SEC. 624. ADDITIONAL COVERAGE UNDER HOMEOWNER ASSISTANCE PROGRAM FOR WOUNDED MEMBERS OF THE ARMED FORCES, DEPARTMENT OF DEFENSE AND COAST GUARD CIVILIAN EMPLOYEES, AND THEIR SPOUSES.

(a)ADDITIONAL COVERAGE.—Section 1013(a)(2) of the Demonstration Cities and Metropolitan Development Act of 1966 (42 U. S. C.3374(a)(2)) is amended by inserting "or, in the case of a wound, injury, or illness with delayed expression or delayed identification, was at the time of the relevant diagnosis," after "which was at the time of the relevant wound, injury, or illness,"

(b) TAX TREATMENT.—Section 132(n) of the Internal Revenue Code of 1986 is amended by striking "American Recovery and Reinvestment Tax Act of 2009" and inserting "National Defense Authorization Act For Fiscal Year 2016".

Section-by-Section Analysis

The Homeowners Assistance Program (HAP), codified at 42 U.S.C. §3374, authorizes the Secretary of Defense to provide certain homeowners assistance benefits to members of the Armed Forces and civilian employees of the Department of Defense who incur a wound, injury, or illness in the line of duty during a deployment in support of the Armed Forces. The statute limits the Secretary to providing homeowners assistance benefits only for the residence owned at time that the wound, injury, or illness was incurred while deployed. That limitation prevents the Secretary from paying benefits to those with illnesses and injuries, such as Post Traumatic Stress Disorder (PTSD), which are not diagnosed until after the service member has redeployed and sold the home that was owned during deployment The practical implication of this limitation is that service members and civilians who incur a wound, injury, or illness during deployment, the symptoms of which do not manifest until after the deployment, often cannot take advantage of the HAP benefits when they separated due to medical reasons and relocate in furtherance of treatment. Because members of the Armed Forces are frequently required to change duty stations, by the time that symptoms manifest it is likely that the member's primary residence will no longer be the residence owned during deployment. The proposed amendment ensures that members who are required to relocate because of a wound, injury, or illness incurred during a deployment whose symptoms do not manifest or are not diagnosed until after the deployment are eligible for homeowners assistance benefits. The proposed amendment similarly protects the availability of homeowners assistance benefits for the surviving spouse of a member of the Armed Forces or civilian employee of the Department of Defense or the Coast Guard who dies

as a result of such a wound, injury, or illness.

Section 132(n) of the Internal Revenue Code of 1986 excludes homeowners assistance payments under the HAP program from a beneficiary's gross income for taxation purposes. This exclusion, however, applies only to the payments made under the the HAP program as in effect on the date of the enactment of the American Recovery and Reinvestment Act of 2009, Feb. 17, 2009. If section 1013 is amended as proposed above, homeowners assistance payments will become taxable income for the beneficiaries unless the Internal Revenue Code is updated to incorporate the amendment.

Budgetary Implications: HAP benefits are paid from the Homeowners Assistance Program (HAP) account, which is a no-year appropriation that receives funds from the sale of homes acquired from HAP beneficiaries and occasionally direct appropriations. Since 2009, when the Secretary of Defense received authority to provide benefits to wounded members of the armed forces, civilian employees of the Department of Defense or the United States Coast Guard under HAP, 314 wounded warriors and surviving spouses have received benefits. Approximately (17) HAP applicants have requested benefits for a home that was purchased subsequent to deployment. The budget implication of the benefits paid can vary greatly from applicant to applicant. Through the program the government purchases the home from qualifying applicants and resells it occasionally at a profit to the government. Therefore, the budget implication would be equal to the cost of aquiring a beneficiary's home, minus the amount the government received upon resale, and plus the cost of administering the program.

Changes to Existing Law: This proposal would make the following changes to existing law:

1. Section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966 is amended as follows:

ACQUISITION OF CERTAIN PROPERTIES SITUATEDAT OR NEAR MILITARY BASES WHICH HAVE BEEN ORDERED TO BE CLOSED AND CERTAIN PROPERTY OWNED BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF DEFENSE AND UNITED STATES COAST GUARD CIVILIAN EMPLOYEES, AND SURVIVING SPOUSES

SEC. 1013. (a) AUTHORIZATION; CONDITIONS PRECEDENT.—

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(2) HOMEOWNER ASSISTANCE FOR WOUNDED MEMBERS OF THE ARMED FORCES, DEPARTMENT OF DEFENSE AND UNITED STATES COAST GUARD CIVILIAN EMPLOYEES, AND THEIR SPOUSES.—Notwithstanding any other provision of law, the Secretary of Defense is authorized to acquire title to, hold, manage, and dispose of, or, in lieu thereof, to reimburse for certain losses upon private sale of, or foreclosure against, any property improved with a one- or two-family dwelling which was at the time of the relevant wound, injury, or illness, <u>or in the case of a wound, injury, or illness with delayed expression or delayed identification, was at the time of the relevant diagnosis,</u> the primary residence of—

(A) any member of the Armed Forces in medical transition who—

(i) incurred a wound, injury, or illness in the line of duty during a deployment in support of the Armed Forces;

(ii) is disabled to a degree of 30 percent or more as a result of such wound, injury, or illness, as determined by the Secretary of Defense; and

(iii) is reassigned in furtherance of medical treatment or rehabilitation, or due to medical retirement in connection with such disability;

(B) any civilian employee of the Department of Defense or the United States Coast Guard who—

(i) was wounded, injured, or became ill in the performance of his or her duties during a forward deployment occurring on or after September 11, 2001, in support of the Armed Forces; and

(ii) is reassigned in furtherance of medical treatment, rehabilitation, or due to medical retirement resulting from the sustained disability; or

(C) the spouse of a member of the Armed Forces or a civilian employee of the Department of Defense or the United States Coast Guard if—

(i) the member or employee was killed in the line of duty or in the performance of his or her duties during a deployment on or after September 11, 2001, in support of the Armed Forces or died from a wound, injury, or illness incurred in the line of duty during such a deployment; and

(ii) the spouse relocates from such residence within 2 years after the death of such member or employee.

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2. **Section 132(n) of the Internal Revenue Code of 1986 is amended as follows:**

SEC. 132. CERTAIN FRINGE BENEFITS.

(a) EXCLUSIONS FROM GROSS INCOME.—.Gross income does not include any fringe benefit which qualifies as a—

(1) ***

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(8) qualified military base realignment and closure fringe.

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(n) QUALIFIED MILITARY BASE REALIGNMENT AND CLOSURE FRINGE.—For purposes of this section—

(1) IN GENERAL.—The term "qualified military base realignment and closure fringe" means 1 or more payments under the authority of section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3374) (as in effect on the date of the enactment of the National Defense Authorization Act for Fiscal Year 2016~~American Recovery and Reinvestment Tax Act of 2009~~).

(2) LIMITATION.—With respect to any property, such term shall not include any payment referred to in paragraph (1) to the extent that the sum of all of such payments related to such property exceeds the maximum amount described in subsection (c) of such section (as in effect on such date).