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(Original Signature of Member)

119TH CONGRESS
2D SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to increase the limitation on the amount of gain which may be excluded from gross income by reason of the sale or exchange of a principal residence, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. SMITH of Nebraska introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to increase the limitation on the amount of gain which may be excluded from gross income by reason of the sale or exchange of a principal residence, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Unlocking Homes for Families Act''.

SEC. 2. LIMITATION ON EXCLUSION OF GAIN FROM GROSS INCOME BY REASON OF SALE OR EXCHANGE OF PRINCIPAL RESIDENCE INCREASED.

(a) IN GENERAL.—Paragraph (1) of section 121(b) of the Internal Revenue Code of 1986 is amended by striking ''$250,000'' and inserting ''$500,000 (½ such amount in the case of a married individual filing a separate return)''.

(b) DEADWOOD REPLACED WITH INFLATION ADJUSTMENT.—Paragraph (4) of section 121(b) of such Code is amended to read as follows:

''(4) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2027, the $500,000 amount in paragraph (1) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2026' for 'calendar year 2016' in subparagraph (A)(ii) thereof.''.

(c) DEADWOOD REPLACED WITH MODIFIED SPECIAL RULE FOR JOINT RETURNS.—Paragraph (2) of section 121(b) of such Code is amended to read as follows:

''(2) SPECIAL RULE FOR JOINT RETURNS.—In the case of a joint return for the taxable year of the sale or exchange of the property, if either spouse is ineligible for the benefits of subsection (a) with respect to such property by reason of paragraph (3), the limitation under paragraph (1) shall be the sum of the limitations under paragraph (1) to which each spouse would be entitled if such spouses had filed separate returns. For purposes of the preceding sentence, each spouse shall be treated as owning and using the property during the period that either spouse owned and used the property.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to sales or exchanges after December 31, 2026.