

119TH CONGRESS
2D SESSION

H. R. 9870

To amend the Internal Revenue Code of 1986 to allow for nonrecognition of gain on real property sold for use as affordable housing.

IN THE HOUSE OF REPRESENTATIVES

JULY 22, 2026

Mr. PETERS (for himself and Mr. FITZPATRICK) 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 allow for nonrecognition of gain on real property sold for use as affordable housing.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Affordable Housing
5 Incentives Act”.

6 **SEC. 2. NONRECOGNITION OF GAIN ON PROPERTY SOLD**
7 **FOR USE AS AFFORDABLE HOUSING.**

8 (a) IN GENERAL.—Section 1033 of the Internal Rev-
9 enue Code of 1986 is amended by redesignating subsection

1 (k) as subsection (l) and by inserting after subsection (j)
2 the following new subsection:

3 “(k) SALES FOR USE AS AFFORDABLE HOUSING.—

4 “(1) IN GENERAL.—For purposes of this sub-
5 title, if real property is sold or otherwise transferred
6 to a qualified housing operator for use or develop-
7 ment by such operator as affordable housing and
8 such property meets the requirements of paragraphs
9 (3), (4), and (5), such sale or transfer shall be treat-
10 ed as an involuntary conversion to which this section
11 applies.

12 “(2) QUALIFIED HOUSING OPERATOR.—For
13 purposes of this section, the term ‘qualified housing
14 operator’ means any of the following:

15 “(A) A State, tribal, or local government,
16 or any political subdivision or instrumentality
17 thereof, including a public housing agency (as
18 defined in subparagraph (A) or (B) of section
19 3(b)(6) of the United States Housing Act of
20 1937 (42 U.S.C. 1437a(b)(6))).

21 “(B) A tribally designated housing entity
22 (as such term is defined in section 4 of the Na-
23 tive American Housing Assistance and Self-De-
24 termination Act of 1996).

1 “(C) A community housing development
2 organization (as such term is defined in section
3 104 of the Cranston-Gonzalez National Afford-
4 able Housing Act).

5 “(D) An organization which—

6 “(i) has the purpose of providing af-
7 fordable housing,

8 “(ii) has received Federal, State, or
9 local grant funds to develop or operate af-
10 fordable housing, or

11 “(iii) has owned (either directly or
12 through a partnership) an interest in a
13 qualified low-income housing project that
14 is allocated housing credit dollar amounts
15 under section 42 and materially partici-
16 pated (within the meaning of section
17 469(h)) in the development and operation
18 of such project.

19 “(3) AFFORDABLE HOUSING REQUIREMENT.—

20 The requirements of this paragraph are met with re-
21 spect to property if such property has, as of the date
22 of the sale or transfer referred to in paragraph (1),
23 a covenant or other binding legal restriction suffi-
24 cient to obligate, at all times during the 30-year pe-
25 riod beginning on such date, each owner of such

1 property with respect to the portion of such period
2 during which such owner owns such property, to
3 maintain such property as either:

4 “(A) residential rental property (within the
5 meaning of section 168) that meets the require-
6 ments of subparagraph (A), (B), or (C) of sec-
7 tion 42(g)(1) (applied by treating such property
8 as a project), or

9 “(B) a shelter or property eligible for as-
10 sistance under title IV of the McKinney-Vento
11 Homeless Assistance Act, and

12 “(4) NOTIFICATION OF TREASURY.—

13 “(A) IN GENERAL.—The requirements of
14 this paragraph are met with respect to any
15 property if, not later than 90 days after the
16 date of the sale or transfer referred to in para-
17 graph (1), the transferor notifies the Secretary
18 of such transfer in such manner as the Sec-
19 retary may provide.

20 “(B) ENFORCEMENT OBLIGATIONS OF
21 TREASURY.—With respect to each property to
22 witch the Secretary receives notification under
23 subparagraph (A), the Secretary shall ensure
24 (not less often than every 5 years during the
25 30-year period described in paragraph (3) that

1 such property complies with the requirements of
2 paragraph (3)).

3 “(C) AUDITS.—The Secretary shall enforce
4 the affordability requirements of paragraph (3)
5 through audit procedures.

6 “(5) SALE PRICE DOES NOT EXCEED QUALI-
7 FIED APPRAISAL.—The requirements of this para-
8 graph are met with respect to any property if—

9 “(A) the taxpayer attaches to the return of
10 tax for the taxable year which includes the date
11 of the sale or transfer of such property a quali-
12 fied appraisal (as defined section
13 170(f)(11)(E)) of such property, and

14 “(B) the sale price of such property does
15 not exceed the amount determined in such ap-
16 praisal.

17 “(6) SPECIAL RULE FOR REAL PROPERTY HELD
18 FOR PRODUCTIVE USE IN TRADE OR BUSINESS.—
19 For purposes of subsection (a), if the real property
20 described in paragraph (1) is held for productive use
21 in a trade or business or for investment, property of
22 a like kind to be held either for productive use in a
23 trade or business or for investment shall be treated
24 as property similar or related in service or use to the
25 property so described.

1 “(7) REGULATIONS.—The Secretary may pre-
2 scribe such regulations or other guidance as may be
3 necessary or appropriate to carry out the purposes
4 of this subsection.”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 this section shall apply to sales and transfers after the
7 date of the enactment of this Act.

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