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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Renters Tax Credit Act of 2021”.

SEC. 2. RENTERS CREDIT.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of
1986 is amended by inserting after section 36B the following new section:

"SEC. 36C. RENTERS CREDIT.

“(a) Determination of Credit Amount.—

“(1) In general.—There shall be allowed as a credit against the tax imposed by this subtitle for any taxable year an amount equal to the sum of the amounts determined under paragraph (2) for all qualified buildings with a credit period which includes months occurring during the taxable year.

“(2) Qualified Building Amount.—The amount determined under this paragraph with respect to any qualified building for any taxable year shall be an amount equal to the lesser of—

“(A) the aggregate qualified rental reduction amounts for all eligible units within such building for months occurring during the taxable year which are within the credit period for such building, or

“(B) the rental reduction credit amount allocated to such building for such months.

“(3) Qualified Building.—For purposes of this section—

“(A) In general.—The term ‘qualified building’ means any building which is residen-
tial rental property (as defined in section 168(e)(2)(A)) of the taxpayer with respect to which—

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

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

“(B) BUILDING NOT DISQUALIFIED BY OTHER ASSISTANCE.—A building shall not fail to be treated as a qualified building merely because—

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

“(ii) the rehabilitation credit determined under section 47 was allowed under section 38 with respect to such building, or

“(iii) Federal rental assistance was provided for such building during any period preceding the credit period.

“(b) QUALIFIED RENTAL REDUCTION AMOUNT.—For purposes of this section—
“(1) IN GENERAL.—The term ‘qualified rental reduction amount’ means, with respect to any eligible unit for any month, an amount equal to the applicable percentage (as determined under subsection (e)(1)) of the excess of—

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

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

“(2) APPLICABLE RENT.—

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

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

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

“(B) MARKET RENT STANDARD.—

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

“(I) the small area fair market rent determined by the Secretary of
Housing and Urban Development for units with the same number of bedrooms in the same zip code tabulation area, or

“(II) if there is no rent described in subclause (I) for such area, the fair market rent determined by such Secretary for units with the same number of bedrooms in the same county.

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

“(iii) MINIMUM AMOUNT.—Notwithstanding clause (i), the market rent standard with respect to any eligible unit for any year in the credit period after the first year in the credit period for such unit shall not be less than the market rent standard determined for such first year.
“(3) FAMILY RENTAL PAYMENT REQUIREMENTS.—

“(A) IN GENERAL.—Each qualified rental reduction agreement with respect to any qualified building shall require that the family rental payment for an eligible unit within such building for any month shall be equal to the lesser of—

“(i) 30 percent of the monthly family income of the residents of the unit (as determined under subsection (e)(5)), or

“(ii) the applicable rent for such unit.

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

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

“(1) DETERMINATION OF AMOUNT.—

“(A) IN GENERAL.—The term ‘rental reduction credit amount’ means, with respect to any qualified building, the dollar amount which
is allocated to such building (and to eligible units within such building) under this subsection. Such dollar amount shall be allocated to months in the credit period with respect to such building (and such units) on the basis of the estimates described in paragraph (2)(B).

“(B) ALLOCATION ON PROJECT BASIS.—In the case of a project which includes (or will include) more than 1 building, the rental reduction credit amount shall be the dollar amount which is allocated to such project for all buildings included in such project. Subject to the limitation under subsection (e)(3)(B), such amount shall be allocated among such buildings in the manner specified by the taxpayer unless the qualified rental reduction agreement with respect to such project provides for such allocation.

“(2) STATE ALLOCATION.—

“(A) IN GENERAL.—Except as provided in subparagraph (C), each rental reduction credit agency of a State shall each calendar year allocate its portion of the State rental reduction credit ceiling to qualified buildings (and to eligible units within each such building) in accord-
ance with the State rental reduction allocation plan.

“(B) ALLOCATIONS TO EACH BUILDING.—

The rental reduction credit amount allocated to any qualified building shall not exceed the aggregate qualified rental reduction amounts which such agency estimates will occur over the credit period for eligible units within such building, based on reasonable estimates of rents, family incomes, and vacancies in accordance with procedures established by the State as part of its State rental reduction allocation plan.

“(C) SPECIFIC ALLOCATIONS.—

“(i) NONPROFIT ORGANIZATIONS.—At least 25 percent of the State rental reduction credit ceiling for any State for any calendar year shall be allocated to qualified buildings in which a qualified nonprofit organization (as defined in section 42(h)(5)(C)) owns (directly or through a partnership) an interest and materially participates (within the meaning of section 469(h)) in the operation of the building throughout the credit period. A State may
waive or lower the requirement under this clause for any calendar year if it deter-
mines that meeting such requirement is not feasible.

“(ii) RURAL AREAS.—

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

“(II) ALTERNATIVE 5-YEAR TESTING PERIOD.—In the case of the 5-calendar year period beginning in 2021, a State shall not be treated as failing to meet the requirements of subclause (I) for any calendar year in
such period if, as determined by the Secretary, the average annual amount allocated to such rural areas during such period meets such requirements.

“(3) APPLICATION OF ALLOCATED CREDIT AMOUNT.—

“(A) AMOUNT AVAILABLE TO TAXPAYER FOR ALL MONTHS IN CREDIT PERIOD.—Any rental reduction credit amount allocated to any qualified building out of the State rental reduction credit ceiling for any calendar year shall apply to such building for all months in the credit period ending during or after such calendar year.

“(B) CEILING FOR ALLOCATION YEAR REDUCED BY ENTIRE CREDIT AMOUNT.—Any rental reduction credit amount allocated to any qualified building out of an allocating agency’s State rental reduction credit ceiling for any calendar year shall reduce such ceiling for such calendar year by the entire amount so allocated for all months in the credit period (as determined on the basis of the estimates under paragraph (2)(B)) and no reduction shall be made in such agency’s State rental reduction credit
ceiling for any subsequent calendar year by rea-
son of such allocation.

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

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

“(i) the greater of—

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

“(II) the minimum ceiling
amount, plus

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

“(B) RETURN OF STATE CEILING
AMOUNTS.—For purposes of subparagraph
(A)(ii), except as provided in subsection (d)(2),
the amount of the State rental reduction credit
ceiling returned in a calendar year equals the
amount of the rental reduction credit amount
allocated to any building which, after the close
of the calendar year for which the allocation is
made—
“(i) is canceled by mutual consent of the rental reduction credit agency and the taxpayer because the estimates made under paragraph (2)(B) were substantially incorrect, or

“(ii) is canceled by the rental reduction credit agency because the taxpayer violates the qualified rental reduction agreement and, under the terms of the agreement, the rental reduction credit agency is authorized to cancel all (or any portion) of the allocation by reason of the violation.

“(C) PER CAPITA DOLLAR AMOUNT; MINIMUM CEILING AMOUNT.—For purposes of this paragraph—

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

“(I) for calendar year 2021, $12.30,

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

“(III) for calendar years 2023 and thereafter, $36.75.
“(ii) MINIMUM CEILING AMOUNT.—

The minimum ceiling amount is—

“(I) for calendar year 2021, $14,000,000,

“(II) for calendar year 2022, $28,000,000, and

“(III) for calendar years 2023 and thereafter, $42,000,000.

“(iii) COST-OF-LIVING ADJUSTMENT.—In the case of a calendar year beginning after 2023, the $36.75 and $42,000,000 amounts in clauses (i)(III) and (ii)(III) shall each be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2022’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

In the case of the $42,000,000 amount, any increase under this clause which is not a multiple of $5,000 shall be rounded to
the next lowest multiple of $5,000 and in
the case of the $36.75 amount, any in-
crease under this clause which is not a
multiple of 5 cents shall be rounded to the
next lowest multiple of 5 cents.

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

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

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

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

“(I) the State rental reduction
credit ceiling for the year preceding
such year, over
“(II) the aggregate rental reduction credit amounts allocated for such year.

“(iii) Formula for allocation of unused credit among qualified states.—The amount allocated under this subparagraph to a qualified State for any calendar year shall be the amount determined by the Secretary to bear the same ratio to the aggregate unused rental reduction credits of all States for the preceding calendar year as such State’s population for the calendar year bears to the population of all qualified States for the calendar year. For purposes of the preceding sentence, population shall be determined in accordance with section 146(j).

“(iv) Qualified state.—For purposes of this subparagraph, the term ‘qualified State’ means, with respect to a calendar year, any State—

“(I) which allocated its entire State rental reduction credit ceiling for the preceding calendar year, and
“(II) for which a request is made
(at such time and in such manner as
the Secretary may prescribe) to re-
ceive an allocation under clause (iii).

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

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

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

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

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

“(1) ESTABLISHMENT OF RESERVES.—

“(A) IN GENERAL.—Each rental reduction
credit agency of a State shall establish a reserve
for the transfer and reallocation of amounts
pursuant to this paragraph, and notwithstanding any other provision of this section, the rental reduction credit amount allocated to any building by such agency shall be zero unless such agency has in effect such a reserve at the time of the allocation of such credit amount.

“(B) TRANSFERS TO RESERVE.—

“(i) IN GENERAL.—If, for any taxable year, a taxpayer would (but for this subparagraph) not be able to use the entire rental reduction credit amount allocated to a qualified building by a rental reduction credit agency of a State for the taxable year because of a rental reduction shortfall, then the taxpayer shall for the taxable year transfer to the reserve established by such agency under subparagraph (A) an amount equal to such rental reduction shortfall.

“(ii) RENTAL REDUCTION SHORTFALL.—For purposes of this subparagraph, the rental reduction shortfall for any qualified building for any taxable year is the amount by which the aggregate amount of the excesses determined under
subsection (b)(1) for all eligible units within such building are less than such aggregate amount estimated under subsection (c)(2)(B) for the taxable year.

“(iii) **TREATMENT OF TRANSFERRED AMOUNT.**—For purposes of subsection (a)(2)(A), the aggregate qualified rental reduction amounts for all eligible units within a qualified building with respect to which clause (i) applies for any taxable year shall be increased by an amount equal to the applicable percentage (determined under subsection (e)(1) for the building) of the amount of the transfer to the reserve under clause (i) with respect to such building for such taxable year.

“(C) **REALLOCATION OF AMOUNTS TRANSFERRED.**—

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

“(I) the aggregate qualified rental reduction amounts for all eligible units within a qualified building for the taxable year exceed
“(II) the rental reduction credit amount allocated to such building by a rental reduction credit agency of a State for the taxable year (determined after any increase under paragraph (2)),

the rental reduction credit agency shall, upon application of the taxpayer, pay to the taxpayer from the reserve established by such agency under subparagraph (A) the amount which, when multiplied by the applicable percentage (determined under subsection (e)(1) for the building), equals such excess. If the amount in the reserve is less than the amounts requested by all taxpayers for taxable years ending within the same calendar year, the agency shall ratably reduce the amount of each payment otherwise required to be made.

“(ii) EXCESS RESERVE AMOUNTS.—If a rental reduction credit agency of a State determines that the balance in its reserve is in excess of the amounts reasonably needed over the following 5 calendar years to make payments under clause (i), the
agency may withdraw such excess but only
to—

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

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

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

“(E) SPECIAL RULE FOR PROJECTS.—In
the case of a rental reduction credit allocated to
a project consisting of more than 1 qualified
building, a taxpayer may elect to have this
paragraph apply as if all such buildings were 1
qualified building if the applicable percentage
for each such building is the same.

“(F) ALTERNATIVE METHODS OF TRANS-
FER AND REALLOCATION.—Upon request to,
and approval by, the Secretary, a State may es-

tablish an alternative method for the transfer
and reallocation of amounts otherwise required
to be transferred to, and allocated from, a re-
serve under this paragraph. Any State adopting
an alternative method under this subparagraph
shall, at such time and in such manner as the
Secretary prescribes, provide to the Secretary
and the Secretary of Housing and Urban Devel-
opment detailed reports on the operation of
such method, including providing such informa-
tion as such Secretaries may require.

“(2) ALLOCATION OF RETURNED STATE CEIL-
ing AMOUNTS.—In the case of any rental reduction
credit amount allocated to a qualified building which
is canceled as provided in subsection (c)(4)(B)(i),
the rental reduction credit agency may, in lieu of
treating such allocation as a returned credit amount
under subsection (c)(4)(A)(ii), elect to allocate, upon
the request of the taxpayer, such amount to any
other qualified building for which the credit amount
allocated in any preceding calendar year was too
small because the estimates made under subsection
(c)(2)(B) were substantially incorrect.

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

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

“(1) APPLICABLE PERCENTAGE.—
“(A) IN GENERAL.—The term ‘applicable percentage’ means, with respect to any qualified building, the percentage (not greater than 110 percent) set by the rental reduction credit agency at the time it allocates the rental reduction dollar amount to such building.

“(B) HIGHER PERCENTAGE FOR HIGH-OPPORTUNITY AREAS.—The rental reduction credit agency may set a percentage under subparagraph (A) up to 120 percent for any qualified building which—

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

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

“(2) CREDIT PERIOD.—

“(A) IN GENERAL.—The term ‘credit period’ means, with respect to any qualified building, the 15-year period beginning with the first month for which the qualified rental reduction agreement is in effect with respect to such building.

“(B) STATE OPTION TO REDUCE PERIOD.—A rental reduction credit agency may
provide a credit period for any qualified building which is less than 15 years.

“(3) ELIGIBLE UNIT.—

“(A) IN GENERAL.—The term ‘eligible unit’ means, with respect to any qualified building, a unit—

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

“(ii) the rent of which for any month equals 30 percent of the monthly family income of the residents of such unit (as determined under paragraph (5)),

“(iii) with respect to which the tenant is not concurrently receiving rental assistance under any other Federal program, and

“(iv) which is certified to the rental reduction credit agency as an eligible unit for purposes of this section and the qualified rental reduction agreement.

Notwithstanding clause (iii), a State may provide in its State rental reduction allocation plan that an eligible unit shall also not include a unit with respect to which any resident is receiving
rental assistance under a State or local pro-
gram.

“(B) LIMITATION ON NUMBER OF

UNITS.—

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

“(I) 40 percent of the total units

in such building, or

“(II) 25 units.

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

“(ii) BUILDINGS RECEIVING PREVIOUS

FEDERAL RENTAL ASSISTANCE.—If, at any
time prior to the entering into of a qualified rental reduction agreement with respect to a qualified building, tenants in units within such building had been receiving project-based rental assistance under any other Federal program, then, notwithstanding clause (i), the maximum number of units which may be certified as eligible units with respect to the building under subparagraph (A)(iv) shall not be less than the sum of—

“(I) the maximum number of units in the building previously receiving such assistance at any time before the agreement takes effect, plus

“(II) the amount determined under clause (i) without taking into account the units described in subclause (I).

“(4) ELIGIBLE TENANT.—

“(A) IN GENERAL.—The term ‘eligible tenant’ means any individual if the individual’s family income does not exceed the greater of—
“(i) 30 percent of the area median gross income (as determined under section 42(g)(1)), or

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

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

“(i) IN GENERAL.—Notwithstanding an increase in the family income of residents of a unit above the income limitation applicable under subparagraph (A), such residents shall continue to be treated as eligible tenants if the family income of such residents initially met such income limitation and such unit continues to be certified as an eligible unit under this section.

“(ii) NO RENTAL REDUCTION FOR AT LEAST 2 YEARS.—A qualified rental reduction agreement with respect to a qualified building shall provide that if, by reason of an increase in family income described in clause (i), there is no qualified rental reduction amount with respect to the dwelling unit for 2 consecutive years, the taxpayer shall rent the next available unit to
an eligible tenant (without regard to
whether such unit is an eligible unit under
this section).

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

“(5) FAMILY INCOME.—

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

“(B) TIME FOR DETERMINING INCOME.—

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

“(ii) FAMILIES ON FIXED INCOME.—If
at least 90 percent of the family income of
the residents of a unit at the time of any
determination under clause (i) is derived
from payments under title II or XVI of the
Social Security Act (or any similar fixed
income amounts specified by the Sec-
retary), the taxpayer may elect to treat
such payments (or amounts) as the family
income of such residents for the year of
the determination and the 2 succeeding
years, except that the taxpayer shall, in
such manner as the Secretary may pre-
scribe, adjust such amount for increases in
the cost of living.

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

“(iv) SPECIAL RULES WHERE FAMILY
INCOME IS REDUCED.— If residents of a
unit establish (in such manner as the rent-
al reduction credit agency provides) that
their family income has been reduced by at
least 10 percent below such income for the
determination year—
“(I) such residents may elect, at such time and in such manner as such agency may prescribe, to have their family income redetermined, and

“(II) clause (ii) shall not apply to any of the 2 succeeding years described in such clause which are specified in the election.

“(f) State Rental Reduction Allocation Plan.—

“(1) Adoption of plan required.—

“(A) In general.—For purposes of this section—

“(i) each State shall, before the allocation of its State rental reduction credit ceiling, establish and have in effect a State rental reduction allocation plan, and

“(ii) notwithstanding any other provision of this section, the rental reduction credit amount allocated to any building shall be zero unless such amount was allocated pursuant to a State rental reduction allocation plan.
Such plan shall only be adopted after such plan is made public and at least 60 days has been allowed for public comment.

“(B) STATE RENTAL REDUCTION ALLOCATION PLAN.—For purposes of this section, the term ‘State rental reduction allocation plan’ means, with respect to any State, any plan of the State meeting the requirements of paragraphs (2) and (3).

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

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

“(B) the plan provides that no credit allocation shall be made which is not in accordance with the criteria and priorities set forth under subparagraph (A) unless such agency provides a written explanation to the general public for any credit allocation which is not so made and the reasons why such allocation is necessary, and
“(C) the plan provides that such agency is required to prioritize the renewal of existing credit allocations at the time of the expiration of the qualified rental reduction agreement with respect to the allocation, including, where appropriate, a commitment within a qualified rental reduction agreement that the credit allocation will be renewed if the terms of the agreement have been met and sufficient new credit authority is available.

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

“(A) the plan provides methods for determining—

“(i) the amount of rent which would be charged for a substantially similar unit in the same building which is not an eligible unit for purposes of subsection (b)(2)(A)(i), including whether such determination may be made by self-certification or by undertaking rent reasonableness assessments similar to assessments required under section 8(o)(10) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(10)),

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

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

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

“(i) noncompliance with the provisions of this section and the qualified rental reduction agreement and in notifying the Internal Revenue Service of any such noncompliance of which such agency becomes aware, and

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

“(C) the plan requires a person receiving a credit allocation to report to the rental reduction credit agency such information as is necessary to ensure compliance with the provisions of this section and the qualified rental reduction agreement, and

“(D) the plan provides methods by which any excess reserve amounts which become available under subsection (d)(1)(C)(ii) will be used
to reduce rental payments of eligible tenants or
to address maintenance and repair needs in
qualified buildings, including how such assist-
ance will be allocated among eligible tenants
and qualified buildings.

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

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

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

“(B) the credit period for such building,

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

“(D) the applicable percentage to be used
in computing the qualified rental reduction
amounts with respect to the building,
“(E) the method for determining the amount of rent which may be charged for eligible units within the building, and

“(F) whether—

“(i) the agency commits to entering into a new agreement with the taxpayer if the terms of the agreement have been met and sufficient new credit authority is available for such new agreement, and

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

“(2) TENANT PROTECTIONS.—A qualified rental reduction agreement shall provide the following:

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

“(B) ONLY GOOD CAUSE EVICTIONS OF ELIGIBLE TENANTS.—A taxpayer receiving a rental reduction credit amount may not refuse to renew the lease of or evict (other than for
good cause) an eligible tenant of an eligible unit.

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

“(i) give priority to rent any available unit of suitable size to tenants who are eligible tenants who are moving from another qualified building where such tenants had lived at least 1 year and were in good standing, and

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

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

“(I) such taxpayer shall comply with the Fair Housing Act with respect to the building; and

“(II) the receipt of such amount shall be treated as the receipt of Federal financial assistance for purposes
of applying any Federal civil rights laws.

“(iv) Admissions Preferences.—A taxpayer receiving a rental reduction credit amount shall comply with any admissions preferences established by the State for tenants within particular demographic groups eligible for health or social services.

“(3) Compliance Requirements.—A qualified rental reduction agreement shall provide that a taxpayer receiving a rental reduction credit amount shall comply with all reporting and other procedures established by the State to ensure compliance with this section and such agreement.

“(4) Projects.—In the case of a rental reduction credit allocated to a project consisting of more than 1 building, the rental reduction credit agency may provide for a single qualified rental reduction agreement which applies to all buildings which are part of such project.

“(h) Certifications and Other Reports to Secretary.—

“(1) Certification with respect to 1st year of credit period.—Following the close of the 1st taxable year in the credit period with respect
to any qualified building, the taxpayer shall certify
to the Secretary (at such time and in such form and
in such manner as the Secretary prescribes)—

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

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

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

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

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

“(B) such other information as the Sec-
retary may require.
The penalty under section 6652(j) shall apply to any failure to submit the return required by the Secretary under the preceding sentence on the date prescribed therefor.

“(3) ANNUAL REPORTS FROM RENTAL REDUCTION CREDIT AGENCY.—

“(A) REPORTS.—Each rental reduction credit agency which allocates any rental reduction credit amount to 1 or more buildings for any calendar year shall submit to the Secretary (at such time and in such manner as the Secretary shall prescribe) an annual report specifying—

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

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

“(iii) information as to the demographic and income characteristics of eligible tenants of all such buildings to which such amounts were allocated, and

“(iv) such other information as the Secretary may require.
“(B) Penalty.—The penalty under section 6652(j) shall apply to any failure to submit the report required by subparagraph (A) on the date prescribed therefor.

“(C) Information made public.—The Secretary shall, in consultation with Secretary of Housing and Urban Development, make information reported under this paragraph for each qualified building available to the public annually to the greatest degree possible without disclosing personal information about individual tenants.

“(i) Special Rule for Payments to Partnerships and S Corporations.—For purposes of this subtitle, in the case of any qualified building directly held by any partnership or S corporation, the payment under section 6433 shall be made in lieu of the credit determined under this section with respect to such building.

“(j) Regulations and Guidance.—The Secretary shall prescribe such regulations or guidance as may be necessary to carry out the purposes of this section, including—

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

(b) Payment to Partnerships and S Corporations in Lieu of Credit.—

(1) In General.—Subchapter B of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

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

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

“(b) Regulatory Authority.—The Secretary shall prescribe such regulations, rules, and guidance as may be necessary to carry out section 36C(i), section 92, and this section, including regulations, rules, and guidance providing for—

“(1) the application of the rules under section 36C with respect to payments under this section in
the same manner as such rules apply for purposes
of the credit under section 36C,

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

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

(2) Conforming Amendment.—The table of
sections for subchapter B of chapter 65 of the Inter-
nal Revenue Code of 1986 is amended by adding at
the end the following new item:

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

(c) Credit Includible in Gross Income.—

(1) In General.—Part II of subchapter B of
chapter 1 of the Internal Revenue Code of 1986 is
amended by adding at the end the following new sec-
tion:

“Sec. 92. Inclusion in Income of Renters Credit and
Payments.

“Gross income includes the amount of the credit al-
lowed to the taxpayer under section 36C for the taxable
year and the amount of any payment in lieu of such credit
under section 6433.”.
(2) Income disregarded for alternative minimum taxable income.—Section 56(a) of such Code is amended by adding at the end the following:

“(8) Section 92 not applicable.—Section 92 (relating to inclusion in income of renters credit) shall not apply.”.

(3) Conforming amendment.—The table of sections for part II of subchapter B of chapter 1 of such Code is amended by adding at the end the following new item:

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

(d) Administrative fees.—No provision of, or amendment made by, this Act shall be construed to prevent a rental reduction credit agency of a State from imposing fees to cover its costs or from levying any such fee on a taxpayer applying for or receiving a rental reduction credit amount.

(e) Other conforming amendments.—

(1) Section 6211(b)(4) of the Internal Revenue Code of 1986 is amended by inserting “36C (including any related payment under section 6433),” after “36B,”.

(2) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting “36C (including any related payment under section 6433),” after “36B,”.
(3) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 36B the following new item:

"Sec. 36C. Renters credit."

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