

106TH CONGRESS
2D SESSION

H. R. 5084

To amend the Internal Revenue Code of 1986 to provide a credit to promote home ownership among low-income individuals.

IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2000

Ms. ROYBAL-ALLARD (for herself, Mr. CAPUANO, Ms. CARSON, Mrs. CLAYTON, Mr. CLYBURN, Mr. DEFazio, Mr. FATTAH, Mr. FILNER, Mr. FRANK of Massachusetts, Mr. FROST, Mr. HINCHEY, Ms. LEE, Mr. MARTINEZ, Mr. MATSUI, Ms. MILLENDER-McDONALD, Mrs. NAPOLITANO, Mr. PASTOR, Mr. PRICE of North Carolina, and Mrs. THURMAN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide a credit to promote home ownership among low-income individuals.

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; FINDINGS; PURPOSES.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Home Ownership Tax Credit Act of 2000”.

6 (b) **FINDINGS.**—Congress finds the following:

1 (1) Home ownership is of primary importance
2 in building wealth in low-income families.

3 (2) 67 percent of the wealth that is owned by
4 non-elderly low-income households consists of the eq-
5 uity in their residences and the median wealth of
6 such non-elderly low-income households is 12 times
7 greater than the median wealth for non-elderly rent-
8 ers with the same level of income.

9 (3) Only 45 percent of low-income households
10 live in owner-occupied homes, as compared to 66
11 percent of all households, and 86 percent of high-in-
12 come households.

13 (4) According to the Bureau of the Census, in
14 1993, 88 percent of all renters and 93 percent of
15 renters earning less than \$20,000 could not afford
16 a house selling for half of the regional median house
17 price.

18 (5) There is a 23 percentage point difference in
19 home ownership rates between central cities and
20 suburban cities which is largely the result of the
21 concentration of low-income households in central
22 cities.

23 (6) The cost of the largest Federal tax incen-
24 tives for home ownership, the mortgage interest de-
25 duction and the real estate tax deduction, is equal

1 to approximately twice the amount of Federal ex-
2 penditures for direct Federal housing assistance
3 which benefits low-income households.

4 (7) The mortgage interest deduction and the
5 real estate tax deduction have little value to low-in-
6 come households because the itemized tax deductions
7 of low-income households generally do not exceed the
8 standard deduction.

9 (8) Over 90 percent of the total benefits of the
10 mortgage interest deduction accrue to home buyers
11 with incomes greater than \$40,000.

12 (9) Current provisions in the Federal tax code
13 to promote home ownership among low-income
14 households, such as the mortgage revenue bond pro-
15 gram, the mortgage credit certificate program, and
16 the low-income housing credit, fail to simultaneously
17 attack the twin constraints of lack of wealth and low
18 income that prevent many low-income households
19 from becoming home owners.

20 (c) PURPOSES.—The purposes of this Act are—

21 (1) to establish a decentralized, market-driven
22 approach to increasing home ownership among low-
23 income households,

24 (2) to enable low-income households to over-
25 come the wealth and income constraints that fre-

1 quently prevent such households from becoming
2 home owners, and

3 (3) to reduce the disparities in home ownership
4 between low-income households and higher-income
5 households and between central cities and suburban
6 cities.

7 **SEC. 2. HOME OWNERSHIP TAX CREDIT.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of
10 1986 (relating to business related credits) is amended by
11 adding at the end the following:

12 **“SEC. 45D. HOME OWNERSHIP TAX CREDIT.**

13 “(a) ALLOWANCE OF CREDIT.—

14 “(1) IN GENERAL.—For purposes of section 38,
15 the amount of the home ownership tax credit deter-
16 mined under this section for any taxable year in the
17 credit period shall be an amount equal to the appli-
18 cable percentage of the home ownership tax credit
19 amount allocated such taxpayer by a State housing
20 finance agency in the credit allocation year under
21 subsection (b).

22 “(2) APPLICABLE PERCENTAGE.—For purposes
23 of this section, the Secretary shall prescribe the ap-
24 plicable percentage for any year in which the tax-
25 payer is a qualified lender. Such percentage with re-

1 spect to any month in the credit period with respect
2 to such taxpayer shall be percentages which will
3 yield over such period amounts of credit under para-
4 graph (1) which have a present value equal to 100
5 percent of the home ownership tax credit amount al-
6 located such taxpayer under subsection (b).

7 “(3) METHOD OF DISCOUNTING.—The present
8 value under paragraph (2) shall be determined in
9 the same manner as the low-income housing credit
10 under section 42(b)(2)(C).

11 “(b) ALLOCATION OF HOME OWNERSHIP TAX CRED-
12 IT AMOUNTS.—

13 “(1) AMOUNT OF CREDIT.—Each qualified
14 State shall receive a home ownership tax credit dol-
15 lar amount for each calendar year in an amount
16 equal to the sum of—

17 “(A) an amount equal to—

18 “(i) 40 cents multiplied by the State
19 population, multiplied by

20 “(ii) 10, plus

21 “(B) the unused home ownership tax credit
22 dollar amount (if any) of such State for the
23 preceding year.

24 “(2) QUALIFIED STATE.—For purposes of this
25 section—

1 “(A) IN GENERAL.—The term ‘qualified
2 State’ means a State with an approved alloca-
3 tion plan to allocate home ownership tax credits
4 to qualified lenders through the State housing
5 finance agency.

6 “(B) APPROVED ALLOCATION PLAN.—For
7 purposes of this paragraph, the term ‘approved
8 allocation plan’ means a written plan, certified
9 by the Secretary, which includes—

10 “(i) selection criteria for the allocation
11 of credits to qualified lenders—

12 “(I) based on a process in which
13 lenders submit bids for the value of
14 the credit, and

15 “(II) which gives priority to
16 qualified lenders with qualified home
17 ownership loans which are prepaid
18 during a calendar year, for credit allo-
19 cations in the succeeding calendar
20 year,

21 “(ii) an assurance that the State will
22 not allocate in excess of 10 percent of the
23 home ownership tax credit amount for the
24 calendar year for qualified home ownership

1 loans which are neighborhood revitalization
2 project loans,

3 “(iii) a procedure that the agency (or
4 an agent or other private contractor of
5 such agency) will follow in monitoring for
6 noncompliance with the provisions of this
7 section and in notifying the Internal Rev-
8 enue Service of such noncompliance with
9 respect to which such agency becomes
10 aware, and

11 “(iv) such other assurances as the
12 Secretary may require.

13 “(3) QUALIFIED LENDER.—For purposes of
14 this section, the term ‘qualified lender’ means a
15 lender which—

16 “(A) is an insured depository institution
17 (as defined in section 3 of the Federal Deposit
18 Insurance Act), an insured credit union (as de-
19 fined in section 101(7) of the Federal Credit
20 Union Act), community development financial
21 institution (as defined in section 103 of the
22 Community Development Banking and Finan-
23 cial Institutions Act of 1994 (12 U.S.C. 4702)),
24 or nonprofit community development corpora-
25 tion (as defined in section 613 of the Commu-

1 nity Economic Development Act of 1981 (42
2 U.S.C. 9802)),

3 “(B) makes available, through such lender
4 or the lender’s designee, pre-purchase home
5 ownership counseling for mortgagors, and

6 “(C) during the 1-year period beginning on
7 the date of the credit allocation, originates not
8 less than 100 qualified home ownership loans in
9 an aggregate amount not less than the amount
10 of the bid of such lender for such credit alloca-
11 tion.

12 “(4) CARRYOVER OF CREDIT.—A home owner-
13 ship tax credit amount received by a State for any
14 calendar year and not allocated in such year shall
15 remain available to be allocated in the succeeding
16 calendar year.

17 “(5) POPULATION.—For purposes of this sec-
18 tion, population shall be determined in accordance
19 with section 146(j).

20 “(6) COST-OF-LIVING ADJUSTMENT.—

21 “(A) IN GENERAL.—In the case of a cal-
22 endar year after 2001, the 40 cent amount con-
23 tained in paragraph (1)(A)(i) shall be increased
24 by an amount equal to—

25 “(i) such amount, multiplied by

1 “(ii) the cost-of-living adjustment de-
2 termined under section 1(f)(3) for such
3 calendar year by substituting ‘calendar
4 year 2000’ for ‘calendar year 1992’ in sub-
5 paragraph (B) thereof.

6 “(B) ROUNDING.—If any amount as ad-
7 justed under subparagraph (A) is not a multiple
8 of 5 cents, such amount shall be rounded to the
9 next lowest multiple of 5 cents.

10 “(c) QUALIFIED HOME OWNERSHIP LOAN DE-
11 FINED.—For purposes of this section—

12 “(1) IN GENERAL.—The term ‘qualified home
13 ownership loan’ means a loan originated and funded
14 by a qualified lender which is secured by a second
15 lien on a residence, but only if—

16 “(A) the requirements of subsections (d),
17 (e), and (f) are met,

18 “(B) subject to subparagraph (F), the pro-
19 ceeds from such loan are applied exclusively—

20 “(i) to acquire such residence, or

21 “(ii) to substantially improve such
22 residence in connection with a neighbor-
23 hood revitalization project,

24 “(C) the principal amount of the loan—

1 “(i) is not less than 10 percent of the
2 purchase price of the residence securing
3 the loan,

4 “(ii) is not more than the lesser of—
5 “(I) 30 percent of such purchase
6 price, or

7 “(II) \$25,000, and

8 “(iii) results in a housing-debt to in-
9 come ratio with respect to such residence
10 of not more than 28 percent,

11 “(D) in the case of a neighborhood revital-
12 ization project loan, subparagraph (C) shall be
13 applied—

14 “(i) by substituting ‘\$40,000’ for
15 ‘\$25,000’, and

16 “(ii) by substituting ‘appraised value’
17 for ‘purchase price’ unless the lender
18 chooses not to apply this clause,

19 “(E) the loan has a term of 30 years, and

20 “(F) the loan is required to be repaid in
21 any case in which the loan which is secured by
22 the first lien on the residence is refinanced and
23 the amount of indebtedness resulting from the
24 refinancing exceeds the amount of the refi-
25 nanced indebtedness.

1 “(2) ADJUSTMENT OF AMOUNTS BASED ON
2 CHANGES IN HOUSING PRICES.—

3 “(A) IN GENERAL.—In the case of a cal-
4 endar year after 2001, the amounts under sub-
5 paragraphs (C) and (D) of paragraph (1) shall
6 be increased by an amount equal to—

7 “(i) such amount, multiplied by

8 “(ii) the housing price adjustment for
9 such calendar year.

10 “(B) HOUSING PRICE ADJUSTMENT.—For
11 purposes of subparagraph (A), the housing
12 price adjustment for any calendar year is the
13 percentage (if any) by which—

14 “(i) the housing price index for the
15 preceding calendar year, exceeds

16 “(ii) the housing price index for cal-
17 endar year 2000.

18 “(C) HOUSING PRICE INDEX.—For pur-
19 poses of subparagraph (B), the housing price
20 index means the housing price index published
21 by the Federal Housing Finance Board (as es-
22 tablished in section 2A of the Federal Home
23 Loan Bank Act (12 U.S.C. 1422a)) for the cal-
24 endar year.

25 “(d) MORTGAGOR.—

1 “(1) IN GENERAL.—A loan meets the require-
2 ments of this subsection if it is made to a
3 mortgagor—

4 “(A) whose family income for the year in
5 which the mortgagor applies for the loan is 80
6 percent or less of the area median gross income
7 for the area in which the residence which se-
8 cures the mortgage is located,

9 “(B) for whom the housing debt-to-income
10 ratio with respect to the residence securing the
11 loan would (but for the qualified home owner-
12 ship loan) exceed 28 percent,

13 “(C) for whom the loan would not result in
14 a total debt-to-income ratio which is greater
15 than the guidelines set by the Federal Housing
16 Administration (or any other ratio as deter-
17 mined by the State housing finance agency or
18 lender if such ratio is less than such guide-
19 lines), and

20 “(D) who attends pre-purchase home own-
21 ership counseling provided by the qualified lend-
22 er or the lender’s designee.

23 “(2) DETERMINATION OF FAMILY INCOME.—
24 For purposes of this subsection and subsection (h),
25 the family income of a mortgagor and area median

1 gross income shall be determined in accordance with
2 section 143(f)(2).

3 “(e) RESIDENCE REQUIREMENTS.—A loan meets the
4 requirements of this subsection if it is secured by a resi-
5 dence that is—

6 “(1) a single-family residence which is the prin-
7 cipal residence (within the meaning of section 121)
8 of the mortgagor, or can reasonably be expected to
9 become the principal residence of the mortgagor
10 within a reasonable time after the financing is pro-
11 vided,

12 “(2) purchased by the mortgagor with a down
13 payment in an amount not less than the lesser of—

14 “(A) 2 percent of the purchase price, or

15 “(B) \$1,000, and

16 “(3) in the case of a mortgagor with a family
17 income greater than 50 percent of the area median
18 gross income, as determined under subsection
19 (d)(1)(A), not financed in connection with a quali-
20 fied mortgage issued under section 143.

21 For purposes of paragraph (1), a manufactured home
22 shall not be treated as a single-family residence unless
23 such home meets the requirements of section 604(h) of
24 the Housing and Community Development Act of 1974.

1 “(f) DEFINITION AND SPECIAL RULES RELATING TO
2 CREDIT PERIOD.—

3 “(1) CREDIT PERIOD DEFINED.—For purposes
4 of this section, the term ‘credit period’ means the
5 period of 10 taxable years beginning with the tax-
6 able year in which a home ownership tax credit
7 amount is allocated to the taxpayer.

8 “(2) SPECIAL RULE FOR 1ST YEAR OF CREDIT
9 PERIOD.—

10 “(A) IN GENERAL.—The credit allowable
11 under subsection (a) with respect to any tax-
12 payer for the 1st taxable year of the credit pe-
13 riod shall be determined by substituting for the
14 applicable percentage under subsection (a)(2)
15 the fraction—

16 “(i) the numerator of which is the
17 sum of the applicable percentages deter-
18 mined under subsection (a)(2) as of the
19 close of each full month of such year, dur-
20 ing which the taxpayer was a qualified
21 lender, and

22 “(ii) the denominator of which is 12.

23 “(B) DISALLOWED 1ST YEAR CREDIT AL-
24 LOWED IN 11TH YEAR.—Any reduction by rea-
25 son of subparagraph (A) in the credit allowable

1 (without regard to subparagraph (A)) for the
2 1st taxable year of the credit period shall be al-
3 lowable under subsection (a) for the 1st taxable
4 year following the credit period.

5 “(3) DISPOSITION OF HOME OWNERSHIP
6 LOANS.—If a qualified home ownership loan is dis-
7 posed of during any year for which a credit is allow-
8 able under subsection (a), such credit shall be allo-
9 cated between the parties on the basis of the number
10 of days during such year the mortgage was held by
11 each and the portion of the total credit allocated to
12 the qualified lender which is attributable to such
13 mortgage.

14 “(g) LOSS OF CREDIT.—If, during the taxable year,
15 a qualified home ownership loan is repaid prior to the expi-
16 ration of the credit period with respect to such loan, the
17 amount of the home ownership tax credit attributable to
18 such loan is no longer available under subsection (a). A
19 rule similar to the rule of subsection (f)(3) shall apply for
20 purposes of the preceding sentence.

21 “(h) RECAPTURE OF PORTION OF FEDERAL SUBSIDY
22 FROM HOME OWNER.—

23 “(1) IN GENERAL.—If, during the taxable year,
24 any taxpayer described in paragraph (3) disposes of
25 an interest in a residence with respect to which a

1 home ownership tax credit amount applies, then the
2 taxpayer's tax imposed by this chapter for such tax-
3 able year shall be increased by 50 percent of the
4 gain (if any) on the disposition of such interest.

5 “(2) EXCEPTIONS.—Paragraph (1) shall not
6 apply to any disposition—

7 “(A) by reason of death,

8 “(B) which is made on a date that is more
9 than 10 years after the date on which the quali-
10 fied home ownership loan secured by such resi-
11 dence was made, or

12 “(C) in which the purchaser of the resi-
13 dence assumes the qualified home ownership
14 loan secured by the residence.

15 “(3) INCOME LIMITATION.—A taxpayer is de-
16 scribed in this paragraph if, on the date of the dis-
17 position, the family income of the mortgagor is 115
18 percent or more of the area median gross income as
19 determined under subsection (d)(1)(A) for the year
20 in which the disposition occurs.

21 “(4) SPECIAL RULES RELATING TO LIMITATION
22 ON RECAPTURE AMOUNT BASED ON GAIN REAL-
23 IZED.—For purposes of this subsection, rules similar
24 to the rules of section 143(m)(6) shall apply.

1 “(5) LENDER TO INFORM MORTGAGOR OF PO-
2 TENTIAL RECAPTURE.—The qualified lender which
3 makes a qualified home ownership loan to a mort-
4 gagor shall, at the time of settlement, provide a
5 written statement informing the mortgagor of the
6 potential recapture under this subsection.

7 “(6) SPECIAL RULES.—For purposes of this
8 subsection, rules similar to the rules of section
9 143(m)(8) shall apply.

10 “(i) OTHER DEFINITIONS.—For purposes of this
11 section—

12 “(1) NEIGHBORHOOD REVITALIZATION
13 PROJECT LOAN.—

14 “(A) IN GENERAL.—The term ‘neighbor-
15 hood revitalization project loan’ means a loan
16 secured by a second lien on a residence, the
17 proceeds of which are used to substantially im-
18 prove such residence in connection with a
19 neighborhood revitalization project.

20 “(B) NEIGHBORHOOD REVITALIZATION
21 PROJECT.—The term ‘neighborhood revitaliza-
22 tion project’ means a project of sufficient size
23 and scope to alleviate physical deterioration and
24 stimulate investment in—

1 “(i) a geographic location within the
2 jurisdiction of a unit of local government
3 (but not the entire jurisdiction) designated
4 in comprehensive plans, ordinances, or
5 other documents as a neighborhood, vil-
6 lage, or similar geographic designation, or

7 “(ii) the entire jurisdiction of a unit
8 of local government if the population of
9 such jurisdiction is not in excess of 25,000.

10 “(2) STATE.—The term ‘State’ includes a pos-
11 session of the United States.

12 “(3) STATE HOUSING FINANCE AGENCY.—The
13 term ‘State housing finance agency’ means the pub-
14 lic agency, authority, corporation, or other instru-
15 mentality of a State that has the authority to pro-
16 vide residential mortgage loan financing throughout
17 the State.

18 “(j) CERTIFICATION AND OTHER REPORTS TO THE
19 SECRETARY.—

20 “(1) CERTIFICATION WITH RESPECT TO STATE
21 ALLOCATION OF HOME OWNERSHIP TAX CREDITS.—
22 The Secretary may, upon a finding of noncompli-
23 ance, revoke the certification of a qualified State and
24 revoke any qualified home ownership tax credit

1 amounts allocated to such State or allocated by such
2 State to a qualified lender.

3 “(2) ANNUAL REPORT FROM HOUSING FINANCE
4 AGENCIES.—Each State housing finance agency
5 which allocates any home ownership tax credit
6 amount to any qualified lender for any calendar year
7 shall submit to the Secretary (at such time and in
8 such manner as the Secretary shall prescribe) an an-
9 nual report specifying—

10 “(A) the home ownership tax credit
11 amount allocated to each qualified lender for
12 such year, and

13 “(B) with respect to each qualified
14 lender—

15 “(i) the principal amount of each
16 qualified home ownership loan made by
17 such lender in such year, and

18 “(ii) the number of qualified home
19 ownership loans made by such lender in
20 such year.

21 The penalty under section 6652(j) shall apply to any
22 failure to submit the report required by this para-
23 graph on the date prescribed therefore.

1 “(k) REGULATIONS.—The Secretary shall prescribe
2 such regulations as may be necessary or appropriate to
3 carry out the purposes of this section.”

4 (b) LIMITATION ON CARRYBACK OF UNUSED CRED-
5 IT.—Subsection (d) of section 39 of the Internal Revenue
6 Code of 1986 (relating to carryback and carryforward of
7 unused credits) is amended by adding at the end the fol-
8 lowing:

9 “(9) NO CARRYBACK OF HOME OWNERSHIP TAX
10 CREDITS BEFORE EFFECTIVE DATE.—No portion of
11 the unused business credit for any taxable year
12 which is attributable to the home ownership tax
13 credit determined under section 45D may be carried
14 back to a taxable year ending before the date of the
15 enactment of section 45D.”

16 (c) CONFORMING AMENDMENTS.—

17 (1) Section 38(b) of the Internal Revenue Code
18 of 1986 is amended—

19 (A) by striking “plus” at the end of para-
20 graph (11),

21 (B) by striking the period at the end of
22 paragraph (12), and inserting “, plus”, and

23 (C) by adding at the end the following:

24 “(13) the home ownership tax credit determined
25 under section 45D.”

1 (2) The table of sections for subpart D of part
2 IV of subchapter A of chapter 1 is amended by add-
3 ing at the end the following:

 “Sec. 45D. Home ownership tax credit.”

4 (d) EFFECTIVE DATE.—The amendments made by
5 this section apply to calendar years after 2000.

○