

107TH CONGRESS
2^D SESSION

H. R. 5566

To amend the Internal Revenue Code of 1986 to provide for additional designations of renewal communities and to allow nonrecognition of gain on sales of real property if the proceeds are invested in renewal and similar community businesses.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 7, 2002

Mr. WATTS of Oklahoma (for himself, Mr. HAYES, and Mr. GOODE) 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 for additional designations of renewal communities and to allow nonrecognition of gain on sales of real property if the proceeds are invested in renewal and similar community businesses.

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 “American Community
5 Renewal Act of 2002”.

1 **SEC. 2. ADDITIONAL DESIGNATIONS OF RENEWAL COMMU-**
2 **NITIES.**

3 (a) IN GENERAL.—Section 1400E of the Internal
4 Revenue Code of 1986 (relating to designation of renewal
5 communities) is amended by redesignating subsection (f)
6 as subsection (g) and by inserting after subsection (e) the
7 following new subsection:

8 “(f) ADDITIONAL DESIGNATIONS PERMITTED.—

9 “(1) IN GENERAL.—In addition to the areas
10 designated under subsection (a), the Secretary of
11 Housing and Urban Development may designate in
12 the aggregate an additional 20 nominated areas as
13 renewal communities under this section, subject to
14 the availability of eligible nominated areas. Of that
15 number, not less than 5 shall be designated in areas
16 described in subsection (a)(2)(B).

17 “(2) PERIOD DESIGNATIONS MAY BE MADE AND
18 TAKE EFFECT.—A designation may be made under
19 this subsection after the date of the enactment of
20 this subsection and before January 1, 2004. Subject
21 to subparagraphs (B) and (C) of subsection (b)(1),
22 such designations shall remain in effect during the
23 period beginning on January 1, 2004, and ending on
24 December 31, 2011.

25 “(3) MODIFICATIONS TO ELIGIBILITY DETER-
26 MINATIONS.—The rules of this section shall apply to

1 designations under this subsection, except that popu-
2 lation and poverty rate shall be determined by using
3 the 2000 census.”.

4 (b) EFFECTIVE DATE.—The amendments made by
5 this section shall take effect on the date of the enactment
6 of this Act.

7 **SEC. 3. NONRECOGNITION OF GAIN ON PROCEEDS OF SALE**
8 **OF REAL PROPERTY WHICH ARE INVESTED**
9 **IN RENEWAL COMMUNITY, ETC. BUSINESSES.**

10 (a) IN GENERAL.—Part III of subchapter O of chap-
11 ter 1 of the Internal Revenue Code of 1986 (relating to
12 common nontaxable exchanges) is amended by adding at
13 the end the following new section:

14 **“SEC. 1046. NONRECOGNITION OF GAIN ON PROCEEDS OF**
15 **SALE OF REAL PROPERTY WHICH ARE IN-**
16 **VESTED IN RENEWAL COMMUNITY, ETC.**
17 **BUSINESSES.**

18 “(a) NONRECOGNITION OF GAIN.—In the case of a
19 sale of real property held by the taxpayer for more than
20 1 year and with respect to which the taxpayer elects the
21 application of this section, gain from such sale shall be
22 recognized only to the extent that the amount realized on
23 such sale exceeds—

1 “(1) the cost of any qualified asset purchased
2 by the taxpayer during the 60-day period beginning
3 on the date of such sale, reduced by

4 “(2) any portion of such cost previously taken
5 into account under this section.

6 “(b) QUALIFIED ASSET.—For purposes of this sec-
7 tion, the term ‘qualified asset’ means—

8 “(1) any qualified empowerment zone asset (as
9 defined in section 1397B),

10 “(2) any qualified community asset (as defined
11 in section 1400F(b)), and

12 “(3) any property which would be a qualified
13 empowerment zone asset (as so defined) if enterprise
14 communities and HUB zones were treated as em-
15 powerment zones.

16 “(c) SPECIAL RULES.—

17 “(1) ORDINARY INCOME NOT ELIGIBLE FOR
18 ROLLOVER.—This section shall not apply to any gain
19 which is treated as ordinary income for purposes of
20 this subtitle.

21 “(2) PURCHASE.—A taxpayer shall be treated
22 as having purchased any property if, but for para-
23 graph (4), the unadjusted basis of such property in
24 the hands of the taxpayer would be its cost (within
25 the meaning of section 1012).

1 “(3) BASIS ADJUSTMENTS.—If gain from any
2 sale is not recognized by reason of subsection (a),
3 such gain shall be applied to reduce (in the order ac-
4 quired) the basis for determining gain or loss of any
5 qualified asset which is purchased by the taxpayer
6 during the 60-day period described in subsection (a).
7 This paragraph shall not apply for purposes of sec-
8 tion 1202.

9 “(4) HOLDING PERIOD.—For purposes of deter-
10 mining whether the nonrecognition of gain under
11 subsection (a) applies to any qualified asset which is
12 sold—

13 “(A) the taxpayer’s holding period for such
14 asset and the asset referred to in subsection
15 (a)(1) shall be determined without regard to
16 section 1223, and

17 “(B) only the first year of the taxpayer’s
18 holding period for the asset referred to in sub-
19 section (a)(1) shall be taken into account for
20 purposes of paragraphs (2)(A)(iii), (3)(C), and
21 (4)(A)(iii) of section 1400F(b) or comparable
22 rules under section 1397B.”.

23 (b) TECHNICAL AMENDMENTS.—

24 (1) Paragraph (23) of section 1016(a) of such
25 Code is amended is amended—

1 (A) by striking “or 1397B” and inserting
2 “1397B, or 1046”, and

3 (B) by striking “or 1397B(b)(4)” and in-
4 serting “1397B(b)(4), or 1046(c)(4)”.

5 (2) Paragraph (15) of section 1223 is amended
6 by striking “or 1397B” and inserting “, 1397B, or
7 1046”.

8 (3) The table of sections for part III of sub-
9 chapter O of chapter 1 of such Code is amended by
10 adding at the end the following new item:

“Sec. 1046. Nonrecognition of gain on proceeds of sale of real property which
are invested in renewal community, etc. businesses.”

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to sales after the date of the enact-
13 ment of this Act.

14 **SEC. 4. LOCAL ALLOCATION OF COMMERCIAL REVITALIZA-**
15 **TION DEDUCTION AMOUNTS WHERE STATE**
16 **FAILS TO ADOPT ALLOCATION PLAN.**

17 (a) IN GENERAL.—Subsection (e) of section 1400I
18 of the Internal Revenue Code of 1986 (relating to com-
19 mercial revitalization deduction) is amended by adding at
20 the end the following new paragraph:

21 “(3) LOCAL ALLOCATION OF REVITALIZATION
22 AMOUNT WHERE STATE FAILS TO ADOPT ALLOCA-
23 TION PLAN.—If a qualified allocation plan with re-
24 spect to any State is not approved as provided in

1 paragraph (1) before the 120th day after the date
2 of the enactment of this paragraph, then, beginning
3 on such 120th day—

4 “(A) subsection (d)(3) shall cease to apply,
5 and

6 “(B) the term ‘commercial revitalization
7 agency’ means, with respect to any renewal
8 community, any agency authorized to carry out
9 this section by the local governmental unit hav-
10 ing within its jurisdiction the largest portion of
11 such community.”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall take effect the date of the enactment
14 of this Act.

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