

119TH CONGRESS
1ST SESSION

H. R. 2854

To amend the Internal Revenue Code of 1986 to establish a tax credit
for neighborhood revitalization, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2025

Mr. KELLY of Pennsylvania (for himself, Mr. LARSON of Connecticut, Mr. CAREY, Ms. SEWELL, Mr. BUCHANAN, Mr. DAVIS of Illinois, Mrs. MILLER of West Virginia, Mr. PANETTA, Mr. FEENSTRA, Mr. KUSTOFF, Ms. MALLIOTAKIS, and Mr. MORAN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to establish
a tax credit for neighborhood revitalization, 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 “Neighborhood Homes
5 Investment Act”.

6 **SEC. 2. FINDINGS AND SENSE OF CONGRESS.**

7 (a) FINDINGS.—Congress finds the following:

1 (1) Experts have determined that it could take
2 nearly a decade to address the housing shortage in
3 the United States, in large part due to increasing
4 housing prices and insufficient supply.

5 (2) The housing supply shortage disproportion-
6 ately impacts low-income and distressed commu-
7 nities.

8 (3) Homeownership is a primary source of
9 household wealth and neighborhood stability. Many
10 distressed communities have low rates of homeown-
11 ership and lack quality, affordable starter homes,
12 while many individuals who own their homes have
13 difficulty securing financing for home repairs and
14 improvements.

15 (4) Housing construction in distressed commu-
16 nities is prevented by the value gap, the difference
17 between the cost to develop a home and the sale
18 price of the home.

19 (5) The Neighborhood Homes Investment Act
20 can close these financing gaps to increase housing
21 development and rehabilitation in distressed commu-
22 nities.

23 (b) SENSE OF CONGRESS.—It is the sense of Con-
24 gress that the neighborhood homes credit (as added under

1 section 3 of this Act) should be an activity administered
 2 in a manner which—

3 (1) revitalizes distressed communities in rural
 4 and urban geographies;

5 (2) minimizes application burdens on small
 6 businesses applying for such credit; and

7 (3) is consistent with the Fair Housing Act of
 8 1968 (42 U.S.C. 3601 et seq.).

9 **SEC. 3. NEIGHBORHOOD HOMES CREDIT.**

10 (a) IN GENERAL.—Subpart D of part IV of sub-
 11 chapter A of chapter 1 of the Internal Revenue Code of
 12 1986 is amended by inserting after section 42 the fol-
 13 lowing new section:

14 **“SEC. 42A. NEIGHBORHOOD HOMES CREDIT.**

15 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
 16 tion 38, the neighborhood homes credit determined under
 17 this section for the taxable year is, with respect to each
 18 qualified residence sold by the taxpayer during such tax-
 19 able year in an affordable sale, the lesser of—

20 “(1) an amount equal to—

21 “(A) the excess (if any) of—

22 “(i) the reasonable development costs
 23 paid or incurred by the taxpayer with re-
 24 spect to such qualified residence, over

1 “(ii) the sale price of such qualified
2 residence (reduced by any reasonable ex-
3 penses paid or incurred by the taxpayer in
4 connection with such sale), or

5 “(B) if the neighborhood homes credit
6 agency determines it is necessary to ensure fi-
7 nancial feasibility, an amount not to exceed 120
8 percent of the amount under subparagraph (A),
9 “(2) 40 percent of the eligible development
10 costs paid or incurred by the taxpayer with respect
11 to such qualified residence, or

12 “(3) 32 percent of the national median sale
13 price for new homes (as determined pursuant to the
14 most recent census data available as of the date on
15 which the neighborhood homes credit agency makes
16 an allocation for the qualified project).

17 “(b) DEVELOPMENT COSTS.—For purposes of this
18 section—

19 “(1) REASONABLE DEVELOPMENT COSTS.—

20 “(A) IN GENERAL.—The term ‘reasonable
21 development costs’ means amounts paid or in-
22 curred for the acquisition of buildings and land,
23 construction, substantial rehabilitation, demoli-
24 tion of structures, or environmental remedi-
25 ation, to the extent that the neighborhood

1 homes credit agency determines that such
2 amounts meet the standards specified pursuant
3 to subsection (f)(1)(D) (as of the date on which
4 construction or substantial rehabilitation is sub-
5 stantially complete, as determined by such
6 agency) and are necessary to ensure the finan-
7 cial feasibility of such qualified residence.

8 “(B) CONSIDERATIONS IN MAKING DETER-
9 MINATION.—In making the determination under
10 subparagraph (A), the neighborhood homes
11 credit agency shall consider—

12 “(i) the sources and uses of funds and
13 the total financing,

14 “(ii) any proceeds or receipts gen-
15 erated or expected to be generated by rea-
16 son of tax benefits, and

17 “(iii) the reasonableness of the devel-
18 opmental costs and fees.

19 “(2) ELIGIBLE DEVELOPMENT COSTS.—The
20 term ‘eligible development costs’ means the amount
21 which would be reasonable development costs if the
22 amounts taken into account as paid or incurred for
23 the acquisition of buildings and land did not exceed
24 75 percent of such costs determined without regard

1 to any amount paid or incurred for the acquisition
2 of buildings and land.

3 “(3) SUBSTANTIAL REHABILITATION.—The
4 term ‘substantial rehabilitation’ means amounts paid
5 or incurred for rehabilitation of a qualified residence
6 if such amounts exceed the greater of—

7 “(A) \$25,000, or

8 “(B) 20 percent of the amounts paid or in-
9 curred by the taxpayer for the acquisition of
10 buildings and land with respect to such quali-
11 fied residence.

12 “(4) CONSTRUCTION AND REHABILITATION
13 ONLY AFTER ALLOCATION TAKEN INTO ACCOUNT.—

14 “(A) IN GENERAL.—The terms ‘reasonable
15 development costs’ and ‘eligible development
16 costs’ shall not include any amount paid or in-
17 curred before the date on which an allocation is
18 made to the taxpayer under subsection (e) with
19 respect to the qualified project of which the
20 qualified residence is part unless such amount
21 is paid or incurred for the acquisition of build-
22 ings or land.

23 “(B) LAND AND BUILDING ACQUISITION
24 COSTS.—Amounts paid or incurred for the ac-
25 quisition of buildings or land shall be included

1 under paragraph (A) only if paid or incurred
2 not more than 3 years before the date on which
3 the allocation referred to in subparagraph (A)
4 is made. If the taxpayer acquired any building
5 or land from an entity (or any related party to
6 such entity) that holds an ownership interest in
7 the taxpayer, then such entity must also have
8 acquired such property within such 3-year pe-
9 riod, and the acquisition cost included under
10 subparagraph (A) with respect to the taxpayer
11 shall not exceed the amount such entity paid or
12 incurred to acquire such property.

13 “(c) QUALIFIED RESIDENCE.—For purposes of this
14 section—

15 “(1) IN GENERAL.—The term ‘qualified resi-
16 dence’ means a residence that—

17 “(A) is real property (constructed on-site
18 or manufactured off-site) affixed on a perma-
19 nent foundation,

20 “(B) is—

21 “(i) a house which is comprised of 4
22 or fewer residential units,

23 “(ii) a condominium unit, or

1 “(iii) a house or an apartment owned
2 by a cooperative housing corporation (as
3 defined in section 216(b)),

4 “(C) is part of a qualified project with re-
5 spect to which the neighborhood homes credit
6 agency has made an allocation under subsection
7 (e), and

8 “(D) is located in a qualified census tract
9 (determined as of the date of such allocation).

10 “(2) QUALIFIED CENSUS TRACT.—

11 “(A) IN GENERAL.—The term ‘qualified
12 census tract’ means a census tract—

13 “(i) which—

14 “(I) has a median family income
15 which does not exceed 80 percent of
16 the median family income for the ap-
17 plicable area,

18 “(II) has a poverty rate that is
19 not less than 130 percent of the pov-
20 erty rate of the applicable area, and

21 “(III) has a median value for
22 owner-occupied homes that does not
23 exceed the median value for owner-oc-
24 cupied homes in the applicable area,

25 “(ii) which—

1 “(I) is located in a city which has
2 a population of not less than 50,000
3 and such city has a poverty rate that
4 is not less than 150 percent of the
5 poverty rate of the applicable area,

6 “(II) has a median family income
7 which does not exceed the median
8 family income for the applicable area,
9 and

10 “(III) has a median value for
11 owner-occupied homes that does not
12 exceed 80 percent of the median value
13 for owner-occupied homes in the ap-
14 plicable area,

15 “(iii) which—

16 “(I) is located in a nonmetropoli-
17 tan county,

18 “(II) has a median family income
19 which does not exceed the median
20 family income for the applicable area,
21 and

22 “(III) has been designated by a
23 neighborhood homes credit agency
24 under this clause,

1 “(iv) which is not otherwise a quali-
2 fied census tract and is located in a dis-
3 aster area (as defined in section
4 7508A(d)(3)), but only with respect to
5 credits allocated in any period during
6 which the President of the United States
7 has determined that such area warrants in-
8 dividual or individual and public assistance
9 by the Federal Government under the Rob-
10 ert T. Stafford Disaster Relief and Emer-
11 gency Assistance Act, or

12 “(v) which is not otherwise a qualified
13 census tract and is identified by the neigh-
14 borhood homes credit agency, through
15 methodologies detailed in the qualified allo-
16 cation plan, as having a shortage of afford-
17 able owner-occupied homes.

18 “(B) APPLICABLE AREA.—The term ‘appli-
19 cable area’ means—

20 “(i) in the case of a metropolitan cen-
21 sus tract, the metropolitan area in which
22 such census tract is located, and

23 “(ii) in the case of a census tract
24 other than a census tract described in
25 clause (i), the State.

1 “(d) AFFORDABLE SALE.—For purposes of this sec-
2 tion—

3 “(1) IN GENERAL.—The term ‘affordable sale’
4 means a sale to a qualified homeowner of a qualified
5 residence that the neighborhood homes credit agency
6 certifies as meeting the standards promulgated
7 under subsection (f)(1)(D) for a price that does not
8 exceed—

9 “(A) in the case of any qualified residence
10 not described in subparagraph (B), (C), or (D),
11 the amount equal to the product of 4 multiplied
12 by the median family income for the applicable
13 area (as determined pursuant to the most re-
14 cent census data available as of the date of the
15 contract for such sale),

16 “(B) in the case of a house comprised of
17 2 residential units, 125 percent of the amount
18 described in subparagraph (A),

19 “(C) in the case of a house comprised of
20 3 residential units, 150 percent of the amount
21 described in subparagraph (A), or

22 “(D) in the case of a house comprised of
23 4 residential units, 175 percent of the amount
24 described in subparagraph (A).

1 “(2) QUALIFIED HOMEOWNER.—The term
2 ‘qualified homeowner’ means, with respect to a
3 qualified residence, an individual—

4 “(A) who owns and uses such qualified res-
5 idence as the principal residence of such indi-
6 vidual, and

7 “(B) whose family income (determined as
8 of the date that a binding contract for the af-
9 fordable sale of such residence is entered into)
10 is 140 percent or less of the median family in-
11 come for the applicable area in which the quali-
12 fied residence is located.

13 “(e) CREDIT CEILING AND ALLOCATIONS.—

14 “(1) CREDIT LIMITED BASED ON ALLOCATIONS
15 TO QUALIFIED PROJECTS.—

16 “(A) IN GENERAL.—The credit allowed
17 under subsection (a) to any taxpayer for any
18 taxable year with respect to one or more quali-
19 fied residences which are part of the same
20 qualified project shall not exceed the excess (if
21 any) of—

22 “(i) the amount allocated by the
23 neighborhood homes credit agency under
24 this paragraph to such taxpayer with re-
25 spect to such qualified project, over

1 “(ii) the aggregate amount of credit
2 allowed under subsection (a) to such tax-
3 payer with respect to qualified residences
4 which are a part of such qualified project
5 for all prior taxable years.

6 “(B) DEADLINE FOR COMPLETION.—No
7 credit shall be allowed under subsection (a)
8 with respect to any qualified residence unless
9 the affordable sale of such residence is during
10 the 5-year period beginning on the date of the
11 allocation to the qualified project of which such
12 residence is a part (or, in the case of a qualified
13 residence to which subsection (i) applies, the re-
14 habilitation of such residence is completed dur-
15 ing such 5-year period).

16 “(2) LIMITATIONS ON ALLOCATIONS TO QUALI-
17 FIED PROJECTS.—

18 “(A) ALLOCATIONS LIMITED BY STATE
19 NEIGHBORHOOD HOMES CREDIT CEILING.—The
20 aggregate amount allocated to taxpayers with
21 respect to qualified projects by the neighbor-
22 hood homes credit agency of any State for any
23 calendar year shall not exceed the State neigh-
24 borhood homes credit amount of such State for
25 such calendar year.

1 “(B) SET-ASIDE FOR CERTAIN PROJECTS
 2 INVOLVING QUALIFIED NONPROFIT ORGANIZA-
 3 TIONS.—Rules similar to the rules of section
 4 42(h)(5) shall apply for purposes of this sec-
 5 tion.

6 “(3) DETERMINATION OF STATE NEIGHBOR-
 7 HOOD HOMES CREDIT CEILING.—

8 “(A) IN GENERAL.—The State neighbor-
 9 hood homes credit amount for a State for a cal-
 10 endar year is an amount equal to the sum of—

11 “(i) the greater of—

12 “(I) the product of \$9, multiplied
 13 by the State population (determined
 14 in accordance with section 146(j)), or

15 “(II) \$12,000,000, and

16 “(ii) any amount previously allocated
 17 to any taxpayer with respect to any quali-
 18 fied project by the neighborhood homes
 19 credit agency of such State which can no
 20 longer be allocated to any qualified resi-
 21 dence because the 5-year period described
 22 in paragraph (1)(B) expires during cal-
 23 endar year.

24 “(B) 3-YEAR CARRYFORWARD OF UNUSED
 25 LIMITATION.—The State neighborhood homes

1 credit amount for a State for a calendar year
2 shall be increased by the excess (if any) of the
3 State neighborhood homes credit amount for
4 such State for the preceding calendar year over
5 the aggregate amount allocated by the neigh-
6 borhood homes credit agency of such State dur-
7 ing such preceding calendar year. Any amount
8 carried forward under the preceding sentence
9 shall not be carried past the third calendar year
10 after the calendar year in which such credit
11 amount originally arose, determined on a first-
12 in, first-out basis.

13 “(f) RESPONSIBILITIES OF NEIGHBORHOOD HOMES
14 CREDIT AGENCIES.—

15 “(1) IN GENERAL.—Notwithstanding subsection
16 (e), the State neighborhood homes credit dollar
17 amount shall be zero for a calendar year unless the
18 neighborhood homes credit agency of the State—

19 “(A) allocates such amount pursuant to a
20 qualified allocation plan of the neighborhood
21 homes credit agency,

22 “(B) subject to paragraph (2), allocates
23 not more than 20 percent of amounts allocated
24 in the previous year (or for allocations made in
25 the first allocation year under this section, not

1 more than 20 percent of the neighborhood
2 homes credit ceiling for such year) to projects
3 with respect to qualified residences which—

4 “(i) are located in census tracts de-
5 scribed in subsection (c)(2)(A)(iii),
6 (c)(2)(A)(iv), (i)(5), or

7 “(ii) are not located in a qualified
8 census tract but meet the requirements of
9 subsection (i)(8),

10 “(C) subject to paragraph (2), in addition
11 to any allocation described in subparagraph
12 (B), allocates not more than 20 percent of
13 amounts allocated in the previous year (or for
14 allocations made in the first allocation year
15 under this section, not more than 20 percent of
16 the neighborhood homes credit ceiling for such
17 year) to projects with respect to qualified resi-
18 dences which are located in any census tract de-
19 scribed in subsection (c)(2)(A)(v), except that,
20 with respect to any qualified residence located
21 within such census tract which is sold to a
22 qualified homeowner, subsection (d)(2) shall be
23 applied by substituting ‘120 percent’ for ‘140
24 percent’,

1 “(D) promulgates standards with respect
2 to reasonable qualified development costs and
3 fees,

4 “(E) promulgates standards with respect
5 to construction quality which are consistent
6 with building codes or other standards required
7 by the State or local jurisdiction in which the
8 project is located,

9 “(F) in the case of any neighborhood
10 homes credit agency which makes an allocation
11 to a qualified project which includes any quali-
12 fied residence to which subsection (i) applies,
13 promulgates standards with respect to pro-
14 tecting the owners of such residences, including
15 the capacity of such owners to pay rehabilita-
16 tion costs not covered by the credit provided by
17 this section and providing for the disclosure to
18 such owners of their rights and responsibilities
19 with respect to the rehabilitation of such resi-
20 dences,

21 “(G) submits to the Secretary (at such
22 time and in such manner as the Secretary may
23 prescribe) an annual report specifying—

1 “(i) the amount of the neighborhood
2 homes credits allocated to each qualified
3 project for the previous year,

4 “(ii) with respect to each qualified
5 residence completed in the preceding cal-
6 endar year—

7 “(I) the census tract in which
8 such qualified residence is located,

9 “(II) with respect to the qualified
10 project that includes such qualified
11 residence, the year in which such
12 project received an allocation under
13 this section,

14 “(III) whether such qualified res-
15 idence was new, substantially rehabili-
16 tated and sold to a qualified home-
17 owner, or substantially rehabilitated
18 pursuant to subsection (i),

19 “(IV) the eligible development
20 costs of such qualified residence,

21 “(V) the amount of the neighbor-
22 hood homes credit with respect to
23 such qualified residence,

24 “(VI) the sales price of such
25 qualified residence, if applicable, and

1 “(VII) the family income of the
2 qualified homeowner (expressed as a
3 percentage of the applicable area me-
4 dian family income for the location of
5 the qualified residence), and

6 “(iii) such other information as the
7 Secretary may require,

8 “(H) makes available to the general public
9 a written explanation for any allocation of a
10 neighborhood homes credit dollar amount which
11 is not made in accordance with established pri-
12 orities and selection criteria of the neighbor-
13 hood homes credit agency, and

14 “(I) provide educational outreach on appli-
15 cation and compliance requirements, including
16 for small residential builders and remodelers.

17 “(2) ALTERNATIVE FOR CERTAIN STATES.—

18 “(A) IN GENERAL.—In the case of any
19 State which, for a calendar year, is an applica-
20 ble State (as defined in subparagraph (B)), in
21 lieu of the requirements under subparagraphs
22 (B) and (C) of paragraph (1), the neighborhood
23 homes credit agency of the State may elect to
24 allocate not more than 40 percent of amounts
25 allocated in the previous year (or for allocations

1 made in the first allocation year under this sec-
2 tion, not more than 40 percent of the neighbor-
3 hood homes credit ceiling for such year) to
4 projects with respect to qualified residences
5 which are described in either subparagraph (B)
6 or (C) of paragraph (1).

7 “(B) APPLICABLE STATE.—For purposes
8 of this paragraph, the term ‘applicable State’
9 means a State which, for purposes of the deter-
10 mining the amount under subsection
11 (e)(3)(A)(i) for the calendar year with respect
12 to such State, received the amount described in
13 subclause (II) of such subsection.

14 “(3) QUALIFIED ALLOCATION PLAN.—For pur-
15 poses of this subsection, the term ‘qualified alloca-
16 tion plan’ means any plan which—

17 “(A) sets forth the selection criteria to be
18 used to prioritize qualified projects for alloca-
19 tions of State neighborhood homes credit dollar
20 amounts, including—

21 “(i) the need for new or substantially
22 rehabilitated owner-occupied homes in the
23 area addressed by the project,

24 “(ii) the expected contribution of the
25 project to neighborhood stability and revi-

1 talization, including the impact on neigh-
2 borhood residents,

3 “(iii) the capability and prior perform-
4 ance of the project sponsor, and

5 “(iv) the likelihood the project will re-
6 sult in long-term homeownership,

7 “(B) has been made available for public
8 comment,

9 “(C) as determined by the neighborhood
10 homes credit agency, is likely to result in the
11 selection of highly qualified applicants while
12 also minimizing, to the extent practicable, appli-
13 cation costs and barriers to entry for small resi-
14 dential builders and re-modelers, and

15 “(D) provides a procedure that the neigh-
16 borhood homes credit agency (or any agent or
17 contractor of such agency) shall follow for pur-
18 poses of—

19 “(i) identifying noncompliance with
20 any provisions of this section, and

21 “(ii) notifying the Internal Revenue
22 Service of any such noncompliance of
23 which the agency becomes aware.

24 “(g) REPAYMENT.—

25 “(1) IN GENERAL.—

1 “(A) SOLD DURING 5-YEAR PERIOD.—If a
2 qualified residence is sold during the 5-year pe-
3 riod beginning immediately after the affordable
4 sale of such qualified residence referred to in
5 subsection (a), the seller shall transfer an
6 amount equal to the repayment amount to the
7 relevant neighborhood homes credit agency.

8 “(B) USE OF REPAYMENTS.—A neighbor-
9 hood homes credit agency shall use any amount
10 received pursuant to subparagraph (A) only for
11 purposes of qualified projects.

12 “(2) REPAYMENT AMOUNT.—For purposes of
13 paragraph (1)(A)—

14 “(A) IN GENERAL.—The repayment
15 amount is an amount equal to the applicable
16 percentage of the gain from the sale to which
17 the repayment relates.

18 “(B) APPLICABLE PERCENTAGE.—For
19 purposes of subparagraph (A), the applicable
20 percentage is 50 percent, reduced by 10 per-
21 centage points for each year of the 5-year pe-
22 riod referred to in paragraph (1)(A) which ends
23 before the date of such sale.

24 “(3) LIEN FOR REPAYMENT AMOUNT.—A
25 neighborhood homes credit agency receiving an allo-

1 cation under this section shall place a lien on each
 2 qualified residence that is built or rehabilitated as
 3 part of a qualified project for an amount such agen-
 4 cy deems necessary to ensure potential repayment
 5 pursuant to paragraph (1)(A).

6 “(4) WAIVER.—

7 “(A) IN GENERAL.—The neighborhood
 8 homes credit agency may waive the repayment
 9 required under paragraph (1)(A) if the agency
 10 determines that making a repayment would
 11 constitute a hardship to the seller.

12 “(B) HARDSHIP.—For purposes of sub-
 13 paragraph (A), with respect to the seller, a
 14 hardship may include—

15 “(i) divorce,

16 “(ii) disability,

17 “(iii) illness, or

18 “(iv) any other hardship identified by
 19 the neighborhood homes credit agency for
 20 purposes of this paragraph.

21 “(h) OTHER DEFINITIONS AND SPECIAL RULES.—

22 For purposes of this section—

23 “(1) NEIGHBORHOOD HOMES CREDIT AGEN-
 24 CY.—The term ‘neighborhood homes credit agency’
 25 means the agency designated by the governor of a

1 State as the neighborhood homes credit agency of
2 the State.

3 “(2) QUALIFIED PROJECT.—The term ‘qualified
4 project’ means a project that a neighborhood homes
5 credit agency certifies will build or substantially re-
6 habilitate one or more qualified residences.

7 “(3) DETERMINATIONS OF FAMILY INCOME.—
8 Rules similar to the rules of section 143(f)(2) shall
9 apply for purposes of this section.

10 “(4) POSSESSIONS TREATED AS STATES.—The
11 term ‘State’ includes the District of Columbia and
12 the possessions of the United States.

13 “(5) SPECIAL RULES RELATED TO CONDOMIN-
14 IUMS AND COOPERATIVE HOUSING CORPORATIONS.—

15 “(A) DETERMINATION OF DEVELOPMENT
16 COSTS.—In the case of a qualified residence de-
17 scribed in clause (ii) or (iii) of subsection
18 (c)(1)(A), the reasonable development costs and
19 eligible development costs of such qualified resi-
20 dence shall be an amount equal to such costs,
21 respectively, of the entire condominium or coop-
22 erative housing property in which such qualified
23 residence is located, multiplied by a fraction—

1 “(i) the numerator of which is the
 2 total floor space of such qualified resi-
 3 dence, and

4 “(ii) the denominator of which is the
 5 total floor space of all residences within
 6 such property.

7 “(B) TENANT-STOCKHOLDERS OF COOPER-
 8 ATIVE HOUSING CORPORATIONS TREATED AS
 9 OWNERS.—In the case of a cooperative housing
 10 corporation (as such term is defined in section
 11 216(b)), a tenant-stockholder shall be treated
 12 as owning the house or apartment which such
 13 person is entitled to occupy.

14 “(6) RELATED PARTY SALES NOT TREATED AS
 15 AFFORDABLE SALES.—

16 “(A) IN GENERAL.—A sale between related
 17 persons shall not be treated as an affordable
 18 sale.

19 “(B) RELATED PERSONS.—For purposes
 20 of this paragraph, a person (in this subpara-
 21 graph referred to as the ‘related person’) is re-
 22 lated to any person if the related person bears
 23 a relationship to such person specified in sec-
 24 tion 267(b) or 707(b)(1), or the related person
 25 and such person are engaged in trades or busi-

nesses under common control (within the meaning of subsections (a) and (b) of section 52). For purposes of the preceding sentence, in applying section 267(b) or 707(b)(1), ‘10 percent’ shall be substituted for ‘50 percent’.

“(7) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of a calendar year after 2025, the dollar amounts in subsections (b)(3)(A), (e)(3)(A)(i)(I), (e)(3)(A)(i)(II), and (i)(2)(C) 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 2024’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(B) ROUNDING.—

“(i) In the case of the dollar amounts in subsections (b)(3)(A) and (i)(2)(C), any increase under paragraph (1) which is not a multiple of \$1,000 shall be rounded to the nearest multiple of \$1,000.

“(ii) In the case of the dollar amount in subsection (e)(3)(A)(i)(I), any increase

1 under paragraph (1) which is not a mul-
 2 tiple of \$0.01 shall be rounded to the near-
 3 est multiple of \$0.01.

4 “(iii) In the case of the dollar amount
 5 in subsection (e)(3)(A)(i)(II), any increase
 6 under paragraph (1) which is not a mul-
 7 tiple of \$100,000 shall be rounded to the
 8 nearest multiple of \$100,000.

9 “(8) REPORT.—

10 “(A) IN GENERAL.—The Secretary shall
 11 annually issue a report, to be made available to
 12 the public, which contains the information sub-
 13 mitted pursuant to subsection (f)(1)(G).

14 “(B) DE-IDENTIFICATION.—The Secretary
 15 shall ensure that any information made public
 16 pursuant to subparagraph (A) excludes any in-
 17 formation that would allow for the identification
 18 of qualified homeowners.

19 “(9) LIST OF QUALIFIED CENSUS TRACTS.—
 20 The Secretary of Housing and Urban Development
 21 shall, for each year, make publicly available a list of
 22 qualified census tracts under—

23 “(A) on a combined basis, clauses (i) and
 24 (ii) of subsection (c)(2)(A),

25 “(B) clause (iii) of such subsection, and

1 “(C) subsection (i)(5)(A).

2 “(10) DENIAL OF DEDUCTIONS IF CONVERTED
3 TO RENTAL HOUSING.—If, during the 5-year period
4 beginning immediately after the affordable sale of a
5 qualified residence referred to in subsection (a), an
6 individual who owns a qualified residence (whether
7 or not such individual was the purchaser in such af-
8 fordable sale) fails to use such qualified residence as
9 such individual’s principal residence for any period
10 of time, no deduction shall be allowed for expenses
11 paid or incurred by such individual with respect to
12 renting, during such period of time, such qualified
13 residence.

14 “(i) APPLICATION OF CREDIT WITH RESPECT TO
15 OWNER-OCCUPIED REHABILITATIONS.—

16 “(1) IN GENERAL.—In the case of a qualified
17 rehabilitation by the taxpayer of any qualified resi-
18 dence which is owned (as of the date that the writ-
19 ten binding contract referred to in paragraph (3) is
20 entered into) by a specified homeowner, the rules of
21 paragraphs (2) through (7) shall apply.

22 “(2) ALTERNATIVE CREDIT DETERMINATION.—
23 In the case of any qualified residence described in
24 paragraph (1), the neighborhood homes credit deter-
25 mined under subsection (a) with respect to such res-

1 idence shall (in lieu of any credit otherwise deter-
2 mined under subsection (a) with respect to such res-
3 idence) be allowed in the taxable year during which
4 the qualified rehabilitation is completed (as deter-
5 mined by the neighborhood homes credit agency)
6 and shall be equal to the least of—

7 “(A) the excess (if any) of—

8 “(i) the amounts paid or incurred by
9 the taxpayer for the qualified rehabilitation
10 of the qualified residence to the extent that
11 such amounts are certified by the neigh-
12 borhood homes credit agency (at the time
13 of the completion of such rehabilitation) as
14 meeting the standards specified pursuant
15 to subsection (f)(1)(D), over

16 “(ii) any amounts paid to such tax-
17 payer for such rehabilitation,

18 “(B) 50 percent of the amounts described
19 in subparagraph (A)(i), or

20 “(C) \$50,000.

21 “(3) QUALIFIED REHABILITATION.—

22 “(A) IN GENERAL.—For purposes of this
23 subsection, the term ‘qualified rehabilitation’
24 means a rehabilitation or reconstruction per-
25 formed pursuant to a written binding contract

1 between the taxpayer and the specified home-
2 owner if the amount paid or incurred by the
3 taxpayer in the performance of such rehabilita-
4 tion or reconstruction exceeds the dollar
5 amount in effect under subsection (b)(3)(A).

6 “(B) APPLICATION OF LIMITATION TO EX-
7 PENSES PAID OR INCURRED AFTER ALLOCA-
8 TION.—A rule similar to the rule of section
9 (b)(4) shall apply for purposes of this sub-
10 section.

11 “(4) SPECIFIED HOMEOWNER.—For purposes
12 of this subsection, the term ‘specified homeowner’
13 means, with respect to a qualified residence, an indi-
14 vidual—

15 “(A) who owns and uses such qualified res-
16 idence as the principal residence of such indi-
17 vidual as of the date that the written binding
18 contract referred to in paragraph (3) is entered
19 into, and

20 “(B) whose family income (determined as
21 of such date) does not exceed the median family
22 income for the applicable area (with respect to
23 the census tract in which the qualified residence
24 is located).

1 “(5) ADDITIONAL CENSUS TRACTS IN WHICH
2 OWNER-OCCUPIED RESIDENCES MAY BE LOCATED.—
3 In the case of any qualified residence described in
4 paragraph (1), the term ‘qualified census tract’ in-
5 cludes any census tract which—

6 “(A) meets the requirements of subsection
7 (c)(2)(A)(i) without regard to subclause (III)
8 thereof, and

9 “(B) is designated by the neighborhood
10 homes credit agency for purposes of this para-
11 graph.

12 “(6) MODIFICATION OF REPAYMENT REQUIRE-
13 MENT.—In the case of any qualified residence de-
14 scribed in paragraph (1), subsection (g) shall be ap-
15 plied by beginning the 5-year period otherwise de-
16 scribed therein on the date on which the qualified
17 homeowner acquired such residence.

18 “(7) RELATED PARTIES.—Paragraph (1) shall
19 not apply if the taxpayer is the owner of the quali-
20 fied residence described in paragraph (1) or is re-
21 lated (within the meaning of subsection (h)(6)(B))
22 to such owner.

23 “(8) PYRRHOTITE REMEDIATION.—The require-
24 ment of subsection (c)(1)(D) shall not apply to a
25 qualified rehabilitation under this subsection of a

1 qualified residence that is documented by an engi-
 2 neer’s report and core testing to have a foundation
 3 that is adversely impacted by pyrrhotite or other
 4 iron sulfide minerals.

5 “(j) REGULATIONS.—The Secretary shall prescribe
 6 such regulations as may be necessary or appropriate to
 7 carry out the purposes of this section, including regula-
 8 tions that prevent avoidance of the rules, and abuse of
 9 the purposes, of this section.”.

10 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
 11 NESS CREDIT.—Section 38(b) of the Internal Revenue
 12 Code of 1986 is amended by striking “plus” at the end
 13 of paragraph (40), by striking the period at the end of
 14 paragraph (41) and inserting “, plus”, and by adding at
 15 the end the following new paragraph:

16 “(42) the neighborhood homes credit deter-
 17 mined under section 42A(a).”.

18 (c) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
 19 IMUM TAX.—Section 38(c)(4)(B) of the Internal Revenue
 20 Code of 1986 is amended by redesignating clauses (iv)
 21 through (xii) as clauses (v) through (xiii), respectively, and
 22 by inserting after clause (iii) the following new clause:

23 “(iv) the credit determined under sec-
 24 tion 42A,”.

25 (d) BASIS ADJUSTMENTS.—

1 (1) ENERGY EFFICIENT HOME IMPROVEMENT
2 CREDIT.—Section 25C(g) of the Internal Revenue
3 Code of 1986 is amended by adding after the first
4 sentence the following new sentence: “This sub-
5 section shall not apply for purposes of determining
6 the eligible development costs or adjusted basis of
7 any building under section 42A.”.

8 (2) RESIDENTIAL CLEAN ENERGY CREDIT.—
9 Section 25D(f) of such Code is amended by adding
10 after the first sentence the following new sentence:
11 “‘This subsection shall not apply for purposes of de-
12 termining the eligible development costs or adjusted
13 basis of any building under section 42A.’”.

14 (3) NEW ENERGY EFFICIENT HOME CREDIT.—
15 Section 45L(e) of such Code is amended by inserting
16 “or for purposes of determining the eligible develop-
17 ment costs or adjusted basis of any building under
18 section 42A” after “section 42”.

19 (e) EXCLUSION FROM GROSS INCOME.—Part III of
20 subchapter B of chapter 1 of the Internal Revenue Code
21 of 1986 is amended by inserting before section 140 the
22 following new section:

1 **“SEC. 139J. STATE ENERGY SUBSIDIES FOR QUALIFIED**
 2 **RESIDENCES.**

3 “(a) **EXCLUSION FROM GROSS INCOME.**—Gross in-
 4 come shall not include the value of any subsidy provided
 5 to a taxpayer (whether directly or indirectly) by any State
 6 energy office (as defined in section 124(a) of the Energy
 7 Policy Act of 2005 (42 U.S.C. 15821(a))) for purposes
 8 of any energy improvements made to a qualified residence
 9 (as defined in section 42A(c)(1)).”.

10 (f) **CONFORMING AMENDMENTS.**—

11 (1) Subsections (i)(3)(C), (i)(6)(B)(i), and
 12 (k)(1) of section 469 of the Internal Revenue Code
 13 of 1986 are each amended by inserting “or 42A”
 14 after “section 42”.

15 (2) The table of sections for subpart D of part
 16 IV of subchapter A of chapter 1 of such Code is
 17 amended by inserting after the item relating to sec-
 18 tion 42 the following new item:

“Sec. 42A. Neighborhood homes credit.”.

19 (3) The table of sections for part III of sub-
 20 chapter B of chapter 1 of such Code is amended by
 21 inserting before the item relating to section 140 the
 22 following new item:

“Sec. 139J. State energy subsidies for qualified residences.”.

1 (g) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2025.

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