

119TH CONGRESS
1ST SESSION

S. 631

To amend the Internal Revenue Code of 1986 to enhance the rehabilitation credit for buildings in rural areas.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 19, 2025

Mrs. CAPITO (for herself and Mr. WARNER) 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 enhance the rehabilitation credit for buildings in rural areas.

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 “Rural Historic Tax
5 Credit Improvement Act”.

6 **SEC. 2. ENHANCEMENT OF REHABILITATION CREDIT FOR**
7 **BUILDINGS IN RURAL AREAS.**

8 (a) IN GENERAL.—Section 47(a) of the Internal Rev-
9 enue Code of 1986 is amended—

1 (1) in paragraph (1), by striking “For pur-
 2 poses” and inserting “Except as provided in para-
 3 graph (3), for purposes”, and

4 (2) by adding at the end the following new
 5 paragraphs:

6 “(3) APPLICABLE RURAL PROJECTS.—

7 “(A) IN GENERAL.—In the case of any ap-
 8 plicable rural project—

9 “(i) paragraph (1) shall not apply for
 10 any qualified rehabilitation expenditures
 11 with respect to such project, and

12 “(ii) for the taxable year in which
 13 such project is placed in service, the reha-
 14 bilitation credit for such taxable year is an
 15 amount equal to—

16 “(I) in the case of a project
 17 which is an affordable housing
 18 project, 40 percent of the qualified re-
 19 habilitation expenditures with respect
 20 to such project, or

21 “(II) in the case of a project
 22 which is not an affordable housing
 23 project, 30 percent of the qualified re-
 24 habilitation expenditures with respect
 25 to such project.

1 “(B) APPLICABLE RURAL PROJECT.—

2 “(i) IN GENERAL.—For purposes of
3 this section, the term ‘applicable rural
4 project’ means a qualified rehabilitated
5 building which is located in a rural area.

6 “(ii) LIMITATION.—In the case of any
7 applicable rural project, the total amount
8 of qualified rehabilitation expenditures
9 which may be taken into account under
10 this section with respect to such project
11 may not exceed \$5,000,000.

12 “(iii) RURAL AREA.—For purposes of
13 this paragraph, the term ‘rural area’
14 means any area other than—

15 “(I) a city or town that has a
16 population of greater than 50,000 in-
17 habitants, or

18 “(II) the urbanized area contig-
19 uous and adjacent to a city or town
20 described in subclause (I), as defined
21 by the Bureau of the Census based on
22 the latest decennial census of the
23 United States.

24 “(C) AFFORDABLE HOUSING PROJECT.—

1 “(i) IN GENERAL.—For purposes of
 2 this paragraph, the term ‘affordable hous-
 3 ing project’ means a project—

4 “(I) in which—

5 “(aa) not less than 50 per-
 6 cent of the aggregate square feet
 7 of the completed project is hous-
 8 ing, and

9 “(bb) with respect to the
 10 housing described in item (aa),
 11 not less than 50 percent of the
 12 aggregate square feet of such
 13 housing—

14 “(AA) is new affordable
 15 housing, or

16 “(BB) continues to pro-
 17 vide affordable housing, or

18 “(II) in which not less than 33
 19 percent of the aggregate square feet
 20 of the completed project—

21 “(aa) is new affordable
 22 housing, or

23 “(bb) continues to provide
 24 affordable housing.

1 “(ii) AFFORDABLE HOUSING.—For
 2 purposes of this paragraph, the term ‘af-
 3 fordable housing’ means a decent, safe,
 4 and sanitary dwelling, apartment, or other
 5 living accommodation for a household
 6 whose income does not exceed 80 percent
 7 of the median income for the market area
 8 (as defined by the Secretary of Housing
 9 and Urban Development under section 8 of
 10 the United States Housing Act of 1937
 11 (42 U.S.C. 1437f)).

12 “(4) TRANSFER OF CREDIT FOR APPLICABLE
 13 RURAL PROJECTS.—

14 “(A) IN GENERAL.—Subject to subpara-
 15 graph (B) and such regulations or other guid-
 16 ance as the Secretary may provide, the taxpayer
 17 may transfer all or a portion of the credit deter-
 18 mined under paragraph (3) for an applicable
 19 rural project.

20 “(B) CERTIFICATION.—

21 “(i) IN GENERAL.—A transfer under
 22 subparagraph (A) shall be accompanied by
 23 a certificate which includes—

1 “(I) the certification for the cer-
 2 tified historic structure referred to in
 3 subsection (c)(3),

4 “(II) the taxpayer’s name, ad-
 5 dress, tax identification number, date
 6 of project completion, and the amount
 7 of credit being transferred,

8 “(III) the transferee’s name, ad-
 9 dress, tax identification number, and
 10 the amount of credit being trans-
 11 ferred, and

12 “(IV) such other information as
 13 may be required by the Secretary.

14 “(ii) TRANSFERABILITY OF CERTIFI-
 15 CATE.—A certificate issued under this sec-
 16 tion to a taxpayer shall be transferable to
 17 any other taxpayer.

18 “(C) TAX TREATMENT RELATING TO CER-
 19 TIFICATE.—

20 “(i) DISALLOWANCE OF DEDUC-
 21 TION.—No deduction shall be allowed for
 22 the amount of consideration paid or in-
 23 curred by the transferee.

1 “(ii) ALLOWANCE OF CREDIT.—The
2 amount of credit transferred under sub-
3 paragraph (A)—

4 “(I) shall not be allowed to the
5 transferor for any taxable year, and

6 “(II) shall be allowable to the
7 transferee as a credit determined
8 under this section for the taxable year
9 of the transferee in which such credit
10 is transferred.

11 “(iii) EXCLUSION.—Gross income
12 shall not include any amount received in
13 connection with the transfer of the certifi-
14 cate.

15 “(D) RECAPTURE AND OTHER SPECIAL
16 RULES.—The taxpayer who claims a credit de-
17 termined under this section by reason of a
18 transfer of an amount of credit under subpara-
19 graph (A) with respect to an applicable rural
20 project shall be treated as the taxpayer with re-
21 spect to such project for purposes of section 50.

22 “(E) INFORMATION REPORTING.—The
23 transferor and the transferee shall each make
24 such reports regarding the transfer of an
25 amount of credit under paragraph (A) and con-

1 taining such information as the Secretary may
 2 require. The reports required by this subsection
 3 shall be filed at such time and in such manner
 4 as may be required by the Secretary.

5 “(F) REGULATIONS.—The Secretary shall
 6 prescribe regulations or other guidance to carry
 7 out this paragraph in a manner which is con-
 8 sistent with applicable requirements with re-
 9 spect to transfer of credits under section
 10 6418.”.

11 (b) RECAPTURE FOR FAILURE TO COMPLY WITH
 12 AFFORDABLE HOUSING REQUIREMENTS.—

13 (1) IN GENERAL.—Section 50(a) of the Internal
 14 Revenue Code of 1986 is amended—

15 (A) by redesignating paragraphs (4)
 16 through (6) as paragraphs (5) through (7), re-
 17 spectively, and

18 (B) by inserting after paragraph (3) the
 19 following new paragraph:

20 “(4) FAILURE TO COMPLY WITH AFFORDABLE
 21 HOUSING REQUIREMENTS UNDER REHABILITATION
 22 CREDIT.—

23 “(A) IN GENERAL.—In the case of any ap-
 24 plicable rural project which is an affordable
 25 housing project (as such terms are defined in

1 section 47(a)(3)) which is eligible for the reha-
2 bilitation credit under section 47(a), if such
3 project violates the requirements under section
4 47(a)(3)(C) before the close of the recapture
5 period (as described in paragraph (1)), then the
6 tax under this chapter for the taxable year in
7 which such violation occurs shall be increased
8 by 100 percent of the aggregate decrease in the
9 credits allowed under section 38 for all prior
10 taxable years which would have resulted solely
11 from reducing to zero any credit determined
12 under section 46 which is attributable to the re-
13 habilitation credit under section 47(a) with re-
14 spect to such project.

15 “(B) EXCEPTION.—Subparagraph (A)
16 shall not apply if the taxpayer demonstrates to
17 the satisfaction of the Secretary that the viola-
18 tion of the requirements under section
19 47(a)(3)(C) has been rectified within 45 days of
20 a determination and notice by the Secretary.

21 “(C) REGULATIONS AND GUIDANCE.—The
22 Secretary shall issue such regulations or other
23 guidance as the Secretary determines necessary
24 or appropriate to carry out the purposes of this
25 paragraph, including regulations or other guid-

1 ance which provide for requirements for record-
 2 keeping or information reporting for purposes
 3 of administering the requirements of this para-
 4 graph.”.

5 (2) CONFORMING AMENDMENTS.—

6 (A) Section 50(a)(5) of such Code, as re-
 7 designated by paragraph (1), is amended—

8 (i) by striking “or any applicable
 9 transaction to which paragraph (3)(A) ap-
 10 plies” and inserting “any applicable trans-
 11 action to which paragraph (3)(A) applies,
 12 or any violation to which paragraph (4)(A)
 13 applies”, and

14 (ii) by striking “cessation or applica-
 15 ble transaction” and inserting “cessation,
 16 applicable transaction, or violation”.

17 (B) Section 50(a)(7)(C) of such Code, as
 18 redesignated by paragraph (1), is amended by
 19 striking “or (3)” and inserting “(3), or (4)”.

20 (C) Section 1371(d)(1) of such Code is
 21 amended by striking “section 50(a)(5)” and in-
 22 serting “section 50(a)(6)”.

23 (c) EFFECTIVE DATE.—The amendments made by
 24 this section shall apply to property placed in service after
 25 December 31, 2025.

1 **SEC. 3. ELIMINATION OF REHABILITATION CREDIT BASIS**

2 **ADJUSTMENT.**

3 (a) IN GENERAL.—Section 50(c) of the Internal Rev-
4 enue Code of 1986 is amended by adding at the end the
5 following new paragraph:

6 “(6) EXCEPTION FOR REHABILITATION CRED-
7 IT.—In the case of the rehabilitation credit with re-
8 spect to any applicable rural project (as defined in
9 section 47(a)(3)), paragraph (1) shall not apply.”.

10 (b) TREATMENT IN CASE OF CREDIT ALLOWED TO
11 LESSEE.—Section 50(d) of such Code is amended by add-
12 ing at the end the following: “In the case of the rehabilita-
13 tion credit with respect to any applicable rural project (as
14 defined in section 47(a)(3)), paragraph (5)(B) of the sec-
15 tion 48(d) referred to in paragraph (5) of this subsection
16 shall not apply.”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to property placed in service after
19 December 31, 2025.

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