

109TH CONGRESS
2^D SESSION

H. R. 4873

To amend the Internal Revenue Code of 1986 to encourage investment in affordable housing.

IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 2006

Mr. RAMSTAD 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 encourage investment in affordable housing.

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. LOW-INCOME HOUSING CREDIT IMPROVE-**
4 **MENTS.**

5 (a) RENAMING THE LOW-INCOME HOUSING CREDIT
6 AS THE AFFORDABLE HOUSING CREDIT.—

7 (1) IN GENERAL.—The heading of section 42 of
8 the Internal Revenue Code of 1986 (relating to low-
9 income housing credit) is amended by striking
10 “**LOW-INCOME**” and inserting “**AFFORDABLE**”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) Sections 38(b)(5), 42(a), 772(a)(7),
3 and 772(d)(5) of such Code are each amended
4 by striking “low-income” and inserting “afford-
5 able”.

6 (B) The headings of subparagraphs (3)(D)
7 and (6)(B) of section 469(i) of such Code are
8 each amended by striking “LOW-INCOME” and
9 inserting “AFFORDABLE”.

10 (C) The table of sections for subpart D of
11 part IV of subchapter A of chapter 1 of such
12 Code is amended by striking the item relating
13 to section 42 and inserting the following:

“Sec. 42. Affordable housing credit.”.

14 (b) MODIFICATION OF RULES FOR DETERMINING
15 APPLICABLE PERCENTAGE.—

16 (1) IN GENERAL.—Subsection (b) of section 42
17 of the Internal Revenue Code of 1986 (relating to
18 applicable percentage: 70 percent present value cred-
19 it for certain new buildings; 30 percent present value
20 credit for certain other buildings) is amended to
21 read as follows:

22 “(b) APPLICABLE PERCENTAGE.—

23 “(1) IN GENERAL.—For purposes of this sec-
24 tion, the term ‘applicable percentage’ means—

1 “(A) 9 percent in the case of any building
2 to which subparagraph (B) does not apply, and

3 “(B) 4 percent in the case of—

4 “(i) any existing building, and

5 “(ii) any new building if, at any time
6 during the taxable year or any prior tax-
7 able year, there is or was outstanding any
8 obligation—

9 “(I) not taken into account under
10 section 146,

11 “(II) which is exempt from tax
12 under section 103, and

13 “(III) the proceeds of which are
14 or were used (directly or indirectly)
15 with respect to such building or the
16 operation thereof.

17 “(2) CROSS REFERENCES.—

18 “(A) For treatment of certain rehabilita-
19 tion expenditures as separate new buildings, see
20 subsection (e).

21 “(B) For determination of applicable per-
22 centage for increases in qualified basis after the
23 1st year of the credit period, see subsection
24 (f)(3).

1 “(C) For authority of housing credit agen-
2 cy to limit applicable percentage and qualified
3 basis which may be taken into account under
4 this section with respect to any building, see
5 subsection (h)(7).”.

6 (2) MODIFICATION OF RULES RELATED TO
7 FEDERAL SUBSIDIES.—Paragraph (2) of section
8 42(i) of such Code (relating to determination of
9 whether building is Federally subsidized) is amended
10 to read as follows:

11 “(2) EXCEPTIONS FOR CERTAIN NEW BUILD-
12 INGS OTHERWISE SUBJECT TO 4 PERCENT CREDIT
13 LIMITATION.—

14 “(A) ELECTION TO REDUCE ELIGIBLE
15 BASIS BY PROCEEDS OF OBLIGATIONS.—A tax-
16 exempt obligation shall not be taken into ac-
17 count under subsection (b)(1)(B)(ii) if the tax-
18 payer elects to exclude the proceeds of such ob-
19 ligation from the eligible basis of the building
20 for purposes of subsection (d).

21 “(B) SPECIAL RULE FOR SUBSIDIZED CON-
22 STRUCTION FINANCING.—A tax-exempt obliga-
23 tion used to provide construction financing for
24 any building shall not be taken into account
25 under subsection (b)(1)(B)(ii) if—

1 “(i) such obligation (when issued)
2 identified the building for which the pro-
3 ceeds of such obligation would be used,
4 and

5 “(ii) such obligation is redeemed be-
6 fore such building is placed in service.”.

7 (c) INCREASE IN CREDIT FOR BUILDINGS IN STATE
8 DESIGNATED AREAS.—

9 (1) IN GENERAL.—Clause (i) of section
10 42(d)(5)(C) of the Internal Revenue Code of 1986
11 (relating to increase in credit for buildings in high
12 cost areas) is amended by striking “or difficult de-
13 velopment area” and inserting “, difficult develop-
14 ment area, or State designated project”.

15 (2) STATE DESIGNATED PROJECT.—Subpara-
16 graph (C) of section 42(d)(5) of such Code is
17 amended by adding at the end the following new
18 clause:

19 “(v) STATE DESIGNATED PROJECT.—
20 For purposes of this subparagraph, the
21 term ‘State designated project’ means any
22 project designated by the housing credit
23 agency as meeting such criteria for des-
24 ignation under this clause as the State in
25 which such project is located may specify.

1 The rules of clauses (ii)(II) and (iv) shall
2 not apply for purposes designations made
3 under this clause.”.

4 (3) CONFORMING AMENDMENT.—The heading
5 of subparagraph (C) of section 42(d)(5) of such
6 Code is amended by striking “BUILDINGS IN HIGH
7 COST AREAS” and inserting “CERTAIN BUILDINGS”.

8 (d) MODIFICATION OF SCATTERED SITE RULE.—
9 Paragraph (7) of section 42(g) of the Internal Revenue
10 Code of 1986 (relating to scattered site projects) is
11 amended to read as follows:

12 “(7) SCATTERED SITE PROJECTS.—Buildings
13 which would (but for their lack of proximity) be
14 treated as a project for purposes of this section shall
15 be so treated if the rent-restricted (within the mean-
16 ing of paragraph (2)) residential units of such
17 project are distributed among such buildings in pro-
18 portion to the number of residential units in each
19 building.”.

20 (e) AFFORDABLE HOUSING CREDITS ALLOWED FOR
21 SECTION 8 MODERATE REHABILITATION DEVELOP-
22 MENTS.—Paragraph (2) of section 42(c) of the Internal
23 Revenue Code of 1986 (relating to qualified low-income
24 building) is amended by striking the last sentence.

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to—

3 (1) housing credit dollar amounts allocated
4 after December 31, 2006, and

5 (2) buildings placed in service after such date
6 to the extent paragraph (1) of section 42(h) of the
7 Internal Revenue Code of 1986 does not apply to
8 such building by reason of paragraph (4) thereof,
9 but only with respect to bonds issued after such
10 date.

11 **SEC. 2. REPEAL OF REQUIRED USE OF CERTAIN PRINCIPAL**
12 **REPAYMENTS ON QUALIFIED MORTGAGE**
13 **ISSUES TO REDEEM BONDS.**

14 (a) IN GENERAL.—Subparagraph (A) of section
15 142(a)(2) of the Internal Revenue Code of 1986 (relating
16 to qualified mortgage issue defined) is amended by insert-
17 ing “and” at the end of clause (ii), by striking “, and”
18 at the end of clause (iii) and inserting a period, and by
19 striking clause (iv) and the last sentence.

20 (b) CONFORMING AMENDMENT.—Clause (ii) of sec-
21 tion 142(a)(2)(D) of such Code is amended by striking
22 “(and clause (iv) of subparagraph (A))”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to repayments received after the
25 date of the enactment of this Act.

1 **SEC. 3. COORDINATION OF CERTAIN RULES APPLICABLE**
2 **TO AFFORDABLE HOUSING CREDIT AND**
3 **QUALIFIED RESIDENTIAL RENTAL PROJECT**
4 **EXEMPT FACILITY BONDS.**

5 (a) DETERMINATION OF NEXT AVAILABLE UNIT.—
6 Paragraph (3) of section 142(d) of the Internal Revenue
7 Code of 1986 (relating to current income determinations)
8 is amended by adding at the end the following new sub-
9 paragraph:

10 “(C) EXCEPTION FOR PROJECTS WITH RE-
11 SPECT TO WHICH AFFORDABLE HOUSING CRED-
12 IT IS ALLOWED.—In the case of a project with
13 respect to which credit is allowed under section
14 42, the second sentence of subparagraph (B)
15 shall be applied by substituting ‘building (with-
16 in the meaning of section 42)’ for ‘project’.”.

17 (b) STUDENTS.—Paragraph (2) of section 142(d) of
18 the Internal Revenue Code of 1986 (relating to definitions
19 and special rules) is amended by adding at the end the
20 following new subparagraph:

21 “(C) STUDENTS.—Students (as defined in
22 section 151(e)(4)) shall not be treated as satis-
23 fying the requirements of subparagraph (A) or
24 (B) of paragraph (1) except under rules similar
25 to the rules of 42(i)(3)(D).”.

1 (c) SINGLE-ROOM OCCUPANCY UNITS.—Paragraph
2 (2) of section 142(d) of the Internal Revenue Code of
3 1986 (relating to definitions and special rules), as amend-
4 ed by this Act, is further amended by adding at the end
5 the following new subparagraph:

6 “(D) SINGLE-ROOM OCCUPANCY UNITS.—A
7 unit shall not fail to be treated as a residential
8 unit merely because such unit is a single-room
9 occupancy unit (within the meaning of section
10 42).”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to determinations of the status of
13 qualified residential rental projects for periods beginning
14 after the date of the enactment of this Act, with respect
15 to bonds issued before, on, or after such date.

16 **SEC. 4. DISPLACED HOMEMAKERS, SINGLE PARENTS, AND**
17 **CERTAIN DISASTER VICTIMS TREATED AS**
18 **FIRST-TIME HOME BUYERS UNDER RULES**
19 **FOR MORTGAGE REVENUE BONDS.**

20 (a) IN GENERAL.—Paragraph (2) of section 143(d)
21 of the Internal Revenue Code of 1986 (relating to excep-
22 tions) is amended by striking “and” at the end of subpara-
23 graph (B), and by inserting after subparagraph (C) the
24 following new subparagraphs:

1 “(D) financing provided to a displaced
2 homemaker or a single parent, and

3 “(E) financing provided for the acquisition
4 of a residence located in an area determined by
5 the President to warrant assistance from the
6 Federal Government under the Robert T. Staf-
7 ford Disaster Relief and Emergency Assistance
8 Act by an individual whose prior primary resi-
9 dence was in such area and was destroyed or
10 otherwise rendered uninhabitable as a result of
11 such disaster,”.

12 (b) DISPLACED HOMEMAKER; SINGLE PARENT.—
13 Subsection (d) of section 143 of such Code (relating to
14 3-year requirement) is amended by adding at the end the
15 following new paragraph:

16 “(4) DISPLACED HOMEMAKER; SINGLE PAR-
17 ENT.—For purposes of paragraph (2)(D)—

18 “(A) DISPLACED HOMEMAKER.—The term
19 ‘displaced homemaker’ means an individual
20 who—

21 “(i) is an adult,

22 “(ii) has not worked full-time full-year
23 in the labor force for a number of years
24 but has, during such years, worked pri-

1 marily without remuneration to care for
2 the home and family, and

3 “(iii) is unemployed or underemployed
4 and is experiencing difficulty in obtaining
5 or upgrading employment.

6 “(B) SINGLE PARENT.—The term ‘single
7 parent’ means an individual who—

8 “(i) is not a married individual, and

9 “(ii) who has one or more dependents
10 (within the meaning of section 152).”.

11 (c) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to bonds originally issued after the
13 date of the enactment of this Act.

14 **SEC. 5. REPEAL OF RECAPTURE BOND RULE.**

15 (a) IN GENERAL.—Paragraph (6) of section 42(j) of
16 the Internal Revenue Code of 1986 (relating to recapture
17 of credit) is amended to read as follows:

18 “(6) NO RECAPTURE ON DISPOSITION OF
19 BUILDING (OR INTEREST THEREIN) REASONABLY
20 EXPECTED TO CONTINUE AS A QUALIFIED LOW-IN-
21 COME BUILDING.—

22 “(A) IN GENERAL.—In the case of a dis-
23 position of a building or an interest therein, the
24 taxpayer shall be discharged from liability for
25 any additional tax under this subsection by rea-

1 son of such disposition if it is reasonably ex-
2 pected that such building will continue to be op-
3 erated as a qualified low-income building for
4 the remaining compliance period with respect to
5 such building.

6 “(B) STATUTE OF LIMITATIONS.—

7 “(i) EXTENSION OF PERIOD.—The pe-
8 riod for assessing a deficiency attributable
9 to the application of subparagraph (A)
10 with respect to a building (or interest
11 therein) during the compliance period with
12 respect to such building shall not expire
13 before the expiration of 3 years after the
14 end of such compliance period.

15 “(ii) ASSESSMENT.—Such deficiency
16 may be assessed before the expiration of
17 the 3-year period referred to in clause (i)
18 notwithstanding the provisions of any
19 other law or rule of law which would other-
20 wise prevent such assessment.”.

21 (b) INFORMATION REPORTING.—

22 (1) IN GENERAL.—Subpart B of part III of
23 subchapter A of chapter 61 of such Code (relating
24 to information concerning transactions with other

1 persons) is amended by inserting after section
2 6050T the following new section:

3 **“SEC. 6050U. RETURNS RELATING TO PAYMENT OF LOW-IN-**
4 **COME HOUSING CREDIT REPAYMENT**
5 **AMOUNT.**

6 “(a) REQUIREMENT OF REPORTING.—Every person
7 who, at any time during the taxable year, is an owner of
8 a building (or an interest therein)—

9 “(1) which is in the compliance period at any
10 time during such year, and

11 “(2) with respect to which recapture is required
12 by section 42(j),

13 shall, at such time as the Secretary may prescribe, make
14 the return described in subsection (b).

15 “(b) FORM AND MANNER OF RETURNS.—A return
16 is described in this subsection if such return—

17 “(1) is in such form as the Secretary may pre-
18 scribe, and

19 “(2) contains—

20 “(A) the name, address, and TIN of each
21 person who, with respect to such building or in-
22 terest, was formerly an investor in such owner
23 at any time during the compliance period,

1 “(B) the amount (if any) of any credit re-
2 capture amount required under section 42(j),
3 and

4 “(C) such other information as the Sec-
5 retary may prescribe.

6 “(c) STATEMENTS TO BE FURNISHED TO PERSONS
7 WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—
8 Every person required to make a return under subsection
9 (a) shall furnish to each person whose name is required
10 to be set forth in such return a written statement show-
11 ing—

12 “(1) the name and address of the person re-
13 quired to make such return and the phone number
14 of the information contact for such person, and

15 “(2) the information required to be shown on
16 the return with respect to such person.

17 The written statement required under the preceding sen-
18 tence shall be furnished on or before March 31 of the year
19 following the calendar year for which the return under
20 subsection (a) is required to be made.

21 “(d) COMPLIANCE PERIOD.—For purposes of this
22 section, the term ‘compliance period’ has the meaning
23 given such term by section 42(i).”.

24 (2) ASSESSABLE PENALTIES.—

1 (A) Subparagraph (B) of section
 2 6724(d)(1) of such Code (relating to defini-
 3 tions) is amended by redesignating clauses (xiii)
 4 through (xviii) as clauses (xiv) through (xix),
 5 respectively, and by inserting after clause (xii)
 6 the following new clause:

7 “(xiii) section 6050U (relating to re-
 8 turns relating to payment of low-income
 9 housing credit repayment amount),”.

10 (B) Paragraph (2) of section 6724(d) of
 11 such Code is amended by striking “or” at the
 12 end of subparagraph (AA), by striking the pe-
 13 riod at the end of subparagraph (BB) and in-
 14 serting “, or”, and by adding after subpara-
 15 graph (BB) the following new subparagraph:

16 “(CC) section 6050U (relating to returns
 17 relating to payment of low-income housing cred-
 18 it repayment amount).”.

19 (C) CLERICAL AMENDMENT.—The table of
 20 sections for subpart B of part III of subchapter
 21 A of chapter 61 of such Code is amended by in-
 22 serting after the item relating to section 6050S
 23 the following new item:

“Sec. 6050U. Returns relating to payment of low-income housing credit repay-
 ment amount.”.

24 (c) EFFECTIVE DATE.—

1 (1) IN GENERAL.—The amendments made by
2 this section shall apply with respect to any liability
3 for the credit recapture amount under section 42(j)
4 of the Internal Revenue Code of 1986 that arises
5 after the date of the enactment of this Act.

6 (2) SPECIAL RULE FOR LOW-INCOME HOUSING
7 BUILDINGS SOLD BEFORE DATE OF ENACTMENT OF
8 THIS ACT.—In the case of a building disposed of be-
9 fore the date of the enactment of this Act with re-
10 spect to which the taxpayer posted a bond (or alter-
11 native form of security) under section 42(j) of the
12 Internal Revenue Code of 1986 (as in effect before
13 the enactment of this Act), the taxpayer may elect
14 (by notifying the Secretary of the Treasury in writ-
15 ing)—

16 (A) to cease to be subject to the bond re-
17 quirements under section 42(j)(6) of such Code,
18 as in effect before the enactment of this Act,
19 and

20 (B) to be subject to the requirements of
21 section 42(j) of such Code, as amended by this
22 Act.

1 **SEC. 6. AFFORDABLE HOUSING CREDIT ALLOWED AGAINST**
2 **ALTERNATIVE MINIMUM TAX.**

3 (a) IN GENERAL.—Subsection (c) of section 38 of the
4 Internal Revenue Code of 1986 (relating to limitation
5 based on amount of tax) is amended by redesignating
6 paragraph (5) as paragraph (6) and by inserting after
7 paragraph (4) the following new paragraph:

8 “(5) SPECIAL RULES FOR AFFORDABLE HOUS-
9 ING CREDIT.—

10 “(A) IN GENERAL.—In the case of the af-
11 fordable housing credit—

12 “(i) this section and section 39 shall
13 be applied separately with respect to such
14 credit, and

15 “(ii) in applying paragraph (1) to
16 such credit—

17 “(I) the tentative minimum tax
18 shall be treated as being zero, and

19 “(II) the limitation under para-
20 graph (1) (as modified by subclause
21 (I)) shall be reduced by the credit al-
22 lowed under subsection (a) for the
23 taxable year (other than the afford-
24 able housing credit).

25 “(B) AFFORDABLE HOUSING CREDIT.—

26 For purposes of this subsection, the term ‘af-

1 fordable housing credit’ means the portion of
2 the credit under subsection (a) which is attrib-
3 utable to the credit determined under section
4 42 (relating to affordable housing credit). ”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Subclause (II) of section 38(c)(2)(A)(ii) of
7 such Code is amended by striking “and the specified
8 credits” and inserting “the specified credits, and the
9 affordable housing credit”.

10 (2) Subclause (II) of section 38(c)(3)(A)(ii) of
11 such Code is amended by striking “and the specified
12 credits” and inserting “, the specified credits, and
13 the affordable housing credit”.

14 (3) Subclause (II) of section 38(c)(4)(A)(ii) of
15 such Code is amended by inserting “and the afford-
16 able housing credit” after “the specified credits”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2005.

1 **SEC. 7. INTEREST ON QUALIFIED MORTGAGE BONDS,**
2 **QUALIFIED VETERANS' MORTGAGE BONDS,**
3 **AND QUALIFIED RESIDENTIAL RENTAL**
4 **PROJECT EXEMPT FACILITY BONDS EXEMPT**
5 **FROM ALTERNATIVE MINIMUM TAX.**

6 (a) IN GENERAL.—Clause (ii) of section 57(a)(5)(C)
7 of the Internal Revenue Code of 1986 (relating to excep-
8 tion for qualified 501(c)(3) bonds) is amended to read as
9 follows:

10 “(ii) EXCEPTION FOR CERTAIN
11 BONDS.—For purposes of clause (i), the
12 term ‘private activity bond’ shall not in-
13 clude—

14 “(I) any qualified 501(c)(3) bond
15 (as defined in section 145),

16 “(II) any qualified mortgage
17 bond (as defined in section 143(a)),

18 “(III) any qualified veterans’
19 mortgage bond (as defined in section
20 143(b)), and

21 “(IV) any exempt facility bond
22 (as defined in section 142(a)) issued
23 as part of an issue 95 percent or more
24 of the net proceeds of which are to be
25 used to provide qualified residential

1 rental projects (as defined in section
2 142(d)).”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to bonds originally issued after the
5 date of the enactment of this Act.

○