HOUSE DOCKET, NO. FILED ON: 9/23/2015

HOUSE . . . . . No. 3770

The Commonwealth of Massachusetts

In the One Hundred and Eighty-Ninth General Court
(2015-2016)

An Act relative to the relief of mortgage debt.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section 2 of chapter 62 of the General Laws, as appearing in the 2014 Official Edition, is hereby amended by adding the following subparagraph:-

(R) To the extent not otherwise excluded from gross income, in whole or in part, income attributable to the discharge of debt on a principal residence, including debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure, subject to the following conditions and limitations:

(i) No more than $2,000,000 of forgiven debt is eligible for the exclusion under this section, or $1,000,000 in the case of married filing separately for the purposes of federal taxes.

(ii) This section shall only apply to “acquisition indebtedness” as defined in section 163(h)(3)(B) of the Code.

13 (iii) The amount excluded from gross income by reason of this section shall be applied to
14 reduce, but not below zero, the Massachusetts basis of the principal residence of the taxpayer.

15 (iv) This section shall not apply to the discharge of a loan if the discharge is on account
16 of services performed for the lender or any other factor not directly related to a decline in the
17 value of the residence or to the financial condition of the taxpayer.

18 (v) If any loan is discharged, in whole or in part, and only a portion of such loan qualifies
19 under this section, this section shall apply only to so much of the amount discharged as exceeds
20 the amount of the loan, as determined immediately before such discharge, which does not
21 qualify. The principal residence exclusion shall take precedence over an insolvency exclusion
22 unless elected otherwise.

23 (vi) For the purposes of this section, the term "principal residence" shall have the same
24 meaning as in section 121 of the Code.

25 SECTION 2. This Act shall apply to discharges of indebtedness on or after January 1,
26 2013.

27 SECTION 3. The commissioner shall promulgate regulations to effectuate this provision.