

SENATE No. 1927

The Commonwealth of Massachusetts

PRESENTED BY:

Mark C. Montigny

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to the relief of mortgage debt.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	
<i>Mark C. Montigny</i>	<i>Second Bristol and Plymouth</i>	
<i>Michael O. Moore</i>	<i>Second Worcester</i>	<i>3/8/2021</i>

SENATE No. 1927

By Mr. Montigny, a petition (accompanied by bill, Senate, No. 1927) of Mark C. Montigny and Michael O. Moore for legislation relative to discharge of indebtedness of principal residence from gross income. Revenue.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE SENATE, NO. 1719 OF 2019-2020.]

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Second General Court
(2021-2022)**

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:

1 SECTION 1. Section 2 of chapter 62 of the General Laws, as appearing in the 2020
2 Official Edition, is hereby amended by adding the following subparagraph:-

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

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

9 (ii) This section shall only apply to “acquisition indebtedness” as defined in section
10 163(h)(3)(B) of the Code.

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

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

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

21 (vi) For the purposes of this section, the term “principal residence” shall have the same
22 meaning as in section 121 of the Code.

23 SECTION 2. This Act shall apply to discharges of indebtedness on or after January 1,
24 2013.

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