

SENATE No.

The Commonwealth of Massachusetts

PRESENTED BY:

Sal N. DiDomenico

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 promoting mortgage debt relief.

PETITION OF:

NAME:

Sal N. DiDomenico

DISTRICT/ADDRESS:

Middlesex and Suffolk

SENATE No.

[Pin Slip]

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE SENATE, NO. 1791 OF 2023-2024.]

The Commonwealth of Massachusetts

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

An Act promoting mortgage debt relief.

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 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, including pursuant to section 33 of
17 Chapter 260 and only a portion of such loan qualifies under this section, this section shall apply
18 only to so much of the amount discharged as exceeds the amount of the loan, as determined
19 immediately before such discharge, which does not qualify. The principal residence exclusion
20 shall take precedence over an insolvency exclusion 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.