

119TH CONGRESS
1ST SESSION

H. R. 6542

To amend the Internal Revenue Code of 1986 to allow the establishment of down payment savings accounts.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 9, 2025

Mr. SUBRAMANYAM (for himself, Mrs. HINSON, Mr. THANEDAR, and Ms. NORTON) 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 allow the establishment of down payment savings accounts.

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 Home Savings
5 Opportunity Act of 2025”.

6 **SEC. 2. DOWN PAYMENT SAVINGS ACCOUNT.**

7 (a) IN GENERAL.—Part VII of subchapter B of chap-
8 ter 1 of the Internal Revenue Code of 1986 is amended
9 by inserting after section 223 the following new section:

1 **“SEC. 223A. DOWN PAYMENT SAVINGS ACCOUNT.**

2 “(a) DEDUCTION ALLOWED.—In the case of an ac-
3 count beneficiary, there shall be allowed as a deduction
4 for the taxable year an amount equal to the aggregate
5 amount paid in cash during such taxable year by such in-
6 dividual to a down payment savings account of such indi-
7 vidual.

8 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
9 poses of this section—

10 “(1) DOWN PAYMENT SAVINGS ACCOUNT.—The
11 term ‘down payment savings account’ means a trust
12 created or organized in the United States exclusively
13 for the purpose of paying the qualified down pay-
14 ment expenses of the account beneficiary (and des-
15 ignated as a down payment savings account at the
16 time created or organized), but only if the written
17 governing instrument creating the trust meets the
18 following requirements:

19 “(A) No contribution will be accepted—

20 “(i) if such contribution is not made
21 by the account beneficiary,

22 “(ii) if the account beneficiary had an
23 ownership interest in a principal residence
24 at any time during the 3-year period end-
25 ing on the date of the contribution, or

26 “(iii) unless it is in cash.

1 “(B) The trustee is a bank (as defined in
2 section 408(n)) or another person who dem-
3 onstrates to the satisfaction of the Secretary
4 that the manner in which that person will ad-
5 minister the trust will be consistent with the re-
6 quirements of this section.

7 “(C) No part of the trust assets will be in-
8 vested in life insurance contracts.

9 “(D) The assets of the trust shall not be
10 commingled with other property except in a
11 common trust fund or common investment
12 fund.

13 “(E) The account beneficiary has attained
14 the age of 18.

15 “(2) QUALIFIED DOWN PAYMENT EXPENSES.—
16 The term ‘qualified down payment expenses’ means
17 a down payment or closing costs for the purchase of
18 the principal residence of the account beneficiary of
19 a down payment savings account if such account
20 beneficiary is a first-time homebuyer (as defined in
21 section 36(c)) with respect to such purchase.

22 “(3) ACCOUNT BENEFICIARY.—The term ‘ac-
23 count beneficiary’ means the individual on whose be-
24 half the down payment savings account is estab-
25 lished.

1 “(4) CERTAIN RULES TO APPLY.—Rules similar
2 to the following rules shall apply for purposes of this
3 section:

4 “(A) Section 219(d)(2) (relating to no de-
5 duction for rollovers).

6 “(B) Section 219(f)(3) (relating to time
7 when contributions deemed made).

8 “(C) Section 219(f)(5) (relating to em-
9 ployer payments).

10 “(D) Section 408(g) (relating to commu-
11 nity property laws).

12 “(5) PRINCIPAL RESIDENCE.—The term ‘prin-
13 cipal residence’ has the same meaning as when used
14 in section 121.

15 “(c) LIMITATIONS.—

16 “(1) CONTRIBUTION LIMIT.—The amount al-
17 lowable as a deduction under subsection (a) to any
18 individual for any taxable year shall not exceed the
19 lesser of—

20 “(A) the taxpayer’s earned income (as de-
21 fined in section 32(c)(2)) for the taxable year,
22 or

23 “(B) \$10,000 (\$20,000 in the case of a
24 joint return).

1 “(2) PHASEOUT BASED ON MODIFIED AD-
2 JUSTED GROSS INCOME.—

3 “(A) IN GENERAL.—The deduction allow-
4 able under subsection (a) shall be reduced by
5 an amount which bears the same ratio to the
6 amount of such deduction as—

7 “(i) the excess (if any) of—

8 “(I) the taxpayer’s modified ad-
9 justed gross income, over

10 “(II) \$150,000 (\$236,000 in the
11 case of a joint return), bears to

12 “(ii) \$50,000 (\$79,000 in the case of
13 a joint return).

14 “(B) MODIFIED ADJUSTED GROSS IN-
15 COME.—For purposes of subparagraph (A), the
16 term ‘modified adjusted gross income’ means
17 the adjusted gross income of the taxpayer for
18 the taxable year increased by any amount ex-
19 cluded from gross income under section 911,
20 931, or 933.

21 “(3) DENIAL OF DEDUCTION TO DEPEND-
22 ENTS.—No deduction shall be allowed under this
23 section to any individual with respect to whom a de-
24 duction under section 151 is allowable to another
25 taxpayer for a taxable year beginning in the cal-

1 endar year in which such individual’s taxable year
2 begins.

3 “(4) INFLATION ADJUSTMENT.—

4 “(A) IN GENERAL.—In the case of any
5 taxable year beginning after 2025, each of the
6 dollar amounts in this subsection shall be in-
7 creased by an amount equal to—

8 “(i) such dollar amount, multiplied by

9 “(ii) the cost-of-living adjustment de-
10 termined under section 1(f)(3) for the cal-
11 endar year in which the taxable year be-
12 gins, determined by substituting ‘calendar
13 year 2024’ for ‘calendar year 2016’ in sub-
14 paragraph (A)(ii) thereof.

15 “(B) ROUNDING.—If any increase under
16 paragraph (1) is not a multiple of \$100, such
17 increase shall be rounded to the nearest mul-
18 tiple of \$100.

19 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

20 “(1) AMOUNTS USED FOR QUALIFIED DOWN
21 PAYMENT EXPENSES.—Any amount paid or distrib-
22 uted out of a down payment savings account which
23 is used exclusively to pay qualified down payment
24 expenses of any account beneficiary shall not be in-
25 cludible in gross income.

1 “(2) INCLUSION OF AMOUNTS NOT USED FOR
2 QUALIFIED DOWN PAYMENT EXPENSES.—Any
3 amount paid or distributed out of a down payment
4 savings account which is not used exclusively to pay
5 the qualified down payment expenses of the account
6 beneficiary shall be included in the gross income of
7 such beneficiary.

8 “(3) EXCESS CONTRIBUTIONS RETURNED BE-
9 FORE DUE DATE OF RETURN.—

10 “(A) IN GENERAL.—If any excess con-
11 tribution is contributed for a taxable year to
12 any down payment savings account of an indi-
13 vidual, paragraph (2) shall not apply to dis-
14 tributions from the down payment savings ac-
15 counts of such individual (to the extent such
16 distributions do not exceed the aggregate excess
17 contributions to all such accounts of such indi-
18 vidual for such year) if—

19 “(i) such distribution is received by
20 the individual on or before the last day
21 prescribed by law (including extensions of
22 time) for filing such individual’s return for
23 such taxable year, and

1 “(ii) such distribution is accompanied
 2 by the amount of net income attributable
 3 to such excess contribution.

4 Any net income described in clause (ii) shall be
 5 included in the gross income of the individual
 6 for the taxable year in which it is received.

7 “(B) EXCESS CONTRIBUTION.—For pur-
 8 poses of subparagraph (A), the term ‘excess
 9 contribution’ means any contribution to a down
 10 payment savings account (other than a rollover
 11 contribution described in paragraph (5)) which
 12 is not deductible under this section.

13 “(4) ADDITIONAL TAX FOR DISTRIBUTIONS NOT
 14 USED FOR DOWN PAYMENT EXPENSES.—

15 “(A) IN GENERAL.—The tax imposed by
 16 this chapter for any taxable year on any tax-
 17 payer who receives a payment or distribution
 18 from a down payment savings account which is
 19 includible in gross income shall be increased by
 20 20 percent of the amount which is so includible.

21 “(B) EXCEPTIONS.—Subparagraph (A)
 22 shall not apply if the payment or distribution
 23 is—

24 “(i) made to the account beneficiary
 25 (or to the estate of such account bene-

1 ficiary) on or after the death of such ac-
2 count beneficiary, or

3 “(ii) attributable to such account
4 beneficiary’s being disabled (within the
5 meaning of section 72(m)(7)).

6 “(5) ROLLOVER CONTRIBUTION.—An amount is
7 described in this paragraph as a rollover contribu-
8 tion if it meets the following requirements:

9 “(A) IN GENERAL.—Paragraph (2) shall
10 not apply to any amount paid or distributed
11 from a down payment savings account to the
12 account beneficiary to the extent the amount
13 received is paid into a down payment savings
14 account for the benefit of such beneficiary not
15 later than the 60th day after the day on which
16 the beneficiary receives the payment or distribu-
17 tion.

18 “(B) LIMITATION.—This paragraph shall
19 not apply to any amount described in subpara-
20 graph (A) received by an individual from a
21 down payment savings account if, at any time
22 during the 1-year period ending on the day of
23 such receipt, such individual received any other
24 amount described in subparagraph (A) from a
25 down payment savings account which was not

1 includible in the individual's gross income be-
2 cause of the application of this paragraph.

3 “(6) SPECIAL RULES FOR DEATH AND DI-
4 VORCE.—Rules similar to the rules of paragraphs
5 (7) and (8) of section 223(f) shall apply for pur-
6 poses of this section.

7 “(7) DISALLOWANCE OF EXCLUDED AMOUNTS
8 AS DEDUCTION, CREDIT, OR EXCLUSION.—No deduc-
9 tion, credit, or exclusion shall be allowed to the tax-
10 payer under any other section of this chapter for any
11 qualified down payment expenses to the extent taken
12 into account in determining the amount of the exclu-
13 sion under paragraph (1).

14 “(8) ACCOUNT TERMINATION.—Rules similar to
15 the rules of paragraphs (2) and (4) of section 408(e)
16 shall apply to down payment savings accounts, and
17 any amount treated as distributed under such rules
18 shall be treated as not used to pay qualified down
19 payment expenses.

20 “(e) REPORTS.—

21 “(1) IN GENERAL.—The trustee of a down pay-
22 ment savings account shall make such reports re-
23 garding such account to the Secretary and to the ac-
24 count beneficiary with respect to contributions, dis-
25 tributions, and such other matters as the Secretary

1 may require. The reports required by this subsection
2 shall be filed at such time and in such manner and
3 furnished to such individuals at such time and in
4 such manner as may be required.

5 “(2) ROLLOVER DISTRIBUTIONS.—In the case
6 of any distribution described in subsection (d)(5),
7 the officer or employee having control of the down
8 payment savings account (or their designee) shall
9 provide a report to the trustee of the down payment
10 savings account to which the distribution is made.
11 Such report shall be filed at such time and in such
12 manner as the Secretary may require and shall in-
13 clude information with respect to the contributions,
14 distributions, and earnings of the down payment
15 savings account as of the date of the distribution de-
16 scribed in such subsection, together with such other
17 matters as the Secretary may require.”.

18 (b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—
19 Section 63(b) of such Code is amended—

20 (1) in paragraph (6), by striking “and” and in-
21 serting a comma,

22 (2) in paragraph (7), by striking the period at
23 the end and inserting “, and”, and

24 (3) by adding at the end the following new
25 paragraph:

1 “(8) the deduction allowed by section 223A.”.

2 (c) TAX ON PROHIBITED TRANSACTIONS.—

3 (1) Section 4975(c) of such Code is amended by
4 adding at the end the following new paragraph:

5 “(8) SPECIAL RULE FOR DOWN PAYMENT SAV-
6 INGS ACCOUNTS.—An individual for whose benefit a
7 down payment savings account (within the meaning
8 of section 223A(b)(1)) is established shall be exempt
9 from the tax imposed by this section with respect to
10 any transaction concerning such account (which
11 would otherwise be taxable under this section) if,
12 with respect to such transaction, the account ceases
13 to be a down payment savings account by reason of
14 the application of section 223(c)(8) to such ac-
15 count.”.

16 (2) Section 4975(e)(1) of such Code is amended
17 by striking “or” at the end of subparagraph (F), by
18 redesignating subparagraph (G) as subparagraph
19 (H), and by inserting after subparagraph (F) the
20 following new subparagraph:

21 “(G) a down payment savings account de-
22 scribed in section 223A(b)(1).”.

23 (d) PENALTY FOR FAILURE TO FILE REPORTS.—

24 Section 6693(a)(2) of such Code is amended by striking
25 “and” at the end of subparagraph (E), by striking the

1 period at the end of subparagraph (F) and inserting “,
 2 and”, and by inserting after subparagraph (F) the fol-
 3 lowing new subparagraph:

4 “(G) Section 223A(g) (relating to down
 5 payment savings accounts).”.

6 (e) CONFORMING AMENDMENTS.—

7 (1) Section 26(b)(2) of such Code is amended
 8 by striking “and” at the end of subparagraph (Y),
 9 by striking the period at the end of subparagraph
 10 (Z) and inserting “, and”, and by inserting after
 11 subparagraph (Z) the following new subparagraph:

12 “(AA) section 223A(c)(2) (relating to addi-
 13 tional tax on down payment savings account not
 14 used for qualified down payment expenses).”.

15 (2) Section 877A of such Code is amended—

16 (A) in subsection (e)(2) by inserting “a
 17 down payment savings account (as defined in
 18 section 223A),” after “section 223),”, and

19 (B) in subsection (g)(6) by inserting
 20 “223(e)(4),”, after “529A(c)(3),”.

21 (3) The table of sections for part VII of sub-
 22 chapter B of chapter 1 of such Code is amended by
 23 inserting after the item relating to section 223 the
 24 following new item:

“Sec. 223A. Down payment savings account.”.

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2025.

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