

119TH CONGRESS
1ST SESSION

H. R. 4352

To amend the Internal Revenue Code of 1986 to deny interest and depreciation deductions for taxpayers owning 50 or more single family properties.

IN THE HOUSE OF REPRESENTATIVES

JULY 10, 2025

Mrs. SYKES (for herself and Ms. LEE of Pennsylvania) 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 deny interest and depreciation deductions for taxpayers owning 50 or more single family properties.

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 “Houses Over Middle-
5 Class Exploitation Schemes Act” or the “HOMES Act”.

6 **SEC. 2. DISALLOWANCE OF INTEREST DEDUCTION FOR DIS-**
7 **QUALIFIED SINGLE FAMILY PROPERTY OWN-**
8 **ERS.**

9 (a) IN GENERAL.—Section 163 of the Internal Rev-
10 enue Code of 1986 is amended by redesignating subsection

1 (n) as subsection (o) and by inserting after subsection (m)
 2 the following new subsection:

3 “(n) INTEREST PAID BY CERTAIN DISQUALIFIED
 4 SINGLE FAMILY PROPERTY OWNERS.—

5 “(1) IN GENERAL.—In the case of a disquali-
 6 fied single family property owner, no deduction shall
 7 be allowed under this chapter for any interest paid
 8 or accrued in connection with any single family resi-
 9 dential rental property owned (directly or indirectly)
 10 by such disqualified single family property owner.

11 “(2) EXCEPTION.—

12 “(A) IN GENERAL.—Paragraph (1) shall
 13 not apply with respect to interest paid or ac-
 14 crued in the taxable year in which such single
 15 family residential rental property is sold.

16 “(B) EXCEPTION.—Subparagraph (A)
 17 shall not apply unless the sale described in such
 18 subparagraph is—

19 “(i) a sale to an individual for use as
 20 the principle residence of the individual
 21 (within the meaning of section 121), or

22 “(ii) a sale to any qualified nonprofit
 23 organization.

24 “(C) QUALIFIED NONPROFIT ORGANIZA-
 25 TION.—

1 “(i) IN GENERAL.—For purposes of
2 this paragraph, the term ‘qualified non-
3 profit organization’ means any organiza-
4 tion which—

5 “(I) is not organized for profit,
6 and

7 “(II) has as a principal purpose
8 the creation, development, or preser-
9 vation of affordable housing.

10 “(ii) CERTAIN ORGANIZATIONS IN-
11 CLUDED.—The term ‘qualified nonprofit
12 organization’ shall include—

13 “(I) any community development
14 corporation (as defined in section
15 204(b) of the Department of Veterans
16 Affairs and Housing and Urban De-
17 velopment, and Independent Agencies
18 Appropriations Act, 1997 (12 U.S.C.
19 1715z–11a(b))),

20 “(II) any community housing de-
21 velopment organization (as defined in
22 section 104 of the Cranston-Gonzales
23 National Affordable Housing Act (42
24 U.S.C. 12704)),

1 “(III) any community-based de-
2 velopment organization qualified
3 under section 570.204 of title 24,
4 Code of Federal Regulations, as in ef-
5 fect on the date of the enactment of
6 this subsection,

7 “(IV) any land bank,

8 “(V) any resident-owned coopera-
9 tive or community land trust, and

10 “(VI) any subsidiary of a public
11 housing agency (as defined in section
12 3(b)(6) of the United States Housing
13 Act of 1937 (42 U.S.C.
14 1437a(b)(6))).

15 “(iii) LAND BANK.—For purposes of
16 this subparagraph, the term ‘land bank’
17 means a government entity, agency, or pro-
18 gram, or a special purpose nonprofit entity
19 formed by one or more units of govern-
20 ment in accordance with State or local
21 land bank enabling law, that has been des-
22 ignated by one or more State or local gov-
23 ernments to acquire, steward, and dispose
24 of vacant, abandoned, or other problem

1 properties in accordance with locally-deter-
2 mined priorities and goals.

3 “(iv) COMMUNITY LAND TRUST.—For
4 purposes of this subparagraph, the term
5 ‘community land trust’ means a nonprofit
6 organization or State or local government
7 or instrumentality that—

8 “(I) use a ground lease or deed
9 covenant with an affordability period
10 of at least 30 years or more to—

11 “(aa) make rental and
12 homeownership units affordable
13 to households; and

14 “(bb) stipulate a preemptive
15 option to purchase the affordable
16 rentals or homeownership units
17 so that the affordability of the
18 units is preserved for successive
19 income-eligible households; and

20 “(II) monitors properties to en-
21 sure affordability is preserved.

22 “(3) DISQUALIFIED SINGLE FAMILY PROPERTY
23 OWNER.—For purposes of this subsection—

24 “(A) IN GENERAL.—The term ‘disqualified
25 single family property owner’ means, with re-

1 spect to any taxable year, any taxpayer who
 2 owns (directly or indirectly) 50 or more single
 3 family residential rental properties.

4 “(B) AGGREGATION RULES.—All persons
 5 treated as a single employer under subsection
 6 (a) or (b) of section 52, or subsection (m) or
 7 (o) of section 414, shall be treated as one tax-
 8 payer for purposes of this section.

9 “(C) MODIFICATIONS.—

10 “(i) IN GENERAL.—For purposes of
 11 applying subparagraph (B)—

12 “(I) section 52(a) shall be ap-
 13 plied by substituting ‘component
 14 members’ for ‘members’, and

15 “(II) for purposes of applying
 16 section 52(b), the term ‘trade or busi-
 17 ness’ shall include any activity treated
 18 as a trade or business under para-
 19 graph (5) or (6) of section 469(c) (de-
 20 termined without regard to the phrase
 21 ‘To the extent provided in regulations’
 22 in such paragraph (6)).

23 “(ii) COMPONENT MEMBER.—For
 24 purposes of this paragraph, the term ‘com-
 25 ponent member’ has the meaning given

1 such term by section 1563(b), except that
 2 the determination shall be made without
 3 regard to section 1563(b)(2).

4 “(iii) NO INFERENCE.—The modifica-
 5 tions made by clause (i) shall not be con-
 6 strued to create any inference with respect
 7 to the proper application of section 52 with
 8 respect to any other provision of this title.

9 “(4) SINGLE FAMILY RESIDENTIAL RENTAL
 10 PROPERTY.—For purposes of this subsection—

11 “(A) IN GENERAL.—The term ‘single fam-
 12 ily residential rental property’ means—

13 “(i) any residential rental property (as
 14 defined in section 168(e)(2)(A)(i)) which
 15 contains 4 or fewer dwelling units (as de-
 16 fined in section 168(e)(2)(A)(ii)(I)), and

17 “(ii) improvements to real property
 18 directly related to such dwelling units lo-
 19 cated on the site of such dwelling units.

20 For purposes of clause (i), each townhouse or
 21 rowhouse shall be treated as a separate build-
 22 ing.

23 “(B) EXCEPTION FOR CERTAIN PROP-
 24 ERTIES.—Such term shall not include any resi-
 25 dential rental property (as so defined)—

1 “(i) with respect to which a credit is
 2 allowed under section 42 for such taxable
 3 year or any property, or

4 “(ii) which—

5 “(I) was constructed by the tax-
 6 payer, or

7 “(II) acquired by the taxpayer
 8 after its construction but before the
 9 first date on which any dwelling unit
 10 in such property was occupied by a
 11 resident.

12 “(5) REGULATIONS.—The Secretary shall pre-
 13 scribe such regulations as may be necessary or ap-
 14 propriate to carry out the purposes of this sub-
 15 section, including regulations to prevent the avoid-
 16 ance of the purposes of this subsection.”.

17 (b) APPLICATION TO CAPITALIZED AMOUNTS.—

18 (1) IN GENERAL.—Section 263A(f)(2) of the
 19 Internal Revenue Code of 1986 is amended by add-
 20 ing at the end the following new subparagraph:

21 “(D) EXCEPTION FOR CERTAIN INTEREST
 22 OF DISQUALIFIED SINGLE FAMILY PROPERTY
 23 OWNERS.—Subparagraph (A) shall not apply to
 24 any interest for which a deduction would be dis-
 25 allowed under section 163(n).”.

1 (2) CARRYING CHARGES.—Section 266 of such
2 Code is amended—

3 (A) by striking “No deduction” and insert-
4 ing the following:

5 “(a) IN GENERAL.—No deduction”, and

6 (B) by adding at the end the following new
7 subsection:

8 “(b) SPECIAL RULE FOR CERTAIN INTEREST OF DIS-
9 QUALIFIED SINGLE FAMILY PROPERTY OWNERS.—No
10 election may be made under this section to treat as
11 chargeable to capital account any interest for which a de-
12 duction would be disallowed under section 163(n).”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to indebtedness incurred in taxable
15 years beginning after the date of the enactment of this
16 Act.

17 **SEC. 3. DISALLOWANCE OF DEPRECIATION IN CONNEC-**
18 **TION WITH PROPERTY USED BY DISQUALI-**
19 **FIED SINGLE FAMILY PROPERTY OWNERS.**

20 (a) IN GENERAL.—Section 167 of the Internal Rev-
21 enue Code of 1986 is amended by redesignating subsection
22 (i) as subsection (j) and by inserting after subsection (h)
23 the following new subsection:

24 “(i) DEDUCTION DISALLOWED FOR DISQUALIFIED
25 SINGLE FAMILY PROPERTY OWNERS.—

1 “(1) IN GENERAL.—In the case of a disquali-
2 fied single family property owner, no deduction shall
3 be allowed under this section for any single family
4 residential rental property owned by such disquali-
5 fied single family property owner.

6 “(2) EXCEPTION.—

7 “(A) IN GENERAL.—Paragraph (1) shall
8 not apply with respect to depreciation deduction
9 which is allowable—

10 “(i) in connection with a single family
11 residential rental property, and

12 “(ii) in the taxable year in which such
13 single family residential rental property is
14 sold.

15 “(B) EXCEPTION.—Subparagraph (A)
16 shall not apply unless the sale described in
17 clause (ii) thereof is—

18 “(i) a sale to an individual for use as
19 the principle residence of the individual
20 (within the meaning of section 121), or

21 “(ii) a sale to any qualified nonprofit
22 organization (as defined in section
23 163(n)(2)(C)).

24 “(3) DEFINITIONS.—For purposes of this sub-
25 section, the terms ‘disqualified single family property

1 owner' and 'single family residential rental property'
2 have the respective meanings given such terms under
3 section 163(n).

4 “(4) REGULATIONS.—The Secretary shall pre-
5 scribe such regulations as may be necessary or ap-
6 propriate to carry out the purposes of this sub-
7 section, including regulations to prevent the avoid-
8 ance of the purposes of this subsection.”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to property placed in service in
11 taxable years beginning after the date of the enactment
12 of this Act.

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