

103D CONGRESS
1ST SESSION

S. 895

To amend the Internal Revenue Code of 1986 with respect to the treatment of the rehabilitation credit under the passive activity limitation and the alternative minimum tax.

IN THE SENATE OF THE UNITED STATES

MAY 5 (legislative day, APRIL 19), 1993

Mr. PRYOR (for himself, Mr. DANFORTH, Mr. BOREN, and Mr. JOHNSTON) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 with respect to the treatment of the rehabilitation credit under the passive activity limitation and the alternative minimum tax.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Historic Rehabilitation
5 Tax Credit Expansion Act of 1993”.

1 **SEC. 2. TREATMENT OF REHABILITATION CREDIT UNDER**
2 **PASSIVE ACTIVITY LIMITATIONS.**

3 (a) GENERAL RULE.—Paragraphs (2) and (3) of sec-
4 tion 469(i) of the Internal Revenue Code of 1986 (relating
5 to \$25,000 offset for rental real estate activities) are
6 amended to read as follows:

7 “(2) DOLLAR LIMITATIONS.—

8 “(A) IN GENERAL.—Except as otherwise
9 provided in this paragraph, the aggregate
10 amount to which paragraph (1) applies for any
11 taxable year shall not exceed \$25,000 reduced
12 (but not below zero) by 50 percent of the
13 amount (if any) by which the adjusted gross in-
14 come of the taxpayer for the taxable year ex-
15 ceeds \$100,000.

16 “(B) PHASEOUT NOT APPLICABLE TO
17 LOW-INCOME HOUSING CREDIT.—In the case of
18 the portion of the passive activity credit for any
19 taxable year which is attributable to any credit
20 determined under section 42—

21 “(i) subparagraph (A) shall not apply,
22 and

23 “(ii) paragraph (1) shall not apply to
24 the extent that the deduction equivalent of
25 such portion exceeds—

26 “(I) \$25,000, reduced by

1 “(II) the aggregate amount of
2 the passive activity loss (and the de-
3 duction equivalent of any passive ac-
4 tivity credit which is not so attrib-
5 utable and is not attributable to the
6 rehabilitation credit determined under
7 section 47) to which paragraph (1)
8 applies after the application of sub-
9 paragraph (A).

10 “(C) \$55,500 LIMIT FOR REHABILITATION
11 CREDITS.—In the case of the portion of the
12 passive activity credit for any taxable year
13 which is attributable to the rehabilitation credit
14 determined under section 47—

15 “(i) subparagraph (A) shall not apply,
16 and

17 “(ii) paragraph (1) shall not apply to
18 the extent that the deduction equivalent of
19 such portion exceeds—

20 “(I) \$55,500, reduced by

21 “(II) the aggregate amount of
22 the passive activity loss (and the de-
23 duction equivalent of any passive ac-
24 tivity credit which is not so attrib-
25 utable) to which paragraph (1) applies

1 for the taxable year after the applica-
 2 tion of subparagraphs (A) and (B).

3 “(3) ADJUSTED GROSS INCOME.—For purposes
 4 of paragraph (2)(A), adjusted gross income shall be
 5 determined without regard to—

6 “(A) any amount includable in gross in-
 7 come under section 86,

8 “(B) any amount excludable from gross in-
 9 come under section 135,

10 “(C) any amount allowable as a deduction
 11 under section 219, and

12 “(D) any passive activity loss.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Subparagraph (B) of section 469(i)(4) of
 15 such Code is amended to read as follows:

16 “(B) REDUCTION FOR SURVIVING
 17 SPOUSE’S EXEMPTION.—For purposes of sub-
 18 paragraph (A), the \$25,000 amounts under
 19 paragraph (2)(A) and (2)(B)(ii) and the
 20 \$55,500 amount under paragraph (2)(C)(ii)
 21 shall each be reduced by the amount of the ex-
 22 emption under paragraph (1) (determined with-
 23 out regard to the reduction contained in para-
 24 graph (2)(A)) which is allowable to the surviv-
 25 ing spouse of the decedent for the taxable year

1 ending with or within the taxable year of the es-
2 tate.”.

3 (2) Subparagraph (A) of section 469(i)(5) of
4 such Code is amended by striking clauses (i), (ii),
5 and (iii) and inserting the following:

6 “(i) ‘\$12,500’ for ‘\$25,000’ in sub-
7 paragraphs (A) and (B)(ii) of paragraph
8 (2),

9 “(ii) ‘\$50,000’ for ‘\$100,000’ in para-
10 graph (2)(A)”, and

11 “(iii) ‘\$27,750’ for ‘\$55,500’ in para-
12 graph (2)(C)(ii).”.

13 (3) The subsection heading for subsection (i) of
14 section 469 of such Code is amended by striking
15 “\$25,000”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to property placed in service on
18 or after May 5, 1993, in taxable years ending on or after
19 such date.

20 **SEC. 3. REHABILITATION CREDIT ALLOWED TO OFFSET**
21 **PORTION OF ALTERNATIVE MINIMUM TAX.**

22 (a) IN GENERAL.—Section 38(c) of the Internal Rev-
23 enue Code of 1986 (relating to limitation based on amount
24 of tax) is amended by redesignating paragraph (2) as

1 paragraph (3) and by inserting after paragraph (1) the
2 following new paragraph:

3 “(2) REHABILITATION INVESTMENT CREDIT
4 MAY OFFSET PORTION OF MINIMUM TAX.—

5 “(A) IN GENERAL.—In the case of the re-
6 habilitation investment tax credit—

7 “(i) this section and section 39 shall
8 be applied separately with respect to such
9 credit, and

10 “(ii) for purposes of applying para-
11 graph (1) to such credit—

12 “(I) the tentative minimum tax
13 under subparagraph (A) thereof shall
14 be reduced by the minimum tax offset
15 amount determined under subpara-
16 graph (B) of this paragraph, and

17 “(II) the limitation under para-
18 graph (1) (as modified by subclause
19 (I)) shall be reduced by the credit al-
20 lowed under subsection (a) for the
21 taxable year (other than the rehabili-
22 tation investment tax credit).

23 “(B) MINIMUM TAX OFFSET AMOUNT.—

24 For purposes of subparagraph (A)(ii)(I), the

1 minimum tax offset amount is an amount equal
2 to—

3 “(i) in the case of a taxpayer not de-
4 scribed in clause (ii), the lesser of—

5 “(I) 25 percent of the tentative
6 minimum tax for the taxable year, or

7 “(II) \$20,000, or

8 “(ii) in the case of a C corporation
9 other than a closely held C corporation (as
10 defined in section 469(j)(1)), 5 percent of
11 the tentative minimum tax for the taxable
12 year.

13 “(C) REHABILITATION INVESTMENT TAX
14 CREDIT.—For purposes of this paragraph, the
15 term ‘regular investment tax credit’ means the
16 portion of the credit under subsection (a) which
17 is attributable to the credit determined under
18 section 47.’’.

19 (b) CONFORMING AMENDMENT.—Section 38(d) (re-
20 lating to components of investment credit) is amended by
21 adding at the end the following new paragraph:

22 “(4) SPECIAL RULE FOR REHABILITATION
23 CREDIT.—Notwithstanding paragraphs (1) and (2),
24 the rehabilitation investment tax credit (as defined

1 in subsection (c)(2)(C)) shall be treated as used
2 last.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 1992.

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