  
18 poses of this section—

19 “(1) **IN GENERAL.**—The term ‘qualified resi-  
20 dence interest’ means interest which is paid or ac-  
21 crued during the taxable year on—

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

24 “(B) home equity indebtedness with re-  
25 spect to any qualified residence of the taxpayer.

1 For purposes of the preceding sentence, the deter-  
2 mination of whether any property is a qualified resi-  
3 dence of the taxpayer shall be made as of the time  
4 the interest is accrued.

5 “(2) OVERALL LIMITATION.—The aggregate  
6 amount of indebtedness taken into account for any  
7 period for purposes of this section shall not exceed  
8 \$500,000 (\$250,000 in the case of a married indi-  
9 vidual filing a separate return).

10 “(3) ACQUISITION INDEBTEDNESS.—The term  
11 ‘acquisition indebtedness’ means any indebtedness  
12 which—

13 “(A) is incurred in acquiring, constructing,  
14 or substantially improving any qualified resi-  
15 dence of the taxpayer, and

16 “(B) is secured by such residence.

17 Such term also includes any indebtedness secured by  
18 such residence resulting from the refinancing of in-  
19 debtedness meeting the requirements of the pre-  
20 ceding sentence (or this sentence), but only to the  
21 extent the amount of the indebtedness resulting  
22 from such refinancing does not exceed the amount of  
23 the refinanced indebtedness.

24 “(4) HOME EQUITY INDEBTEDNESS.—

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

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

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

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

16           “(c) SPECIAL RULES.—For purposes of this section—  
17           tion—

18                     “(1) QUALIFIED RESIDENCE.—The term ‘qualified  
19                     residence’ means—

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

22                     “(B) 1 other residence of the taxpayer  
23                     which is selected by the taxpayer for purposes  
24                     of this subsection for the taxable year and

1           which is used by the taxpayer as a residence  
2           (within the meaning of section 280A(d)(1)).

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

6                   “(A) such couple shall be treated as 1 tax-  
7                   payer for purposes of paragraph (1), and

8                   “(B) each individual shall be entitled to  
9                   take into account 1 residence unless both indi-  
10                  viduals consent in writing to 1 individual taking  
11                  into account the principal residence and 1 other  
12                  residence.

13           “(3) RESIDENCE NOT RENTED.—For purposes  
14           of paragraph (1)(B), notwithstanding section  
15           280A(d)(1), if the taxpayer does not rent a dwelling  
16           unit at any time during a taxable year, such unit  
17           may be treated as a residence for such taxable year.

18           “(4) UNENFORCEABLE SECURITY INTERESTS.—  
19           Indebtedness shall not fail to be treated as secured  
20           by any property solely because, under any applicable  
21           State or local homestead or other debtor protection  
22           law in effect on August 16, 1986, the security inter-  
23           est is ineffective or the enforceability of the security  
24           interest is restricted.

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

11           “(d) COORDINATION WITH DEDUCTION.—In the case  
12 of any taxable year beginning in calendar years 2015  
13 through 2019, the taxpayer may elect to apply this section  
14 in lieu of the deduction under section 163 for qualified  
15 residence interest.”.

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

19           “(6) PHASEOUT.—

20                   “(A) IN GENERAL.—In the case of any  
21 taxable year beginning in a calendar year after  
22 2014, the amount otherwise allowable as a de-  
23 duction by reason of paragraph (2)(D) shall be  
24 the applicable percentage of such amount.



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

“For taxable years beginning in calendar year:	The applicable percentage is:
2015 .....	100%
2016 .....	80%
2017 .....	60%
2018 .....	40%
2019 .....	20%
2020 and thereafter .....	0%.”.

5                   (c) PHASEDOWN OF MORTGAGE LIMIT.—Subpara-  
 6                   graph (B) of section 163(h)(3) of such Code is amended  
 7                   by adding at the end the following:

8                   “(iii) PHASEDOWN.—

9                   “(I) IN GENERAL.—In the case  
 10                   of any taxable year beginning in cal-  
 11                   endar years 2015 through 2019,  
 12                   clause (ii) shall be applied by sub-  
 13                   stituting the amounts specified in the  
 14                   table in subclause (II) of this clause  
 15                   for ‘\$1,000,000’ and ‘\$500,000’, re-  
 16                   spectively.

17                   “(II) PHASEDOWN AMOUNTS.—  
 18                   For purposes of subclause (I), the  
 19                   amounts specified in this subclause  
 20                   for a taxable year shall be the

1 amounts specified in the following  
2 table:

“For taxable years beginning in calendar year:	Amount substituted for \$1,000,000:	Amount substituted for \$500,000:
2015 .....	\$1,000,000	\$500,000
2016 .....	\$900,000	\$450,000
2017 .....	\$800,000	\$400,000
2018 .....	\$700,000	\$350,000
2019 .....	\$600,000	\$300,000.”.

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

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

7 (e) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply with respect to interest paid or  
9 accrued after December 31, 2014.

10 **SEC. 4. DEDUCTION ALLOWED FOR INTEREST AND TAXES**  
11 **RELATING TO LAND FOR DWELLING PUR-**  
12 **POSES OWNED OR LEASED BY COOPERATIVE**  
13 **HOUSING CORPORATIONS.**

14 (a) IN GENERAL.—Subparagraph (B) of section  
15 216(b)(1) of the Internal Revenue Code of 1986 is amend-  
16 ed by inserting “or land,” after “building,”.

17 (b) EFFECTIVE DATE.—The amendment made by  
18 subsection (a) shall apply to amounts paid or accrued after  
19 December 31, 2014.

1 **SEC. 5. USE OF MORTGAGE INTEREST SAVINGS TO IN-**  
2 **CREASE LOW-INCOME HOUSING TAX CREDIT.**

3 (a) IN GENERAL.—Subclause (I) of section  
4 42(h)(3)(C)(ii) of the Internal Revenue Code of 1986 is  
5 amended by striking “\$1.75 (\$1.50 for 2001)” and insert-  
6 ing “\$2.70”.

7 (b) INFLATION ADJUSTMENT.—Subparagraph (H) of  
8 section 42(h)(3) of such Code is amended to read as fol-  
9 lows:

10 “(H) COST-OF-LIVING ADJUSTMENT.—

11 “(i) IN GENERAL.—In the case of a  
12 calendar year after 2002, the \$2,000,000  
13 amount in subparagraph (C) shall be in-  
14 creased by an amount equal to—

15 “(I) such dollar amount, multi-  
16 plied by

17 “(II) the cost-of-living adjust-  
18 ment determined under section 1(f)(3)  
19 for such calendar year by substituting  
20 ‘calendar year 2001’ for ‘calendar  
21 year 1992’ in subparagraph (B) there-  
22 of.

23 “(ii) PER CAPITA AMOUNT.—In the  
24 case of a calendar year after 2015, the  
25 \$2.70 amount in subparagraph (C) shall  
26 be increased by an amount equal to—

1                   “(I) such dollar amount, multi-  
2                   plied by

3                   “(II) the cost-of-living adjust-  
4                   ment determined under section 1(f)(3)  
5                   for such calendar year by substituting  
6                   ‘calendar year 2014’ for ‘calendar  
7                   year 1992’ in subparagraph (B) there-  
8                   of.

9                   “(iii) ROUNDING.—

10                   “(I) In the case of the  
11                   \$2,000,000 amount, any increase  
12                   under clause (i) which is not a mul-  
13                   tiple of \$5,000 shall be rounded to the  
14                   next lowest multiple of \$5,000.

15                   “(II) In the case of the \$2.70  
16                   amount, any increase under clause (ii)  
17                   which is not a multiple of 5 cents  
18                   shall be rounded to the next lowest  
19                   multiple of 5 cents.”.

20                   (c) ELIGIBLE BASIS.—Clause (i) of section  
21                   42(d)(5)(B) of such Code is amended by striking “and”  
22                   at the end of subclause (I), by striking the period at the  
23                   end of subclause (II) and inserting “, and”, and by adding  
24                   at the end the following:

1                   “(III) in the case of a building  
2                   containing units which are designated  
3                   to serve extremely low-income house-  
4                   holds by the State housing credit  
5                   agency and require the increase in  
6                   credit under this subparagraph in  
7                   order for such building to be finan-  
8                   cially feasible as part of a qualified  
9                   low-income housing project, the eligi-  
10                  ble basis of such building determined  
11                  by the portion of such units shall be  
12                  150 percent of such basis determined  
13                  without regard to this subpara-  
14                  graph.”.

15           (d) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to allocations made in calendar  
17 years beginning after December 31, 2014.

18 **SEC. 6. USE OF MORTGAGE INTEREST SAVINGS FOR AF-**  
19 **FORDABLE HOUSING PROGRAMS.**

20           (a) USE OF SAVINGS.—For each year, the Secretary  
21 of the Treasury shall determine the amount of revenues  
22 accruing to the general fund of the Treasury by reason  
23 of the enactment of section 3 of this Act that remain after  
24 use of such revenues in accordance with section 5 of this

1 Act and shall credit an amount equal to such remaining  
2 revenues as follows:

3 (1) HOUSING TRUST FUND.—The Secretary  
4 shall credit the Housing Trust Fund established  
5 under section 1338 of the Federal Housing Enter-  
6 prises Financial Safety and Soundness Act of 1992  
7 (12 U.S.C. 4568) with an amount equal to 60 per-  
8 cent of the amount of such remaining revenues.

9 (2) SECTION 8 RENTAL ASSISTANCE.—The Sec-  
10 retary shall credit an amount equal to 30 percent of  
11 the amount of such remaining revenues to the Sec-  
12 retary of Housing and Urban Development for use  
13 only for providing tenant- and project-based rental  
14 assistance under section 8 of the United States  
15 Housing Act of 1937 (42 U.S.C. 1437f).

16 (3) PUBLIC HOUSING CAPITAL FUND.—The  
17 Secretary shall credit an amount equal to 10 percent  
18 of the amount of such remaining revenues to the  
19 Public Housing Capital Fund under section 9(d) of  
20 the United States Housing Act of 1937 (42 U.S.C.  
21 1437g(d)).

22 (b) CHANGES TO HOUSING TRUST FUND.—Not later  
23 than the expiration of the 6-month period beginning on  
24 the date of the enactment of this Act, the Secretary of  
25 Housing and Urban Development shall revise the regula-

1 tions relating to the Housing Trust Fund established  
2 under section 1338 of the Federal Housing Enterprises  
3 Financial Safety and Soundness Act of 1992 (12 U.S.C.  
4 4568) to provide that such section is carried out with the  
5 maximum amount of flexibility possible while complying  
6 with such section, which shall include revising such regula-  
7 tions—

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

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

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

○