

119TH CONGRESS
2^D SESSION

S. _____

To amend the Internal Revenue Code of 1986 to impose an excise tax on the acquisition of single-family residences by hedge fund taxpayers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. MERKLEY (for himself and Mr. HAWLEY) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend the Internal Revenue Code of 1986 to impose an excise tax on the acquisition of single-family residences by hedge fund taxpayers, 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 “HOPE (Humans over
5 Private Equity) for Homeownership Act”.

1 **SEC. 2. EXCISE TAX ON ACQUISITION OF SINGLE-FAMILY**
2 **RESIDENCES BY HEDGE FUND TAXPAYERS.**

3 (a) IN GENERAL.—Subtitle D of the Internal Rev-
4 enue Code of 1986 is amended by adding at the end the
5 following new chapter:

6 **“CHAPTER 50B—SINGLE-FAMILY**
7 **RESIDENCES**

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

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

10 “(a) IN GENERAL.—There is hereby imposed the ac-
11 quisition of any newly acquired single-family residence by
12 a hedge fund taxpayer an amount equal to 15 percent of
13 the purchase price thereof.

14 “(b) NEWLY ACQUIRED SINGLE-FAMILY RESI-
15 DENCE.—For purposes of this section—

16 “(1) IN GENERAL.—The term ‘newly acquired
17 single-family residence’ means any residential prop-
18 erty which—

19 “(A) consists of 1-to-4 dwelling units, and

20 “(B) was acquired by the taxpayer in any
21 taxable year which begins after the date of the
22 enactment of this chapter.

23 “(2) EXCEPTION.—A residential property shall
24 not be treated as a newly acquired single-family resi-

1 dence if, immediately after acquisition and at all
2 times thereafter, such property is—

3 “(A) not rented or leased, and

4 “(B) used as the principal residence (with-
5 in the meaning of section 121) of any person
6 who has an ownership interest in the hedge
7 fund taxpayer acquiring such taxpayer.

8 “(c) HEDGE FUND TAXPAYER.—For purposes of this
9 chapter—

10 “(1) IN GENERAL.—The term ‘hedge fund tax-
11 payer’ means, with respect to any taxable year, any
12 applicable entity which—

13 “(A) manages funds pooled from investors,

14 “(B) has \$50,000,000 or more in net value
15 or assets under management on any day during
16 the taxable year, and

17 “(C) is a fiduciary with respect to such in-
18 vestors.

19 “(2) APPLICABLE ENTITY.—

20 “(A) IN GENERAL.—The term ‘applicable
21 entity’ means—

22 “(i) any partnership,

23 “(ii) any corporation, or

24 “(iii) any real estate investment trust.

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

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

6 “(ii) an organization which is pri-
7 marily engaged in the construction or reha-
8 bilitation of single-family residences and
9 which offers such residences for sale in the
10 ordinary course of business.

11 “(3) AGGREGATION RULES.—

12 “(A) IN GENERAL.—All persons which are
13 treated as a single employer under subsections
14 (a) and (b) of section 52 shall be treated as a
15 single person.

16 “(B) MODIFICATIONS.—For purposes of
17 this subsection—

18 “(i) section 52(a) shall be applied by
19 substituting ‘component members’ for
20 ‘members’, and

21 “(ii) for purposes of applying section
22 52(b), the term ‘trade or business’ shall in-
23 clude any activity treated as a trade or
24 business under paragraph (5) or (6) of sec-
25 tion 469(c) (determined without regard to

1 the phrase ‘To the extent provided in regu-
2 lations’ in such paragraph (6)).

3 “(C) COMPONENT MEMBER.—For pur-
4 poses of this paragraph, the term ‘component
5 member’ has the meaning given such term by
6 section 1563(b), except that the determination
7 shall be made without regard to section
8 1563(b)(2).

9 “(d) OTHER DEFINITIONS AND RULES.—For pur-
10 poses of this section—

11 “(1) PURCHASE PRICE.—The term ‘purchase
12 price’ means the adjusted basis of the newly ac-
13 quired single-family residence on the date such resi-
14 dence is purchased.

15 “(2) ACQUISITION.—A hedge fund taxpayer
16 shall be treated as acquiring a single-family resi-
17 dence if the taxpayer acquires a majority ownership
18 interest in the single-family residence, regardless of
19 the percentage of that ownership interest.”.

20 (b) CLERICAL AMENDMENT.—The table of chapters
21 for subtitle D of the Internal Revenue Code of 1986 is
22 amended by adding at the end the following new item:

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

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

1 **SEC. 3. CORPORATE SURTAX ON HEDGE FUND TAXPAYERS.**

2 (a) IN GENERAL.—Section 11 of the Internal Rev-
3 enue Code of 1986 is amended by adding at the end the
4 following new subsection:

5 “(e) HEDGE FUND TAXPAYERS.—In the case of a
6 corporation which is described in section 5000E(c), the
7 percentage under subsection (b) shall be increased by 5
8 percentage points.”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall apply to taxable years beginning after
11 December 31, 2035.

12 **SEC. 4. DISALLOWANCE OF CERTAIN DEDUCTIONS TAKEN**
13 **IN CONNECTION WITH SINGLE-FAMILY RESI-**
14 **DENCES OF HEDGE FUND TAXPAYERS.**

15 (a) MORTGAGE INTEREST.—

16 (1) IN GENERAL.—Section 163 of the Internal
17 Revenue Code of 1986 is amended by redesignating
18 subsection (n) as subsection (o) and by inserting
19 after subsection (m) the following new subsection:

20 “(n) NO DEDUCTION FOR INTEREST ON ACQUI-
21 TION INDEBTEDNESS OF SINGLE-FAMILY RESIDENCES OF
22 CERTAIN TAXPAYERS.—

23 “(1) IN GENERAL.—In the case of a hedge fund
24 taxpayer, no deduction shall be allowed under this
25 chapter with respect to interest paid or accrued on

1 acquisition indebtedness with respect to any single
2 family residence.

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

5 “(A) HEDGE FUND TAXPAYER.—The term
6 ‘hedge fund taxpayer’ means, for any taxable
7 year, any taxpayer—

8 “(i) who is described in section
9 5000E(c), and

10 “(ii) who is in the trade or business of
11 renting or leasing single-family residences.

12 “(B) ACQUISITION INDEBTEDNESS.—The
13 term ‘acquisition indebtedness’ has the meaning
14 given such term under subsection (h)(3)(B), de-
15 termined—

16 “(i) by substituting ‘single-family resi-
17 dence (as defined in subsection (n))’ for
18 ‘qualified residence’, and

19 “(ii) without regard to clause (ii)
20 thereof.

21 “(C) SINGLE-FAMILY RESIDENCE.—The
22 term ‘single-family residence’ means any resi-
23 dential property which consists of 1-to-4 dwell-
24 ing units”.

1 (2) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to taxable years begin-
3 ning after December 31, 2030.

4 (b) DEPRECIATION.—

5 (1) IN GENERAL.—Section 167 of the Internal
6 Revenue Code of 1986 is amended by redesignating
7 subsection (i) as subsection (j) and by inserting after
8 subsection (h) the following new subsection:

9 “(i) DEDUCTION DISALLOWED FOR SINGLE-FAMILY
10 RESIDENCES OF CERTAIN TAXPAYERS.—

11 “(1) IN GENERAL.—In the case of a hedge fund
12 taxpayer, no deduction shall be allowed under this
13 section for any single family residence.

14 “(2) DEFINITIONS.—For purposes of this sub-
15 section—

16 “(A) HEDGE FUND TAXPAYER.—The term
17 ‘hedge fund taxpayer’ means, for any taxable
18 year, any taxpayer—

19 “(i) who is described in section
20 5000E(c), and

21 “(ii) who is in the trade or business of
22 renting or leasing single-family residences.

23 “(B) SINGLE-FAMILY RESIDENCE.—The
24 term ‘single-family residence’ means any resi-

1 dential property which consists of 1-to-4 dwell-
2 ing units.”.

3 (2) EFFECTIVE DATE.—The amendments made
4 by this subsection shall apply to taxable years begin-
5 ning after December 31, 2030.

6 (c) QUALIFIED BUSINESS INCOME.—

7 (1) IN GENERAL.—Section 199A(d)(1) of the
8 Internal Revenue Code of 1986 is amended by strik-
9 ing “or” at the end of subparagraph (A), by striking
10 the period at the end of subparagraph (B) and in-
11 serting “, or”, and by adding at the end the fol-
12 lowing new subparagraph:

13 “(C) any trade or business of hedge fund
14 taxpayer (as defined in section 163(n)(2)(A)).”.

15 (2) EFFECTIVE DATE.—The amendments made
16 by this subsection shall apply to taxable years begin-
17 ning after December 31, 2035.