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(Original Signature of Member)

119TH CONGRESS
2D SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to exclude from gross income certain retirement plan distributions used for a down payment or closing costs for a principal residence, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. STEUBE introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income certain retirement plan distributions used for a down payment or closing costs for a principal residence, 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 “Homeownership Op-
5 portunity Act”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME OF RETIREMENT**
2 **PLAN DISTRIBUTIONS USED FOR A DOWN**
3 **PAYMENT OR CLOSING COSTS FOR A PRIN-**
4 **CIPAL RESIDENCE.**

5 (a) IN GENERAL.—

6 (1) DEFINED CONTRIBUTION PLANS.—Section
7 402 of the Internal Revenue Code of 1986 is amend-
8 ed by adding at the end the following new sub-
9 section:

10 “(m) DISTRIBUTIONS FOR A DOWN PAYMENT OR
11 CLOSING COSTS FOR A PRINCIPAL RESIDENCE.—

12 “(1) IN GENERAL.—The gross income of an
13 employee for any taxable year shall not include any
14 distribution from a defined contribution plan (as de-
15 fined in section 414(i)) of such employee to the ex-
16 tent that such distribution is used for a down pay-
17 ment or closing costs associated with acquiring a
18 principal residence (within the meaning of section
19 121) of the employee.

20 “(2) LIMITATION.—The aggregate amount of
21 distributions received by an individual to which
22 paragraph (1) applies for any taxable year shall not
23 exceed an amount equal to the excess (if any) of—

24 “(A) the greater of—

25 “(i) \$40,000, or

1 “(ii) an amount equal to 40 percent of
2 the employee’s vested account balance in
3 the plan as of the date of distribution, over
4 “(B) the sum of—

5 “(i) the aggregate amount of distribu-
6 tions received by such individual to which
7 paragraph (1) applied for all prior taxable
8 years, plus

9 “(ii) the aggregate amount of dis-
10 tributions received by such individual to
11 which section 403(d)(1) or 457(e)(19)(A)
12 apply for the taxable year, plus any such
13 amounts for all prior taxable years.

14 “(3) AMOUNT DISTRIBUTED MAY BE REPAYED.—

15 “(A) IN GENERAL.—Any individual who
16 receives a distribution to which paragraph (1)
17 applies may, at any time during the 3-year pe-
18 riod beginning on the day after the date on
19 which such distribution was received, make one
20 or more contributions in an aggregate amount
21 not to exceed the amount of such distribution to
22 an applicable eligible retirement plan of which
23 such individual is a beneficiary and to which a
24 rollover contribution of such distribution could
25 be made under section 402(c), 403(a)(4),

1 403(b)(8), 408(d)(3), or 457(e)(16), as the case
2 may be, except that such a contribution may
3 only be made to an individual retirement plan
4 if the individual has separated from employ-
5 ment with the employer maintaining the plan
6 from which the distribution was made.

7 “(B) LIMITATION ON CONTRIBUTIONS TO
8 APPLICABLE ELIGIBLE RETIREMENT PLANS
9 OTHER THAN IRAS.—The aggregate amount of
10 contributions made by an individual under sub-
11 paragraph (A) to any applicable eligible retire-
12 ment plan which is not an individual retirement
13 plan shall not exceed the aggregate amount of
14 distributions which are made from such plan to
15 such individual to which paragraph (1) applied.
16 Subparagraph (A) shall not apply to contribu-
17 tions to any applicable eligible retirement plan
18 which is not an individual retirement plan un-
19 less the individual is eligible to make contribu-
20 tions (other than those described in subpara-
21 graph (A)) to such applicable eligible retirement
22 plan.

23 “(C) TREATMENT OF REPAYMENTS OF
24 DISTRIBUTIONS FROM APPLICABLE ELIGIBLE
25 RETIREMENT PLANS OTHER THAN IRAS.—If a

1 contribution is made under subparagraph (A)
2 with respect to a distribution from an applica-
3 ble eligible retirement plan other than an indi-
4 vidual retirement plan, then the taxpayer shall,
5 to the extent of the amount of the contribution,
6 be treated as having received such distribution
7 in an eligible rollover distribution (as defined in
8 section 402(c)(4)) and as having transferred
9 the amount to the applicable eligible retirement
10 plan in a direct trustee to trustee transfer with-
11 in 60 days of the distribution.

12 “(D) APPLICABLE ELIGIBLE RETIREMENT
13 PLAN.—The term ‘applicable eligible retirement
14 plan’ means an eligible retirement plan (as de-
15 fined in subsection (c)(8)(B)) other than a de-
16 fined benefit plan.

17 “(4) APPLICATION OF SECTION 72.—Rules simi-
18 lar to the rules of section 408(d)(10)(C) shall apply
19 for purposes of this subsection, by taking into ac-
20 count all amounts in the defined contribution plan to
21 which the employee has a nonforfeitable right in lieu
22 of all amounts in all individual retirement plans of
23 the individual.

1 “(5) DISTRIBUTIONS TREATED AS MEETING
2 PLAN DISTRIBUTION REQUIREMENTS.—For purposes
3 of this title—

4 “(A) a distribution to which paragraph (1)
5 applies shall be treated as meeting the require-
6 ments of sections 401(k)(2)(B)(i),
7 403(b)(7)(A)(i), 403(b)(11), and 457(d)(1)(A),
8 and

9 “(B) in the case of a money purchase pen-
10 sion plan, a which is an in-service withdrawal
11 shall be treated as meeting the requirements of
12 section 401(a) applicable to distributions.

13 “(6) TERMINATION.—This subsection shall not
14 apply to any distributions in taxable years beginning
15 after December 31, 2035.”.

16 (2) CERTAIN ANNUITY PLANS.—Section 403 of
17 such Code is amended by adding at the end the fol-
18 lowing new subsection:

19 “(d) DISTRIBUTIONS FOR A DOWN PAYMENT OR
20 CLOSING COSTS FOR A PRINCIPAL RESIDENCE.—

21 “(1) IN GENERAL.—Rules similar to the rules
22 of section 402(m) shall apply to distributions under
23 an annuity contract subject to subsection (a) or
24 under an annuity contract described in subsection
25 (b).

1 “(2) LIMITATION.—The aggregate amount of
2 distributions received by an individual to which
3 paragraph (1) applies for any taxable year shall not
4 exceed an amount equal to the excess (if any) of—

5 “(A) the greater of—

6 “(i) \$40,000, over

7 “(ii) an amount equal to 40 percent of
8 the employee’s vested account balance in
9 the contract as of the date of distribution,
10 over

11 “(B) the sum of—

12 “(i) the aggregate amount of distribu-
13 tions received by such individual to which
14 paragraph (1) applied for all prior taxable
15 years, plus

16 “(ii) the aggregate amount of dis-
17 tributions received by such individual to
18 which section 402(m)(1) or 457(e)(19)(A)
19 apply for the taxable year, plus any such
20 amounts for all prior taxable years.

21 “(3) TERMINATION.—This subsection shall not
22 apply to any distributions in taxable years beginning
23 after December 31, 2035.”.

1 (3) 457(b) PLANS.—Section 457(e) of such
2 Code is amended by adding at the end the following
3 new paragraph:

4 “(19) DISTRIBUTIONS FOR A DOWN PAYMENT
5 OR CLOSING COSTS FOR A PRINCIPAL RESIDENCE.—

6 “(A) IN GENERAL.—Rules similar to the
7 rules of section 402(m) shall apply to distribu-
8 tions under an eligible deferred compensation
9 plan established and maintained by an employer
10 described in paragraph (1)(A).

11 “(B) LIMITATION.—The aggregate amount
12 of distributions received by an individual to
13 which subparagraph (A) applies for any taxable
14 year shall not exceed an amount equal to the
15 excess (if any) of—

16 “(i) the greater of \$40,000 or an
17 amount equal to 40 percent of the employ-
18 ee’s vested account balance in the plan as
19 of the date of distribution, over

20 “(ii) the sum of—

21 “(I) the aggregate amount of dis-
22 tributions received by such individual
23 to which subparagraph (A) applied for
24 all prior taxable years, plus

1 “(II) the aggregate amount of
2 distributions received by such indi-
3 vidual to which section 402(m)(1) or
4 403(d)(1) apply for the taxable year,
5 plus any such amounts for all prior
6 taxable years.

7 “(C) TERMINATION.—This paragraph shall
8 not apply to any distributions in taxable years
9 beginning after December 31, 2035.”.

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to distributions made in taxable
12 years beginning after December 31, 2025.