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119TH CONGRESS
2D SESSION

H. R. 9657

To impose an excise tax on the failure of certain hedge funds owning excess single-family residences to dispose of such residences, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 13, 2026

Mr. SMITH of Washington (for himself, Mr. KHANNA, Ms. WILLIAMS of Georgia, and Ms. SÁNCHEZ) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To impose an excise tax on the failure of certain hedge funds owning excess single-family residences to dispose of such residences, 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 "Protecting American Homes from Hedge Funds Act".

SEC. 2. EXCISE TAX ON CERTAIN TAXPAYERS FAILING TO SELL EXCESS SINGLE-FAMILY RESIDENCES.

(a) IN GENERAL.—Subtitle D of the Internal Revenue Code of 1986 is amended by adding at the end the following new chapter:

"CHAPTER 50B—EXCESS SINGLE-FAMILY RESIDENCES

"SEC. 5000E. NEWLY ACQUIRED SINGLE-FAMILY RESIDENCES.

"(a) IN GENERAL.—In the case of an applicable taxpayer, there is hereby imposed a tax on the acquisition of any newly acquired single-family residence equal to 50 percent of the fair market value of such residence.

"(b) NEWLY ACQUIRED SINGLE-FAMILY RESIDENCE.—For purposes of this section, the term 'newly acquired single-family residence' means any single-family residence which was acquired by the taxpayer in any taxable year which begins after the date of the enactment of this chapter.

"SEC. 5000F. EXCESS SINGLE-FAMILY RESIDENCES.

"(a) IN GENERAL.—In the case of an applicable taxpayer who fails to meet the requirements of subsection (b), there is hereby imposed a tax equal to the product of—

"(1) $50,000, and

"(2) the excess of—

"(A) the number of applicable single-family residences owned by the taxpayer as of the last day of the taxable year, over

"(B) the sum of—

"(i) 50 (zero in the case of any hedge fund taxpayer), plus

"(ii) the maximum permissible units for the taxable year.

"(b) REQUIREMENT.—

"(1) IN GENERAL.—An applicable taxpayer meets the requirement of this subsection for any taxable year if the number of applicable single-family residences owned by the taxpayer as of the last day of the taxable year is equal to or less than the maximum permissible units determined with respect to such taxpayer for such taxable year.

"(2) SPECIAL RULE FOR CERTAIN SALES.—For purposes of applying paragraph (1), a single-family residence which is sold or transferred in a disqualified sale during the taxable year shall be treated as a single-family residence which is owned by the applicable taxpayer as of the last day of such taxable year.

"(c) MAXIMUM PERMISSIBLE UNITS.—The maximum permissible units with respect to any applicable taxpayer for any taxable year shall be determined as follows:

"In the case of—	The maximum permissible units for a hedge fund taxpayer is—	The maximum permissible units for any other applicable taxpayer is—
the first full taxable year beginning after the applicable date . . .	90 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 90 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the second taxable year beginning after the applicable date . . .	80 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 80 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the third taxable year beginning after the applicable date . . .	70 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 70 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the fourth taxable year beginning after the applicable date . . .	60 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 60 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the fifth taxable year beginning after the applicable date . . .	50 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 50 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the sixth taxable year beginning after the applicable date . . .	40 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 40 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the seventh taxable year beginning after the applicable date . . .	30 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 30 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
the eighth taxable year beginning after the applicable date . . .	20 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 20 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date

"In the case of—	The maximum permissible units for a hedge fund taxpayer is—	The maximum permissible units for any other applicable taxpayer is—
the ninth taxable year beginning after the applicable date . . .	10 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date	50 plus 10 percent of the number of applicable single-family residences owned by the taxpayer on the applicable date
any taxable year beginning more than 9 years after the applicable date . . .	0	50.

"(d) DEFINITIONS.—For purposes of this section—

"(1) APPLICABLE SINGLE-FAMILY RESIDENCE.—The term 'applicable single-family residence' means any single-family residence which was acquired on or before the applicable date.

"(2) APPLICABLE DATE.—

"(A) IN GENERAL.—The term 'applicable date' means—

"(i) the last day of the first full taxable year ending on or after the date of the enactment of this chapter, or

"(ii) in the case of any taxpayer described in subparagraph (B), the date provided in such subparagraph.

"(B) TAXPAYERS CHANGING STATUS.—

"(i) IN GENERAL.—In the case of any applicable taxpayer described in clause (ii), the applicable date means the last day of the taxable year immediately preceding the taxable year in which the taxpayer is described in such clause.

"(ii) APPLICABLE TAXPAYER DESCRIBED.—An applicable taxpayer is described in this clause with respect to any taxable year if—

"(I) such taxpayer was not a hedge fund taxpayer for the preceding taxable year, and

"(II) such taxpayer is a hedge fund taxpayer for such taxable year.

"(3) HEDGE FUND TAXPAYER.—For purposes of this subsection, the term 'hedge fund taxpayer' means, with respect to any taxable year, any applicable taxpayer which has $50,000,000 or more in net value or assets under management on any day during the taxable year.

"SEC. 5000G. DEFINITIONS AND OTHER SPECIAL RULES.

"(a) APPLICABLE TAXPAYER.—For purposes of this chapter—

"(1) IN GENERAL.—The term 'applicable taxpayer' means any person which—

"(A) manages funds pooled from investors, and

''(B) is a fiduciary with respect to such investors.

''(2) EXCEPTIONS.—The term 'applicable taxpayer' shall not include any organization primarily engaged in the construction or rehabilitation of single-family residences.

''(b) SINGLE-FAMILY RESIDENCE.—For purposes of this chapter—

''(1) IN GENERAL.—The term 'single-family residence' means a residential property consisting of 1-to-4 dwelling units.

''(2) EXCEPTIONS.—Such term shall not include—

''(A) any single-family residence that is—

''(i) not rented or leased, and

''(ii) used as the principal residence (within the meaning of section 121) of any person who has an ownership interest in the applicable taxpayer, or

''(B) any single-family residence constructed, acquired, or operated with Federal appropriated funding sources.

''(c) ACQUISITION; OWNERSHIP.—For purposes of this chapter, an applicable taxpayer shall be treated—

"(1) as acquiring a single-family residence if the applicable taxpayer acquires a majority ownership interest in the single-family residence, regardless of the percentage of that ownership interest, and

"(2) as owning a single-family residence if the applicable taxpayer owns a majority ownership interest in the single-family residence, regardless of the percentage of that ownership interest.

"(d) DISQUALIFIED SALE.—For purposes of this chapter, the term 'disqualified sale' means any sale or transfer to—

"(1) a corporation or other entity engaged in a trade or business, or

"(2) an individual who owns any other single-family residence at the time of such sale or transfer.

"(e) AGGREGATION RULES.—

"(1) IN GENERAL.—For purposes of this chapter, all persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single person.

"(2) MODIFICATIONS.—For purposes of this subsection—

"(A) section 52(a) shall be applied by substituting 'component members' for 'members', and

"(B) for purposes of applying section 52(b), the term 'trade or business' shall include any activity treated as a trade or business under paragraph (5) or (6) of section 469(c) (determined without regard to the phrase 'To the extent provided in regulations' in such paragraph (6)).

"(3) COMPONENT MEMBER.—For purposes of this paragraph, the term 'component member' has the meaning given such term by section 1563(b), except that the determination shall be made without regard to section 1563(b)(2).

"(f) REPORTING.—

"(1) IN GENERAL.—The Secretary shall require such reporting as the Secretary determines necessary or appropriate to carry out the purposes of this section, including reporting with respect to—

"(A) the dates on which single-family residences owned by an applicable taxpayer were acquired by such taxpayer, and

"(B) whether any person acquiring a single-family residence from an applicable taxpayer owns any other single-family residences at the time of the acquisition.

"(2) FAILURE TO REPORT.—

"(A) IN GENERAL.—Any person who fails to report information required under paragraph (1) or who fails to include correct information in such report shall pay a penalty of $50,000.

"(B) REASONABLE CAUSE WAIVER.—No penalty shall be imposed under this paragraph with respect to any failure if it is shown that such failure is due to reasonable cause and not to willful neglect.

"(C) TREATMENT OF PENALTY.—The penalty under this paragraph shall be paid upon notice and demand by the Secretary, and shall be assessed and collected in the same manner as an assessable penalty under subchapter B of chapter 68.".

(b) TAX FORM.—Not later than 180 days after the date of the enactment of this Act, the Secretary of the Treasury (or the Secretary's delegate) shall publish a form to be used for calculating the amount of tax owned under chapter 50B of the Internal Revenue Code of 1986 (as added by subsection (a)).

(c) CERTIFICATION.—

(1) IN GENERAL.—The reporting required under section 5000G(f)(1)(B) of the Internal Revenue Code of 1986, as added by subsection (a), shall include a certification from each individual to whom a single-family residence is sold or transferred from an applicable taxpayer.

(2) FORM OF CERTIFICATION.—The certification required under this subsection shall be signed by the purchaser or transferee and state the following:

(A) The name and address of the purchaser or transferee.

(B) The sale is not a disqualified sale (as defined in section 5000G(d) of the Internal Revenue Code of 1986, as added by this section).

(C) The purchaser or transferee will be subject to the penalty imposed under section 5000G(f)(2) of such Code for any false certification.

(3) DEFINITIONS.—Any term used in this subsection which is used in chapter 50B of the Internal Revenue Code of 1986 (as added by this section) shall have the meaning given such term under such chapter.

(d) CLERICAL AMENDMENT.—The table of chapters for subtitle D of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"CHAPTER 50B—EXCESS SINGLE-FAMILY RESIDENCES".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.

SEC. 3. USE OF TAX REVENUES FOR DOWN PAYMENT ASSISTANCE GRANTS.

(a) ESTABLISHMENT OF HOUSING DOWNPAYMENT TRUST FUND.—

(1) IN GENERAL.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 9512. HOUSING DOWNPAYMENT TRUST FUND.

"(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the Housing Downpayment Trust Fund (hereinafter in this section referred to as the 'Trust Fund'), consisting of such amounts as may be appropriated or credited to such Trust Fund as provided in this section and section 9602(b).

"(b) TRANSFERS TO TRUST FUND.—There are hereby appropriated to the Trust Fund amounts equivalent to revenues received in the Treasury from the tax imposed by sections 5000E and 5000F.

"(c) EXPENDITURES FROM TRUST FUND.—Amounts in the Trust Fund shall be available, as provided in appropriations Acts, only for grants under section 3(b) of the Protecting American Homes from Hedge Funds Act.".

(2) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 98 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"Sec. 9512. Housing Downpayment Trust Fund.".

(b) GRANTS PROGRAM FOR DOWN PAYMENT ASSISTANCE PROGRAMS.—

(1) ESTABLISHMENT.—The Secretary of Housing and Urban Development shall establish a program under which the Secretary makes grants to State housing finance agencies to establish new or supplement existing programs that provide down payment assistance, closing costs, and interest rate buydowns, to individuals and families whose incomes do not exceed 120 percent of area median income, in connection with the purchase of a single-family home (including condominiums, homes through community land trusts, and shared-equity home ownership) within the State.

(2) PRIORITY.—A State housing finance agency that receives a grant under this section shall give priority to individuals and families seeking assist-

ance to purchase any single-family residence that is sold or transferred by an applicable taxpayer (as defined in section 5000G of the Internal Revenue Code of 1986, as added by section 2).

SEC. 4. DISALLOWANCE OF MORTGAGE INTEREST AND DEPRECIATION IN CONNECTION WITH SINGLE FAMILY RESIDENCES OWNED BY COVERED TAXPAYERS.

(a) MORTGAGE INTEREST.—

(1) IN GENERAL.—Section 163 of the Internal Revenue Code of 1986 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

"(n) CERTAIN INTEREST PAID BY COVERED TAXPAYERS.—

"(1) IN GENERAL.—No deduction shall be allowed under this chapter for a taxable year with respect to interest paid or accrued on acquisition indebtedness with respect to any single-family residence if the owner of such single-family residence is liable for tax under chapter 50B for such taxable year.

"(2) DEFINITIONS.—For purposes of this subsection—

"(A) ACQUISITION INDEBTEDNESS.—The term 'acquisition indebtedness' has the meaning given such term under subsection (h)(3)(B), determined—

"(i) by substituting 'single-family residence (as defined in section 5000E(d))' for 'qualified residence', and

"(ii) without regard to clause (ii) thereof.

"(B) SINGLE-FAMILY RESIDENT.—The term 'single-family residence' has the meaning given such term under section 5000G(b).

"(C) OWNERSHIP.—The rules of section 5000G(c) shall apply for purposes of determining ownership.".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to indebtedness incurred in taxable years beginning after the date of the enactment of this Act.

(b) DEPRECIATION.—

(1) IN GENERAL.—Section 167 of the Internal Revenue Code of 1986 is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

"(i) DEDUCTION DISALLOWED FOR DISQUALIFIED SINGLE FAMILY PROPERTY OWNERS.—

"(1) IN GENERAL.—No deduction shall be allowed under this section for a taxable year with respect to a single-family residence if the owner of such single-family residence is liable for tax under chapter 50B for such taxable year.

"(2) DEFINITIONS.—For purposes of this subsection—

"(A) SINGLE-FAMILY RESIDENT.—The term 'single-family residence' has the meaning given such term under section 5000G(b).

"(B) OWNERSHIP.—The rules of section 5000G(c) shall apply for purposes of determining ownership.".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service in taxable years beginning after the date of the enactment of this Act.

SEC. 5. PROHIBITIONS ON FEDERAL MORTGAGE ASSISTANCE.

(a) FANNIE MAE AND FREDDIE MAC.—Subpart A of part 2 of subtitle A of title XIII of the Housing and Community Development Act of 1992 (12 U.S.C. 4541 et seq.) is amended by adding at the end the following new section:

"SEC. 1329. PROHIBITION RELATING TO SPECIFIED LARGE INVESTORS.

"The Director shall, by regulation, prohibit the enterprises from newly purchasing any mortgage on a single family housing or any portion thereof (or any interest in such a mortgage), and from newly lending on the security of or securitizing any such mortgage under which the mortgagee is a specified large investor (as such term is defined in of the Internal Revenue Code of 1986).".

(b) GINNIE MAE.—Section 302(c) of the National Housing Act (12 U.S.C. 1717(c)) is amended by adding at the end the following new paragraph:

"(6) The Association may not newly guarantee the payment of principal of or interest on any trust certificate or other security based or backed by a trust or pool that contains, or purchase or acquire, any mortgage under which the mortgagee is a specified large investor (as such term is defined in section 280I(b) of the Internal Revenue Code of 1986).".

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