

117TH CONGRESS
1ST SESSION

S. 2554

To amend the Internal Revenue Code of 1986 to provide a refundable tax credit to taxpayers who provide reductions in rent to their tenants under State rental reduction programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 29, 2021

Mr. BROWN (for himself 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 provide a refundable tax credit to taxpayers who provide reductions in rent to their tenants under State rental reduction programs, 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 “Renters Tax Credit
5 Act of 2021”.

6 **SEC. 2. RENTERS CREDIT.**

7 (a) IN GENERAL.—Subpart C of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by inserting after section 36B the fol-
 2 lowing new section:

3 **“SEC. 36C. RENTERS CREDIT.**

4 “(a) DETERMINATION OF CREDIT AMOUNT.—

5 “(1) IN GENERAL.—There shall be allowed as a
 6 credit against the tax imposed by this subtitle for
 7 any taxable year an amount equal to the sum of the
 8 amounts determined under paragraph (2) for all
 9 qualified buildings with a credit period which in-
 10 cludes months occurring during the taxable year.

11 “(2) QUALIFIED BUILDING AMOUNT.—The
 12 amount determined under this paragraph with re-
 13 spect to any qualified building for any taxable year
 14 shall be an amount equal to the lesser of—

15 “(A) the aggregate qualified rental reduc-
 16 tion amounts for all eligible units within such
 17 building for months occurring during the tax-
 18 able year which are within the credit period for
 19 such building, or

20 “(B) the rental reduction credit amount al-
 21 located to such building for such months.

22 “(3) QUALIFIED BUILDING.—For purposes of
 23 this section—

24 “(A) IN GENERAL.—The term ‘qualified
 25 building’ means any building which is residen-

1 tial rental property (as defined in section
2 168(e)(2)(A)) of the taxpayer with respect to
3 which—

4 “(i) a rental reduction credit amount
5 has been allocated by a rental reduction
6 credit agency of a State, and

7 “(ii) a qualified rental reduction
8 agreement is in effect.

9 “(B) BUILDING NOT DISQUALIFIED BY
10 OTHER ASSISTANCE.—A building shall not fail
11 to be treated as a qualified building merely be-
12 cause—

13 “(i) a credit was allowed under section
14 42 with respect to such building or there
15 was any other Federal assistance in the
16 construction or rehabilitation of such
17 building,

18 “(ii) the rehabilitation credit deter-
19 mined under section 47 was allowed under
20 section 38 with respect to such building, or

21 “(iii) Federal rental assistance was
22 provided for such building during any pe-
23 riod preceding the credit period.

24 “(b) QUALIFIED RENTAL REDUCTION AMOUNT.—

25 For purposes of this section—

1 “(1) IN GENERAL.—The term ‘qualified rental
2 reduction amount’ means, with respect to any eligi-
3 ble unit for any month, an amount equal to the ap-
4 plicable percentage (as determined under subsection
5 (e)(1)) of the excess of—

6 “(A) the applicable rent for such unit, over

7 “(B) the family rental payment required
8 for such unit.

9 “(2) APPLICABLE RENT.—

10 “(A) IN GENERAL.—The term ‘applicable
11 rent’ means, with respect to any eligible unit
12 for any month, the lesser of—

13 “(i) the amount of rent which would
14 be charged for a substantially similar unit
15 with the same number of bedrooms in the
16 same building which is not an eligible unit,
17 or

18 “(ii) an amount equal to the market
19 rent standard for such unit.

20 “(B) MARKET RENT STANDARD.—

21 “(i) IN GENERAL.—The market rent
22 standard with respect to any eligible unit
23 is—

24 “(I) the small area fair market
25 rent determined by the Secretary of

1 Housing and Urban Development for
2 units with the same number of bed-
3 rooms in the same zip code tabulation
4 area, or

5 “(II) if there is no rent described
6 in subclause (I) for such area, the fair
7 market rent determined by such Sec-
8 retary for units with the same number
9 of bedrooms in the same county.

10 “(ii) STATE OPTION.—A State may in
11 its rental reduction allocation plan provide
12 that the market rent standard for all (or
13 any part) of a zip code tabulation area or
14 county within the State shall be equal to a
15 percentage (not less than 75 nor more
16 than 125) of the amount determined under
17 clause (i) (after application of clause (iii))
18 for such area or county.

19 “(iii) MINIMUM AMOUNT.—Notwith-
20 standing clause (i), the market rent stand-
21 ard with respect to any eligible unit for
22 any year in the credit period after the first
23 year in the credit period for such unit shall
24 not be less than the market rent standard
25 determined for such first year.

1 “(3) FAMILY RENTAL PAYMENT REQUIRE-
2 MENTS.—

3 “(A) IN GENERAL.—Each qualified rental
4 reduction agreement with respect to any quali-
5 fied building shall require that the family rental
6 payment for an eligible unit within such build-
7 ing for any month shall be equal to the lesser
8 of—

9 “(i) 30 percent of the monthly family
10 income of the residents of the unit (as de-
11 termined under subsection (e)(5)), or

12 “(ii) the applicable rent for such unit.

13 “(B) UTILITY COSTS.—Any utility allow-
14 ance (determined by the Secretary in the same
15 manner as under section 42(g)(2)(B)(ii)) paid
16 by residents of an eligible unit shall be taken
17 into account as rent in determining the family
18 rental payment for such unit for purposes of
19 this paragraph.

20 “(c) RENTAL REDUCTION CREDIT AMOUNT.—For
21 purposes of this section—

22 “(1) DETERMINATION OF AMOUNT.—

23 “(A) IN GENERAL.—The term ‘rental re-
24 duction credit amount’ means, with respect to
25 any qualified building, the dollar amount which

1 is allocated to such building (and to eligible
2 units within such building) under this sub-
3 section. Such dollar amount shall be allocated
4 to months in the credit period with respect to
5 such building (and such units) on the basis of
6 the estimates described in paragraph (2)(B).

7 “(B) ALLOCATION ON PROJECT BASIS.—In
8 the case of a project which includes (or will in-
9 clude) more than 1 building, the rental reduc-
10 tion credit amount shall be the dollar amount
11 which is allocated to such project for all build-
12 ings included in such project. Subject to the
13 limitation under subsection (e)(3)(B), such
14 amount shall be allocated among such buildings
15 in the manner specified by the taxpayer unless
16 the qualified rental reduction agreement with
17 respect to such project provides for such alloca-
18 tion.

19 “(2) STATE ALLOCATION.—

20 “(A) IN GENERAL.—Except as provided in
21 subparagraph (C), each rental reduction credit
22 agency of a State shall each calendar year allo-
23 cate its portion of the State rental reduction
24 credit ceiling to qualified buildings (and to eligi-
25 ble units within each such building) in accord-

1 ance with the State rental reduction allocation
2 plan.

3 “(B) ALLOCATIONS TO EACH BUILDING.—

4 The rental reduction credit amount allocated to
5 any qualified building shall not exceed the ag-
6 gregate qualified rental reduction amounts
7 which such agency estimates will occur over the
8 credit period for eligible units within such
9 building, based on reasonable estimates of
10 rents, family incomes, and vacancies in accord-
11 ance with procedures established by the State
12 as part of its State rental reduction allocation
13 plan.

14 “(C) SPECIFIC ALLOCATIONS.—

15 “(i) NONPROFIT ORGANIZATIONS.—At
16 least 25 percent of the State rental reduc-
17 tion credit ceiling for any State for any
18 calendar year shall be allocated to qualified
19 buildings in which a qualified nonprofit or-
20 ganization (as defined in section
21 42(h)(5)(C)) owns (directly or through a
22 partnership) an interest and materially
23 participates (within the meaning of section
24 469(h)) in the operation of the building
25 throughout the credit period. A State may

1 waive or lower the requirement under this
2 clause for any calendar year if it deter-
3 mines that meeting such requirement is
4 not feasible.

5 “(ii) RURAL AREAS.—

6 “(I) IN GENERAL.—The State
7 rental reduction credit ceiling for any
8 State for any calendar year shall be
9 allocated to buildings in rural areas
10 (as defined in section 520 of the
11 Housing Act of 1949) in an amount
12 which, as determined by the Secretary
13 of Housing and Urban Development,
14 bears the same ratio to such ceiling as
15 the number of extremely low-income
16 households with severe rent burdens
17 in such rural areas bears to the total
18 number of such households in the
19 State.

20 “(II) ALTERNATIVE 5-YEAR
21 TESTING PERIOD.—In the case of the
22 5-calendar year period beginning in
23 2021, a State shall not be treated as
24 failing to meet the requirements of
25 subclause (I) for any calendar year in

1 such period if, as determined by the
2 Secretary, the average annual amount
3 allocated to such rural areas during
4 such period meets such requirements.

5 “(3) APPLICATION OF ALLOCATED CREDIT
6 AMOUNT.—

7 “(A) AMOUNT AVAILABLE TO TAXPAYER
8 FOR ALL MONTHS IN CREDIT PERIOD.—Any
9 rental reduction credit amount allocated to any
10 qualified building out of the State rental reduc-
11 tion credit ceiling for any calendar year shall
12 apply to such building for all months in the
13 credit period ending during or after such cal-
14 endar year.

15 “(B) CEILING FOR ALLOCATION YEAR RE-
16 DUCED BY ENTIRE CREDIT AMOUNT.—Any
17 rental reduction credit amount allocated to any
18 qualified building out of an allocating agency’s
19 State rental reduction credit ceiling for any cal-
20 endar year shall reduce such ceiling for such
21 calendar year by the entire amount so allocated
22 for all months in the credit period (as deter-
23 mined on the basis of the estimates under para-
24 graph (2)(B)) and no reduction shall be made
25 in such agency’s State rental reduction credit

1 ceiling for any subsequent calendar year by rea-
2 son of such allocation.

3 “(4) STATE RENTAL REDUCTION CREDIT CEIL-
4 ING.—

5 “(A) IN GENERAL.—The State rental re-
6 duction credit ceiling applicable to any State for
7 any calendar year shall be an amount equal to
8 the sum of—

9 “(i) the greater of—

10 “(I) the per capita dollar amount
11 multiplied by the State population, or

12 “(II) the minimum ceiling
13 amount, plus

14 “(ii) the amount of the State rental
15 reduction credit ceiling returned in the cal-
16 endar year.

17 “(B) RETURN OF STATE CEILING
18 AMOUNTS.—For purposes of subparagraph
19 (A)(ii), except as provided in subsection (d)(2),
20 the amount of the State rental reduction credit
21 ceiling returned in a calendar year equals the
22 amount of the rental reduction credit amount
23 allocated to any building which, after the close
24 of the calendar year for which the allocation is
25 made—

1 “(i) is canceled by mutual consent of
2 the rental reduction credit agency and the
3 taxpayer because the estimates made under
4 paragraph (2)(B) were substantially incor-
5 rect, or

6 “(ii) is canceled by the rental reduc-
7 tion credit agency because the taxpayer
8 violates the qualified rental reduction
9 agreement and, under the terms of the
10 agreement, the rental reduction credit
11 agency is authorized to cancel all (or any
12 portion) of the allocation by reason of the
13 violation.

14 “(C) PER CAPITA DOLLAR AMOUNT; MIN-
15 IMUM CEILING AMOUNT.—For purposes of this
16 paragraph—

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

19 “(I) for calendar year 2021,
20 \$12.30,

21 “(II) for calendar year 2022,
22 \$24.50, and

23 “(III) for calendar years 2023
24 and thereafter, \$36.75.

1 “(ii) MINIMUM CEILING AMOUNT.—

2 The minimum ceiling amount is—

3 “(I) for calendar year 2021,

4 \$14,000,000,

5 “(II) for calendar year 2022,

6 \$28,000,000, and

7 “(III) for calendar years 2023

8 and thereafter, \$42,000,000.

9 “(iii) COST-OF-LIVING ADJUST-

10 MENT.—In the case of a calendar year be-

11 ginning after 2023, the \$36.75 and

12 \$42,000,000 amounts in clauses (i)(III)

13 and (ii)(III) shall each be increased by an

14 amount equal to—

15 “(I) such dollar amount, multi-

16 plied by

17 “(II) the cost-of-living adjust-

18 ment determined under section 1(f)(3)

19 for such calendar year by substituting

20 ‘calendar year 2022’ for ‘calendar

21 year 2016’ in subparagraph (A)(ii)

22 thereof.

23 In the case of the \$42,000,000 amount,

24 any increase under this clause which is not

25 a multiple of \$5,000 shall be rounded to

1 the next lowest multiple of \$5,000 and in
2 the case of the \$36.75 amount, any in-
3 crease under this clause which is not a
4 multiple of 5 cents shall be rounded to the
5 next lowest multiple of 5 cents.

6 “(D) POPULATION.—For purposes of this
7 paragraph, population shall be determined in
8 accordance with section 146(j).

9 “(E) UNUSED RENTAL REDUCTION CREDIT
10 ALLOCATED AMONG CERTAIN STATES.—

11 “(i) IN GENERAL.—The unused rental
12 reduction credit of a State for any cal-
13 endar year shall be assigned to the Sec-
14 retary for allocation among qualified
15 States for the succeeding calendar year.

16 “(ii) UNUSED RENTAL REDUCTION
17 CREDIT.—For purposes of this subpara-
18 graph, the unused rental reduction credit
19 of a State for any calendar year is the ex-
20 cess (if any) of—

21 “(I) the State rental reduction
22 credit ceiling for the year preceding
23 such year, over

1 “(II) the aggregate rental reduc-
2 tion credit amounts allocated for such
3 year.

4 “(iii) FORMULA FOR ALLOCATION OF
5 UNUSED CREDIT AMONG QUALIFIED
6 STATES.—The amount allocated under this
7 subparagraph to a qualified State for any
8 calendar year shall be the amount deter-
9 mined by the Secretary to bear the same
10 ratio to the aggregate unused rental reduc-
11 tion credits of all States for the preceding
12 calendar year as such State’s population
13 for the calendar year bears to the popu-
14 lation of all qualified States for the cal-
15 endar year. For purposes of the preceding
16 sentence, population shall be determined in
17 accordance with section 146(j).

18 “(iv) QUALIFIED STATE.—For pur-
19 poses of this subparagraph, the term
20 ‘qualified State’ means, with respect to a
21 calendar year, any State—

22 “(I) which allocated its entire
23 State rental reduction credit ceiling
24 for the preceding calendar year, and

1 “(II) for which a request is made
2 (at such time and in such manner as
3 the Secretary may prescribe) to re-
4 ceive an allocation under clause (iii).

5 “(5) OTHER DEFINITIONS.—For purposes of
6 this section—

7 “(A) RENTAL REDUCTION CREDIT AGEN-
8 CY.—The term ‘rental reduction credit agency’
9 means any agency authorized by a State to
10 carry out this section. Such authorization shall
11 include the jurisdictions within the State where
12 the agency may allocate rental reduction credit
13 amounts.

14 “(B) POSSESSIONS TREATED AS STATES.—
15 The term ‘State’ includes a possession of the
16 United States.

17 “(C) FAMILY.—The term ‘family’ has the
18 same meaning as when used in the United
19 States Housing Act of 1937.

20 “(d) MODIFICATIONS TO CORRECT INACCURATE
21 AMOUNTS DUE TO INCORRECT ESTIMATES.—

22 “(1) ESTABLISHMENT OF RESERVES.—

23 “(A) IN GENERAL.—Each rental reduction
24 credit agency of a State shall establish a reserve
25 for the transfer and reallocation of amounts

1 pursuant to this paragraph, and notwith-
2 standing any other provision of this section, the
3 rental reduction credit amount allocated to any
4 building by such agency shall be zero unless
5 such agency has in effect such a reserve at the
6 time of the allocation of such credit amount.

7 “(B) TRANSFERS TO RESERVE.—

8 “(i) IN GENERAL.—If, for any taxable
9 year, a taxpayer would (but for this sub-
10 paragraph) not be able to use the entire
11 rental reduction credit amount allocated to
12 a qualified building by a rental reduction
13 credit agency of a State for the taxable
14 year because of a rental reduction short-
15 fall, then the taxpayer shall for the taxable
16 year transfer to the reserve established by
17 such agency under subparagraph (A) an
18 amount equal to such rental reduction
19 shortfall.

20 “(ii) RENTAL REDUCTION SHORT-
21 FALL.—For purposes of this subpara-
22 graph, the rental reduction shortfall for
23 any qualified building for any taxable year
24 is the amount by which the aggregate
25 amount of the excesses determined under

1 subsection (b)(1) for all eligible units with-
 2 in such building are less than such aggre-
 3 gate amount estimated under subsection
 4 (c)(2)(B) for the taxable year.

5 “(iii) TREATMENT OF TRANSFERRED
 6 AMOUNT.—For purposes of subsection
 7 (a)(2)(A), the aggregate qualified rental
 8 reduction amounts for all eligible units
 9 within a qualified building with respect to
 10 which clause (i) applies for any taxable
 11 year shall be increased by an amount equal
 12 to the applicable percentage (determined
 13 under subsection (e)(1) for the building) of
 14 the amount of the transfer to the reserve
 15 under clause (i) with respect to such build-
 16 ing for such taxable year.

17 “(C) REALLOCATION OF AMOUNTS TRANS-
 18 FERRED.—

19 “(i) IN GENERAL.—If, for any taxable
 20 year—

21 “(I) the aggregate qualified rent-
 22 al reduction amounts for all eligible
 23 units within a qualified building for
 24 the taxable year exceed

1 “(II) the rental reduction credit
2 amount allocated to such building by
3 a rental reduction credit agency of a
4 State for the taxable year (determined
5 after any increase under paragraph
6 (2)),

7 the rental reduction credit agency shall,
8 upon application of the taxpayer, pay to
9 the taxpayer from the reserve established
10 by such agency under subparagraph (A)
11 the amount which, when multiplied by the
12 applicable percentage (determined under
13 subsection (e)(1) for the building), equals
14 such excess. If the amount in the reserve
15 is less than the amounts requested by all
16 taxpayers for taxable years ending within
17 the same calendar year, the agency shall
18 ratably reduce the amount of each pay-
19 ment otherwise required to be made.

20 “(ii) EXCESS RESERVE AMOUNTS.—If
21 a rental reduction credit agency of a State
22 determines that the balance in its reserve
23 is in excess of the amounts reasonably
24 needed over the following 5 calendar years
25 to make payments under clause (i), the

1 agency may withdraw such excess but only
2 to—

3 “(I) reduce the rental payments
4 of eligible tenants in a qualified build-
5 ing in units other than eligible units,
6 or of eligible tenants in units in a
7 building other than a qualified build-
8 ing, to amounts no higher than the
9 sum of rental payments required for
10 eligible tenants in qualified buildings
11 under subsection (b)(3) and any rent-
12 al charges to such tenants in excess of
13 the market rent standard; or

14 “(II) address maintenance and
15 repair needs in qualified buildings
16 that cannot reasonably be met using
17 other resources available to the own-
18 ers of such buildings.

19 “(D) ADMINISTRATION.—Each rental re-
20 duction credit agency of a State shall establish
21 procedures for the timing and manner of trans-
22 fers and payments made under this paragraph.

23 “(E) SPECIAL RULE FOR PROJECTS.—In
24 the case of a rental reduction credit allocated to
25 a project consisting of more than 1 qualified

1 building, a taxpayer may elect to have this
2 paragraph apply as if all such buildings were 1
3 qualified building if the applicable percentage
4 for each such building is the same.

5 “(F) ALTERNATIVE METHODS OF TRANS-
6 FER AND REALLOCATION.—Upon request to,
7 and approval by, the Secretary, a State may es-
8 tablish an alternative method for the transfer
9 and reallocation of amounts otherwise required
10 to be transferred to, and allocated from, a re-
11 serve under this paragraph. Any State adopting
12 an alternative method under this subparagraph
13 shall, at such time and in such manner as the
14 Secretary prescribes, provide to the Secretary
15 and the Secretary of Housing and Urban Devel-
16 opment detailed reports on the operation of
17 such method, including providing such informa-
18 tion as such Secretaries may require.

19 “(2) ALLOCATION OF RETURNED STATE CEIL-
20 ING AMOUNTS.—In the case of any rental reduction
21 credit amount allocated to a qualified building which
22 is canceled as provided in subsection (c)(4)(B)(i),
23 the rental reduction credit agency may, in lieu of
24 treating such allocation as a returned credit amount
25 under subsection (c)(4)(A)(ii), elect to allocate, upon

1 the request of the taxpayer, such amount to any
2 other qualified building for which the credit amount
3 allocated in any preceding calendar year was too
4 small because the estimates made under subsection
5 (c)(2)(B) were substantially incorrect.

6 “(3) RENTING TO NONELIGIBLE TENANTS.—If,
7 after the application of paragraphs (1)(C) (or any
8 similar reallocation under paragraph (1)(F)) and
9 (2), a rental reduction credit agency of a State de-
10 termines that, because of the incorrect estimates
11 under subsection (c)(2)(B), the aggregate qualified
12 rental reduction amounts for all eligible units within
13 a qualified building will (on an ongoing basis) exceed
14 the rental reduction credit amount allocated to such
15 building, a taxpayer may elect, subject to subsection
16 (g)(2) and only to the extent necessary to eliminate
17 such excess, rent vacant eligible units without regard
18 to the requirements that such units be rented only
19 to eligible tenants and at the rental rate determined
20 under subsection (b)(3).

21 “(e) TERMS RELATING TO RENTAL REDUCTION
22 CREDIT AND REQUIREMENTS.—For purposes of this sec-
23 tion—

24 “(1) APPLICABLE PERCENTAGE.—

1 “(A) IN GENERAL.—The term ‘applicable
2 percentage’ means, with respect to any qualified
3 building, the percentage (not greater than 110
4 percent) set by the rental reduction credit agen-
5 cy at the time it allocates the rental reduction
6 dollar amount to such building.

7 “(B) HIGHER PERCENTAGE FOR HIGH-OP-
8 PORTUNITY AREAS.—The rental reduction cred-
9 it agency may set a percentage under subpara-
10 graph (A) up to 120 percent for any qualified
11 building which—

12 “(i) targets its eligible units for rental
13 to families with children, and

14 “(ii) is located in a neighborhood
15 which has a poverty rate of no more than
16 10 percent.

17 “(2) CREDIT PERIOD.—

18 “(A) IN GENERAL.—The term ‘credit pe-
19 riod’ means, with respect to any qualified build-
20 ing, the 15-year period beginning with the first
21 month for which the qualified rental reduction
22 agreement is in effect with respect to such
23 building.

24 “(B) STATE OPTION TO REDUCE PE-
25 RIOD.—A rental reduction credit agency may

1 provide a credit period for any qualified build-
2 ing which is less than 15 years.

3 “(3) ELIGIBLE UNIT.—

4 “(A) IN GENERAL.—The term ‘eligible
5 unit’ means, with respect to any qualified build-
6 ing, a unit—

7 “(i) which is occupied by an eligible
8 tenant,

9 “(ii) the rent of which for any month
10 equals 30 percent of the monthly family in-
11 come of the residents of such unit (as de-
12 termined under paragraph (5)),

13 “(iii) with respect to which the tenant
14 is not concurrently receiving rental assist-
15 ance under any other Federal program,
16 and

17 “(iv) which is certified to the rental
18 reduction credit agency as an eligible unit
19 for purposes of this section and the quali-
20 fied rental reduction agreement.

21 Notwithstanding clause (iii), a State may pro-
22 vide in its State rental reduction allocation plan
23 that an eligible unit shall also not include a unit
24 with respect to which any resident is receiving

1 rental assistance under a State or local pro-
2 gram.

3 “(B) LIMITATION ON NUMBER OF
4 UNITS.—

5 “(i) IN GENERAL.—The number of
6 units which may be certified as eligible
7 units with respect to any qualified building
8 under subparagraph (A)(iv) at any time
9 shall not exceed the greater of—

10 “(I) 40 percent of the total units
11 in such building, or

12 “(II) 25 units.

13 In the case of an allocation to a project
14 under subsection (c)(1)(B), the limitation
15 under the preceding sentence shall be ap-
16 plied on a project basis and the certifi-
17 cation of such eligible units shall be allo-
18 cated to each building in the project, ex-
19 cept that if buildings in such project are
20 on non-contiguous tracts of land, buildings
21 on each such tract shall be treated as a
22 separate project for purposes of applying
23 this sentence.

24 “(ii) BUILDINGS RECEIVING PREVIOUS
25 FEDERAL RENTAL ASSISTANCE.—If, at any

1 time prior to the entering into of a quali-
 2 fied rental reduction agreement with re-
 3 spect to a qualified building, tenants in
 4 units within such building had been receiv-
 5 ing project-based rental assistance under
 6 any other Federal program, then, notwith-
 7 standing clause (i), the maximum number
 8 of units which may be certified as eligible
 9 units with respect to the building under
 10 subparagraph (A)(iv) shall not be less than
 11 the sum of—

12 “(I) the maximum number of
 13 units in the building previously receiv-
 14 ing such assistance at any time before
 15 the agreement takes effect, plus

16 “(II) the amount determined
 17 under clause (i) without taking into
 18 account the units described in sub-
 19 clause (I).

20 “(4) ELIGIBLE TENANT.—

21 “(A) IN GENERAL.—The term ‘eligible ten-
 22 ant’ means any individual if the individual’s
 23 family income does not exceed the greater of—

1 “(i) 30 percent of the area median
2 gross income (as determined under section
3 42(g)(1)), or

4 “(ii) the applicable poverty line for a
5 family of the size involved.

6 “(B) TREATMENT OF INDIVIDUALS WHOSE
7 INCOMES RISE ABOVE LIMIT.—

8 “(i) IN GENERAL.—Notwithstanding
9 an increase in the family income of resi-
10 dents of a unit above the income limitation
11 applicable under subparagraph (A), such
12 residents shall continue to be treated as el-
13 igible tenants if the family income of such
14 residents initially met such income limita-
15 tion and such unit continues to be certified
16 as an eligible unit under this section.

17 “(ii) NO RENTAL REDUCTION FOR AT
18 LEAST 2 YEARS.—A qualified rental reduc-
19 tion agreement with respect to a qualified
20 building shall provide that if, by reason of
21 an increase in family income described in
22 clause (i), there is no qualified rental re-
23 duction amount with respect to the dwell-
24 ing unit for 2 consecutive years, the tax-
25 payer shall rent the next available unit to

1 an eligible tenant (without regard to
2 whether such unit is an eligible unit under
3 this section).

4 “(C) APPLICABLE POVERTY LINE.—The
5 term ‘applicable poverty line’ means the most
6 recently published poverty line (within the
7 meaning of section 2110(c)(5) of the Social Se-
8 curity Act (42 U.S.C. 1397jj(c)(5))) as of the
9 time of the determination as to whether an in-
10 dividual is an eligible tenant.

11 “(5) FAMILY INCOME.—

12 “(A) IN GENERAL.—Family income shall
13 be determined in the same manner as under
14 section 8 of the United States Housing Act of
15 1937.

16 “(B) TIME FOR DETERMINING INCOME.—

17 “(i) IN GENERAL.—Except as pro-
18 vided in this subparagraph, family income
19 shall be determined at least annually on
20 the basis of income for the preceding cal-
21 endar year.

22 “(ii) FAMILIES ON FIXED INCOME.—If
23 at least 90 percent of the family income of
24 the residents of a unit at the time of any
25 determination under clause (i) is derived

1 from payments under title II or XVI of the
2 Social Security Act (or any similar fixed
3 income amounts specified by the Sec-
4 retary), the taxpayer may elect to treat
5 such payments (or amounts) as the family
6 income of such residents for the year of
7 the determination and the 2 succeeding
8 years, except that the taxpayer shall, in
9 such manner as the Secretary may pre-
10 scribe, adjust such amount for increases in
11 the cost of living.

12 “(iii) INITIAL INCOME.—The Sec-
13 retary may allow a State to provide that
14 the family income of residents at the time
15 such residents first rent a unit in a quali-
16 fied building may be determined on the
17 basis of current or anticipated income.

18 “(iv) SPECIAL RULES WHERE FAMILY
19 INCOME IS REDUCED.— If residents of a
20 unit establish (in such manner as the rent-
21 al reduction credit agency provides) that
22 their family income has been reduced by at
23 least 10 percent below such income for the
24 determination year—

1 “(I) such residents may elect, at
 2 such time and in such manner as such
 3 agency may prescribe, to have their
 4 family income redetermined, and

5 “(II) clause (ii) shall not apply to
 6 any of the 2 succeeding years de-
 7 scribed in such clause which are speci-
 8 fied in the election.

9 “(f) STATE RENTAL REDUCTION ALLOCATION
 10 PLAN.—

11 “(1) ADOPTION OF PLAN REQUIRED.—

12 “(A) IN GENERAL.—For purposes of this
 13 section—

14 “(i) each State shall, before the allo-
 15 cation of its State rental reduction credit
 16 ceiling, establish and have in effect a State
 17 rental reduction allocation plan, and

18 “(ii) notwithstanding any other provi-
 19 sion of this section, the rental reduction
 20 credit amount allocated to any building
 21 shall be zero unless such amount was allo-
 22 cated pursuant to a State rental reduction
 23 allocation plan.

1 Such plan shall only be adopted after such plan
2 is made public and at least 60 days has been
3 allowed for public comment.

4 “(B) STATE RENTAL REDUCTION ALLOCA-
5 TION PLAN.—For purposes of this section, the
6 term ‘State rental reduction allocation plan’
7 means, with respect to any State, any plan of
8 the State meeting the requirements of para-
9 graphs (2) and (3).

10 “(2) GENERAL PLAN REQUIREMENTS.—A plan
11 shall meet the requirements of this paragraph only
12 if—

13 “(A) the plan sets forth the criteria and
14 priorities which a rental reduction credit agency
15 of the State shall use in allocating the State
16 rental reduction credit ceiling to eligible units
17 within a building,

18 “(B) the plan provides that no credit allo-
19 cation shall be made which is not in accordance
20 with the criteria and priorities set forth under
21 subparagraph (A) unless such agency provides
22 a written explanation to the general public for
23 any credit allocation which is not so made and
24 the reasons why such allocation is necessary,
25 and

1 “(C) the plan provides that such agency is
2 required to prioritize the renewal of existing
3 credit allocations at the time of the expiration
4 of the qualified rental reduction agreement with
5 respect to the allocation, including, where ap-
6 propriate, a commitment within a qualified
7 rental reduction agreement that the credit allo-
8 cation will be renewed if the terms of the agree-
9 ment have been met and sufficient new credit
10 authority is available.

11 “(3) SPECIFIC REQUIREMENTS.—A plan shall
12 meet the requirements of this paragraph only if—

13 “(A) the plan provides methods for deter-
14 mining—

15 “(i) the amount of rent which would
16 be charged for a substantially similar unit
17 in the same building which is not an eligi-
18 ble unit for purposes of subsection
19 (b)(2)(A)(i), including whether such deter-
20 mination may be made by self-certification
21 or by undertaking rent reasonableness as-
22 sessments similar to assessments required
23 under section 8(o)(10) of the United
24 States Housing Act of 1937 (42 U.S.C.
25 1437f(o)(10)),

1 “(ii) the qualified rental reduction
2 amounts under subsection (c)(2)(B), and

3 “(iii) the applicable percentage under
4 subsection (e)(1),

5 “(B) the plan provides a procedure that
6 the rental reduction credit agency (or an agent
7 or other private contractor of such agency) will
8 follow in monitoring for—

9 “(i) noncompliance with the provisions
10 of this section and the qualified rental re-
11 duction agreement and in notifying the In-
12 ternal Revenue Service of any such non-
13 compliance of which such agency becomes
14 aware, and

15 “(ii) noncompliance with habitability
16 standards through regular site visits,

17 “(C) the plan requires a person receiving a
18 credit allocation to report to the rental reduc-
19 tion credit agency such information as is nec-
20 essary to ensure compliance with the provisions
21 of this section and the qualified rental reduction
22 agreement, and

23 “(D) the plan provides methods by which
24 any excess reserve amounts which become avail-
25 able under subsection (d)(1)(C)(ii) will be used

1 to reduce rental payments of eligible tenants or
 2 to address maintenance and repair needs in
 3 qualified buildings, including how such assist-
 4 ance will be allocated among eligible tenants
 5 and qualified buildings.

6 “(g) QUALIFIED RENTAL REDUCTION AGREE-
 7 MENT.—For purposes of this section—

8 “(1) IN GENERAL.—The term ‘qualified rental
 9 reduction agreement’ means, with respect to any
 10 building which is residential rental property (as de-
 11 fined in section 168(e)(2)(A)), a written, binding
 12 agreement between a rental reduction credit agency
 13 and the taxpayer which specifies—

14 “(A) the number of eligible units within
 15 such building for which a rental reduction cred-
 16 it amount is being allocated,

17 “(B) the credit period for such building,

18 “(C) the rental reduction credit amount al-
 19 located to such building (and dwelling units
 20 within such building) and the portion of such
 21 amount allocated to each month within the
 22 credit period under subsection (c)(2)(B),

23 “(D) the applicable percentage to be used
 24 in computing the qualified rental reduction
 25 amounts with respect to the building,

1 “(E) the method for determining the
2 amount of rent which may be charged for eligi-
3 ble units within the building, and

4 “(F) whether—

5 “(i) the agency commits to entering
6 into a new agreement with the taxpayer if
7 the terms of the agreement have been met
8 and sufficient new credit authority is avail-
9 able for such new agreement, and

10 “(ii) the taxpayer is required to accept
11 such new agreement.

12 “(2) TENANT PROTECTIONS.—A qualified rent-
13 al reduction agreement shall provide the following:

14 “(A) NON-DISPLACEMENT OF NON-ELIGI-
15 BLE TENANTS.—A taxpayer receiving a rental
16 reduction credit amount may not refuse to
17 renew the lease of or evict (other than for good
18 cause) a tenant of a unit who is not an eligible
19 tenant at any time during the credit period and
20 such unit shall not be treated as an eligible unit
21 while such tenant resides there.

22 “(B) ONLY GOOD CAUSE EVICTIONS OF
23 ELIGIBLE TENANTS.—A taxpayer receiving a
24 rental reduction credit amount may not refuse
25 to renew the lease of or evict (other than for

1 good cause) an eligible tenant of an eligible
2 unit.

3 “(C) MOBILITY.—A taxpayer receiving a
4 rental reduction credit amount shall—

5 “(i) give priority to rent any available
6 unit of suitable size to tenants who are eli-
7 gible tenants who are moving from another
8 qualified building where such tenants had
9 lived at least 1 year and were in good
10 standing, and

11 “(ii) inform eligible tenants within the
12 building of their right to move after 1 year
13 and provide a list maintained by the State
14 of qualified buildings where such tenants
15 might move.

16 “(iii) FAIR HOUSING AND CIVIL
17 RIGHTS.—If a taxpayer receives a rental
18 reduction credit amount—

19 “(I) such taxpayer shall comply
20 with the Fair Housing Act with re-
21 spect to the building, and

22 “(II) the receipt of such amount
23 shall be treated as the receipt of Fed-
24 eral financial assistance for purposes

1 of applying any Federal civil rights
2 laws.

3 “(iv) ADMISSIONS PREFERENCES.—A
4 taxpayer receiving a rental reduction credit
5 amount shall comply with any admissions
6 preferences established by the State for
7 tenants within particular demographic
8 groups eligible for health or social services.

9 “(3) COMPLIANCE REQUIREMENTS.—A quali-
10 fied rental reduction agreement shall provide that a
11 taxpayer receiving a rental reduction credit amount
12 shall comply with all reporting and other procedures
13 established by the State to ensure compliance with
14 this section and such agreement.

15 “(4) PROJECTS.—In the case of a rental reduc-
16 tion credit allocated to a project consisting of more
17 than 1 building, the rental reduction credit agency
18 may provide for a single qualified rental reduction
19 agreement which applies to all buildings which are
20 part of such project.

21 “(h) CERTIFICATIONS AND OTHER REPORTS TO SEC-
22 RETARY.—

23 “(1) CERTIFICATION WITH RESPECT TO 1ST
24 YEAR OF CREDIT PERIOD.—Following the close of
25 the 1st taxable year in the credit period with respect

1 to any qualified building, the taxpayer shall certify
2 to the Secretary (at such time and in such form and
3 in such manner as the Secretary prescribes)—

4 “(A) the information described in sub-
5 section (g)(1) required to be contained in the
6 qualified rental reduction agreement with re-
7 spect to the building, and

8 “(B) such other information as the Sec-
9 retary may require.

10 In the case of a failure to make the certification re-
11 quired by the preceding sentence on the date pre-
12 scribed therefor, unless it is shown that such failure
13 is due to reasonable cause and not to willful neglect,
14 no credit shall be allowable by reason of subsection
15 (a) with respect to such building for any taxable
16 year ending before such certification is made.

17 “(2) ANNUAL REPORTS TO THE SECRETARY.—
18 The Secretary may require taxpayers to submit an
19 information return (at such time and in such form
20 and manner as the Secretary prescribes) for each
21 taxable year setting forth—

22 “(A) the information described in para-
23 graph (1)(A) for the taxable year, and

24 “(B) such other information as the Sec-
25 retary may require.

1 The penalty under section 6652(j) shall apply to any
2 failure to submit the return required by the Sec-
3 retary under the preceding sentence on the date pre-
4 scribed therefor.

5 “(3) ANNUAL REPORTS FROM RENTAL REDUC-
6 TION CREDIT AGENCY.—

7 “(A) REPORTS.—Each rental reduction
8 credit agency which allocates any rental reduc-
9 tion credit amount to 1 or more buildings for
10 any calendar year shall submit to the Secretary
11 (at such time and in such manner as the Sec-
12 retary shall prescribe) an annual report speci-
13 fying—

14 “(i) the amount of rental reduction
15 credit amounts allocated to each such
16 building for such year,

17 “(ii) sufficient information to identify
18 each such building and the taxpayer with
19 respect thereto,

20 “(iii) information as to the demo-
21 graphic and income characteristics of eligi-
22 ble tenants of all such buildings to which
23 such amounts were allocated, and

24 “(iv) such other information as the
25 Secretary may require.

1 “(B) PENALTY.—The penalty under sec-
2 tion 6652(j) shall apply to any failure to submit
3 the report required by subparagraph (A) on the
4 date prescribed therefor.

5 “(C) INFORMATION MADE PUBLIC.—The
6 Secretary shall, in consultation with Secretary
7 of Housing and Urban Development, make in-
8 formation reported under this paragraph for
9 each qualified building available to the public
10 annually to the greatest degree possible without
11 disclosing personal information about individual
12 tenants.

13 “(i) SPECIAL RULE FOR PAYMENTS TO PARTNER-
14 SHIPS AND S CORPORATIONS.—For purposes of this sub-
15 title, in the case of any qualified building directly held by
16 any partnership or S corporation, the payment under sec-
17 tion 6433 shall be made in lieu of the credit determined
18 under this section with respect to such building.

19 “(j) REGULATIONS AND GUIDANCE.—The Secretary
20 shall prescribe such regulations or guidance as may be
21 necessary to carry out the purposes of this section, includ-
22 ing—

23 “(1) providing necessary forms and instruc-
24 tions, and

1 “(2) providing for proper treatment of projects
2 for which a credit is allowed both under this section
3 and section 42.”.

4 (b) PAYMENT TO PARTNERSHIPS AND S CORPORA-
5 TIONS IN LIEU OF CREDIT.—

6 (1) IN GENERAL.— Subchapter B of chapter 65
7 of the Internal Revenue Code of 1986 is amended by
8 adding at the end the following new section:

9 **“SEC. 6433. PAYMENTS IN LIEU OF RENTERS CREDIT FOR**
10 **PARTNERSHIPS AND S CORPORATIONS.**

11 “(a) IN GENERAL.—In the case of any qualified
12 building (as defined in section 36C(a)(3)) directly held by
13 any partnership or S corporation, the Secretary shall pay
14 to such partnership or S corporation for any taxable year
15 an amount equal to the amount of the credit which, but
16 for section 36C(i), would be allowed under section 36C
17 with respect to such building.

18 “(b) REGULATORY AUTHORITY.—The Secretary shall
19 prescribe such regulations, rules, and guidance as may be
20 necessary to carry out section 36C(i), section 92, and this
21 section, including regulations, rules, and guidance pro-
22 viding for—

23 “(1) the application of the rules under section
24 36C with respect to payments under this section in

1 the same manner as such rules apply for purposes
2 of the credit under section 36C,

3 “(2) the time and manner of payments under
4 subsection (a), and

5 “(3) the determination of a partner’s distribu-
6 tive share, or an S corporation shareholder’s pro
7 rata share, of any payment under subsection (a).”.

8 (2) CONFORMING AMENDMENT.—The table of
9 sections for subchapter B of chapter 65 of the Inter-
10 nal Revenue Code of 1986 is amended by adding at
11 the end the following new item:

“Sec. 6433. Payments in lieu of renters credit for partnerships and S corpora-
tions.”.

12 (c) CREDIT INCLUDIBLE IN GROSS INCOME.—

13 (1) IN GENERAL.—Part II of subchapter B of
14 chapter 1 of the Internal Revenue Code of 1986 is
15 amended by adding at the end the following new sec-
16 tion:

17 **“SEC. 92. INCLUSION IN INCOME OF RENTERS CREDIT AND**
18 **PAYMENTS.**

19 “Gross income includes the amount of the credit al-
20 lowed to the taxpayer under section 36C for the taxable
21 year and the amount of any payment in lieu of such credit
22 under section 6433.”.

1 (2) INCOME DISREGARDED FOR ALTERNATIVE
2 MINIMUM TAXABLE INCOME.—Section 56(a) of such
3 Code is amended by adding at the end the following:

4 “(8) SECTION 92 NOT APPLICABLE.—Section 92
5 (relating to inclusion in income of renters credit)
6 shall not apply.”.

7 (3) CONFORMING AMENDMENT.—The table of
8 sections for part II of subchapter B of chapter 1 of
9 such Code is amended by adding at the end the fol-
10 lowing new item:

“Sec. 92. Inclusion in income of renters credit and payments.”.

11 (d) ADMINISTRATIVE FEES.— No provision of, or
12 amendment made by, this Act shall be construed to pre-
13 vent a rental reduction credit agency of a State from im-
14 posing fees to cover its costs or from levying any such fee
15 on a taxpayer applying for or receiving a rental reduction
16 credit amount.

17 (e) OTHER CONFORMING AMENDMENTS.—

18 (1) Section 6211(b)(4) of the Internal Revenue
19 Code of 1986 is amended by inserting “36C (includ-
20 ing any related payment under section 6433),” after
21 “36B,”.

22 (2) Paragraph (2) of section 1324(b) of title
23 31, United States Code, is amended by inserting
24 “36C (including any related payment under section
25 6433),” after “36B,”.

1 (3) The table of sections for subpart C of part
2 IV of subchapter A of chapter 1 of the Internal Rev-
3 enue Code of 1986 is amended by inserting after the
4 item relating to section 36B the following new item:

“Sec. 36C. Renters credit.”.

5 (f) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2020.

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