

SENATE No. 2039

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:

Mark C. Montigny

DISTRICT/ADDRESS:

Second Bristol and Plymouth

SENATE No. 2039

By Mr. Montigny, a petition (accompanied by bill, Senate, No. 2039) of Mark C. Montigny for legislation relative to the relief of mortgage debt. Revenue.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE SENATE, NO. 1879 OF 2023-2024.]

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Fourth General Court
(2025-2026)**

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 2022
2 Official Edition, is hereby amended by inserting after the word “lender” in line 213 the following
3 subparagraph:-

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

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

10 (ii) This section shall only apply to “acquisition indebtedness” as defined in section
11 163(h)(3)(B) of the Code.

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

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

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

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

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

26 SECTION 3. The commissioner shall promulgate regulations to effectuate this provision
27 within 180 days of the effective date of this act.