

114TH CONGRESS
2D SESSION

S. 2962

To amend the Internal Revenue Code of 1986 to reform the low-income housing credit, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 19, 2016

Ms. CANTWELL (for herself, Mr. HATCH, Mr. SCHUMER, and Mr. WYDEN) 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 to reform the low-income housing credit, and for other purposes.

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 “Affordable Housing
5 Credit Improvement Act of 2016”.

6 **SEC. 2. INCREASES IN STATE ALLOCATIONS.**

7 (a) PHASE-IN OF INCREASES.—

8 (1) IN GENERAL.—Clause (ii) of section
9 42(h)(3)(C) of the Internal Revenue Code of 1986
10 is amended—

1 (A) by striking “\$1.75” in subclause (I)
2 and inserting “the per capita dollar amount”,
3 and

4 (B) by striking “\$2,000,000” in subclause
5 (II) and inserting “the minimum ceiling
6 amount”.

7 (2) PER CAPITA DOLLAR AMOUNT; MINIMUM
8 CEILING AMOUNT.—Subparagraph (I) of section
9 42(h)(3) of such Code is amended to read as follows:

10 “(I) PER CAPITA DOLLAR AMOUNT; MIN-
11 IMUM CEILING AMOUNT.—For purposes of this
12 paragraph—

13 “(i) PER CAPITA DOLLAR AMOUNT.—
14 The per capita dollar amount is—

15 “(I) for calendar year 2016,
16 \$2.35,

17 “(II) for calendar year 2017,
18 \$2.59,

19 “(III) for calendar year 2018,
20 \$2.82,

21 “(IV) for calendar year 2019,
22 \$3.06,

23 “(V) for calendar year 2020,
24 \$3.29, and

25 “(VI) \$3.53 thereafter.

1 “(ii) MINIMUM CEILING AMOUNT.—

2 The minimum ceiling amount is—

3 “(I) for calendar year 2016,

4 \$2,690,000,

5 “(II) for calendar year 2017,

6 \$2,959,000,

7 “(III) for calendar year 2018,

8 \$3,228,000,

9 “(IV) for calendar year 2019,

10 \$3,497,000,

11 “(V) for calendar year 2020,

12 \$3,766,000, and

13 “(VI) \$4,035,000 thereafter.”.

14 (3) MODIFICATION OF COST-OF-LIVING ADJUST-
15 MENT.—Subparagraph (H) of section 42(h)(3) of
16 such Code is amended—

17 (A) by striking “2002” in clause (i) and
18 inserting “2016”,

19 (B) by striking “the \$2,000,000 and \$1.75
20 amounts in subparagraph (C)” in clause (i) and
21 inserting “the dollar amounts applicable to such
22 calendar year under clauses (i) and (ii) of sub-
23 paragraph (I)”,

24 (C) by striking “2001” in clause (i)(II)
25 and inserting “2015”,

1 (D) by striking “\$2,000,000” in clause
2 (ii)(I) and inserting “minimum ceiling”, and
3 (E) by striking “\$1.75” in clause (ii)(II)
4 and inserting “per capita dollar”.

5 (4) EFFECTIVE DATE.—The amendments made
6 by this subsection shall apply to calendar years be-
7 ginning after December 31, 2016.

8 (b) PERMANENT INCREASES.—

9 (1) IN GENERAL.—Clause (ii) of section
10 42(h)(3)(C) of the Internal Revenue Code of 1986,
11 as amended by subsection (a)(1), is amended—

12 (A) by striking “the per capita dollar
13 amount” in subclause (I) and inserting
14 “\$3.53”, and

15 (B) by striking “the minimum ceiling
16 amount” in subclause (II) and inserting
17 “\$4,035,000”.

18 (2) CONFORMING AMENDMENT.—Paragraph (3)
19 of section 42(h) of such Code is amended by striking
20 subparagraph (I), as amended by subsection (a)(2).

21 (3) COST-OF-LIVING ADJUSTMENT.—Subpara-
22 graph (H) of section 42(h)(3) of such Code, as
23 amended by subsection (a)(3), is amended—

24 (A) by striking “the dollar amounts appli-
25 cable to such calendar year under clauses (i)

1 and (ii) of subparagraph (I)” in clause (i) and
2 inserting “the \$4,035,000 and \$3.53 amounts
3 in subparagraph (C)”,

4 (B) by striking “minimum ceiling” in
5 clause (ii)(I) and inserting “\$4,035,000”, and

6 (C) by striking “per capita dollar” in
7 clause (ii)(II) and inserting “\$3.53”.

8 (4) EFFECTIVE DATE.—The amendments made
9 by this subsection shall apply to calendar years be-
10 ginning after December 31, 2021.

11 **SEC. 3. AVERAGE INCOME TEST.**

12 (a) IN GENERAL.—Paragraph (1) of section 42(g) of
13 the Internal Revenue Code of 1986 is amended—

14 (1) by striking “subparagraph (A) or (B)” and
15 inserting “subparagraph (A), (B), or (C)”, and

16 (2) by inserting after subparagraph (B) the fol-
17 lowing new subparagraph:

18 “(C) AVERAGE INCOME TEST.—

19 “(i) IN GENERAL.—The project meets
20 the minimum requirements of this sub-
21 paragraph if 40 percent or more (25 per-
22 cent or more in the case of a project de-
23 scribed in section 142(d)(6)) of the resi-
24 dential units in such project are both rent-
25 restricted and occupied by individuals

1 whose income does not exceed the imputed
2 income limitation designated by the tax-
3 payer with respect to the respective unit.

4 “(ii) SPECIAL RULES RELATING TO
5 INCOME LIMITATION.—For purposes of
6 clause (i)—

7 “(I) DESIGNATION.—The tax-
8 payer shall designate the imputed in-
9 come limitation of each unit taken
10 into account under such clause.

11 “(II) AVERAGE TEST.—The aver-
12 age of the imputed income limitations
13 designated under subclause (I) shall
14 not exceed 60 percent of area median
15 gross income.

16 “(III) 10-PERCENT INCRE-
17 MENTS.—The designated imputed in-
18 come limitation of any unit under sub-
19 clause (I) shall be 20 percent, 30 per-
20 cent, 40 percent, 50 percent, 60 per-
21 cent, 70 percent, or 80 percent of
22 area median gross income.”.

23 (b) CONFORMING AMENDMENTS.—Subparagraph (C)
24 of section 42(g)(2) of the Internal Revenue Code of 1986
25 is amended—

1 (1) by redesignating clauses (i) and (ii) as sub-
2 clauses (I) and (II), respectively, and by moving
3 such subclauses 2 ems to the right,

4 (2) by moving the flush language 2 ems to the
5 right,

6 (3) by striking “For purposes of this para-
7 graph, the” and inserting “For purposes of this
8 paragraph—

9 “(i) GENERAL RULE.—Except as pro-
10 vided in clause (ii), the”, and

11 (4) by adding at the end the following new
12 clause:

13 “(ii) SPECIAL RULE FOR AVERAGE IN-
14 COME TEST.—In the case of a project with
15 respect to which the taxpayer elects the re-
16 quirements of subparagraph (C) of para-
17 graph (1), the imputed income limitation
18 applicable to a unit is the imputed income
19 limitation designated with respect to such
20 unit under paragraph (1)(C)(ii)(I).”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to elections made under section
23 42(g)(1) of the Internal Revenue Code of 1986 after the
24 date of the enactment of this Act.

1 **SEC. 4. MINIMUM CREDIT RATE.**

2 (a) **IN GENERAL.**—Subsection (b) of section 42 of the
3 Internal Revenue Code of 1986 is amended—

4 (1) by redesignating paragraph (3) as para-
5 graph (4), and

6 (2) by inserting after paragraph (2) the fol-
7 lowing new paragraph:

8 “(3) **MINIMUM CREDIT RATE.**—In the case of
9 any new or existing building to which paragraph (2)
10 does not apply and which is placed in service by the
11 taxpayer after December 31, 2015, the applicable
12 percentage shall not be less than 4 percent.”.

13 (b) **EFFECTIVE DATE.**—The amendments made by
14 this section shall apply to buildings placed in service after
15 December 31, 2015.

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