

105TH CONGRESS
1ST SESSION

S. 496

To amend the Internal Revenue Code of 1986 to provide a credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence.

IN THE SENATE OF THE UNITED STATES

MARCH 20, 1997

Mr. CHAFEE (for himself, Mr. GRAHAM, and Mr. JEFFORDS) 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 credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence.

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 “Historic Homeowner-
5 ship Assistance Act”.

1 **SEC. 2. HISTORIC HOMEOWNERSHIP REHABILITATION**
 2 **CREDIT.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-
 4 chapter A of chapter 1 of the Internal Revenue Code of
 5 1986 (relating to nonrefundable personal credits) is
 6 amended by inserting after section 23 the following new
 7 section:

8 **“SEC. 24. HISTORIC HOMEOWNERSHIP REHABILITATION**
 9 **CREDIT.**

10 “(a) GENERAL RULE.—In the case of an individual,
 11 there shall be allowed as a credit against the tax imposed
 12 by this chapter for the taxable year an amount equal to
 13 20 percent of the qualified rehabilitation expenditures
 14 made by the taxpayer with respect to a qualified historic
 15 home.

16 “(b) DOLLAR LIMITATION.—

17 “(1) IN GENERAL.—The credit allowed by sub-
 18 section (a) with respect to any residence of a tax-
 19 payer shall not exceed \$50,000 (\$25,000 in the case
 20 of a married individual filing a separate return).

21 “(2) CARRYFORWARD OF CREDIT UNUSED BY
 22 REASON OF LIMITATION BASED ON TAX LIABIL-
 23 ITY.—If the credit allowable under subsection (a) for
 24 any taxable year exceeds the limitation imposed by
 25 section 26(a) for such taxable year reduced by the
 26 sum of the credits allowable under this subpart

1 (other than this section), such excess shall be carried
 2 to the succeeding taxable year and added to the
 3 credit allowable under subsection (a) for such suc-
 4 ceeding taxable year.

5 “(c) QUALIFIED REHABILITATION EXPENDITURE.—

6 For purposes of this section:

7 “(1) IN GENERAL.—The term ‘qualified reha-
 8 bilitation expenditure’ means any amount properly
 9 chargeable to capital account—

10 “(A) in connection with the certified reha-
 11 bilitation of a qualified historic home, and

12 “(B) for property for which depreciation
 13 would be allowable under section 168 if the
 14 qualified historic home were used in a trade or
 15 business.

16 “(2) CERTAIN EXPENDITURES NOT IN-
 17 CLUDED.—

18 “(A) EXTERIOR.—Such term shall not in-
 19 clude any expenditure in connection with the re-
 20 habilitation of a building unless at least 5 per-
 21 cent of the total expenditures made in the reha-
 22 bilitation process are allocable to the rehabilita-
 23 tion of the exterior of such building.

1 “(B) OTHER RULES TO APPLY.—Rules
 2 similar to the rules of clauses (ii) and (iii) of
 3 section 47(c)(2)(B) shall apply.

4 “(3) MIXED USE OR MULTIFAMILY BUILDING.—
 5 If only a portion of a building is used as the prin-
 6 cipal residence of the taxpayer, only qualified reha-
 7 bilitation expenditures which are properly allocable
 8 to such portion shall be taken into account under
 9 this section.

10 “(d) CERTIFIED REHABILITATION.—For purposes of
 11 this section:

12 “(1) IN GENERAL.—Except as otherwise pro-
 13 vided in this subsection, the term ‘certified rehabili-
 14 tation’ has the meaning given such term by section
 15 47(c)(2)(C).

16 “(2) FACTORS TO BE CONSIDERED IN THE
 17 CASE OF TARGETED AREA RESIDENCES, ETC.—

18 “(A) IN GENERAL.—For purposes of ap-
 19 plying section 47(c)(2)(C) under this section
 20 with respect to the rehabilitation of a building
 21 to which this paragraph applies, consideration
 22 shall be given to—

23 “(i) the feasibility of preserving exist-
 24 ing architectural and design elements of
 25 the interior of such building,

1 “(ii) the risk of further deterioration
 2 or demolition of such building in the event
 3 that certification is denied because of the
 4 failure to preserve such interior elements,
 5 and

6 “(iii) the effects of such deterioration
 7 or demolition on neighboring historic prop-
 8 erties.

9 “(B) BUILDINGS TO WHICH THIS PARA-
 10 GRAPH APPLIES.—This paragraph shall apply
 11 with respect to any building—

12 “(i) any part of which is a targeted
 13 area residence within the meaning of sec-
 14 tion 143(j)(1), or

15 “(ii) which is located within an enter-
 16 prise or empowerment zone,
 17 but shall not apply with respect to any building
 18 which is listed in the National Register.

19 “(3) APPROVED STATE PROGRAM.—The term
 20 ‘certified rehabilitation’ includes a certification made
 21 by—

22 “(A) a State Historic Preservation Officer
 23 who administers a State Historic Preservation
 24 Program approved by the Secretary of the Inte-

1 rior pursuant to section 101(b)(1) of the Na-
2 tional Historic Preservation Act, or

3 “(B) a local government, certified pursuant
4 to section 101(c)(1) of the National Historic
5 Preservation Act and authorized by a State
6 Historic Preservation Officer, or the Secretary
7 of the Interior where there is no approved State
8 program,

9 subject to such terms and conditions as may be
10 specified by the Secretary of the Interior for the re-
11 habilitation of buildings within the jurisdiction of
12 such officer (or local government) for purposes of
13 this section.

14 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
15 poses of this section:

16 “(1) QUALIFIED HISTORIC HOME.—The term
17 ‘qualified historic home’ means a certified historic
18 structure—

19 “(A) which has been substantially rehabili-
20 tated, and

21 “(B) which (or any portion of which)—

22 “(i) is owned by the taxpayer, and

23 “(ii) is used (or will, within a reason-
24 able period, be used) by such taxpayer as
25 his principal residence.

1 “(2) SUBSTANTIALLY REHABILITATED.—The
 2 term ‘substantially rehabilitated’ has the meaning
 3 given such term by section 47(c)(1)(C); except that,
 4 in the case of any building described in subsection
 5 (d)(2), clause (i)(I) thereof shall not apply.

6 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-
 7 cipal residence’ has the same meaning as when used
 8 in section 1034.

9 “(4) CERTIFIED HISTORIC STRUCTURE.—

10 “(A) IN GENERAL.—The term ‘certified
 11 historic structure’ has the meaning given such
 12 term by section 47(c)(3).

13 “(B) CERTAIN STRUCTURES INCLUDED.—
 14 Such term includes any building (and its struc-
 15 tural components) which is designated as being
 16 of historic significance under a statute of a
 17 State or local government, if such statute is
 18 certified by the Secretary of the Interior to the
 19 Secretary as containing criteria which will sub-
 20 stantially achieve the purpose of preserving and
 21 rehabilitating buildings of historic significance.

22 “(5) ENTERPRISE OR EMPOWERMENT ZONE.—
 23 The term ‘enterprise or empowerment zone’ means
 24 any area designated under section 1391 as an enter-
 25 prise community or an empowerment zone.

1 “(6) REHABILITATION NOT COMPLETE BEFORE
2 CERTIFICATION.—A rehabilitation shall not be treat-
3 ed as complete before the date of the certification re-
4 ferred to in subsection (d).

5 “(7) LESSEES.—A taxpayer who leases his
6 principal residence shall, for purposes of this section,
7 be treated as the owner thereof if the remaining
8 term of the lease (as of the date determined under
9 regulations prescribed by the Secretary) is not less
10 than such minimum period as the regulations re-
11 quire.

12 “(8) TENANT-STOCKHOLDER IN COOPERATIVE
13 HOUSING CORPORATION.—If the taxpayer holds
14 stock as a tenant-stockholder (as defined in section
15 216) in a cooperative housing corporation (as de-
16 fined in such section), such stockholder shall be
17 treated as owning the house or apartment which the
18 taxpayer is entitled to occupy as such stockholder.

19 “(f) WHEN EXPENDITURES TAKEN INTO AC-
20 COUNT.—In the case of a building other than a building
21 to which subsection (g) applies, qualified rehabilitation ex-
22 penditures shall be treated for purposes of this section as
23 made—

24 “(1) on the date the rehabilitation is completed,
25 or

1 “(2) to the extent provided by the Secretary by
 2 regulation, when such expenditures are properly
 3 chargeable to capital account.

4 Regulations under paragraph (2) shall include a rule simi-
 5 lar to the rule under section 50(a)(2) (relating to recap-
 6 ture if property ceases to qualify for progress expendi-
 7 tures).

8 “(g) ALLOWANCE OF CREDIT FOR PURCHASE OF RE-
 9 HABILITATED HISTORIC HOME.—

10 “(1) IN GENERAL.—In the case of a qualified
 11 purchased historic home, the taxpayer shall be treat-
 12 ed as having made (on the date of purchase) the
 13 qualified rehabilitation expenditures made by the
 14 seller of such home.

15 “(2) QUALIFIED PURCHASED HISTORIC
 16 HOME.—For purposes of this subsection, the term
 17 ‘qualified purchased historic home’ means any sub-
 18 stantially rehabilitated certified historic structure
 19 purchased by the taxpayer if—

20 “(A) the taxpayer is the first purchaser of
 21 such structure after the date rehabilitation is
 22 completed, and the purchase occurs within 5
 23 years after such date,

1 “(B) the structure (or a portion thereof)
 2 will, within a reasonable period, be the principal
 3 residence of the taxpayer,

4 “(C) no credit was allowed to the seller
 5 under this section or section 47 with respect to
 6 such rehabilitation, and

7 “(D) the taxpayer is furnished with such
 8 information as the Secretary determines is nec-
 9 essary to determine the credit under this sub-
 10 section.

11 “(h) HISTORIC REHABILITATION MORTGAGE CREDIT
 12 CERTIFICATE.—

13 “(1) IN GENERAL.—The taxpayer may elect, in
 14 lieu of the credit otherwise allowable under this sec-
 15 tion, to receive a historic rehabilitation mortgage
 16 credit certificate. An election under this paragraph
 17 shall be made—

18 “(A) in the case of a building to which
 19 subsection (g) applies, at the time of purchase,
 20 or

21 “(B) in any other case, at the time reha-
 22 bilitation is completed.

23 “(2) HISTORIC REHABILITATION MORTGAGE
 24 CREDIT CERTIFICATE.—For purposes of this sub-

1 section, the term ‘historic rehabilitation mortgage
2 credit certificate’ means a certificate—

3 “(A) issued to the taxpayer, in accordance
4 with procedures prescribed by the Secretary,
5 with respect to a certified rehabilitation,

6 “(B) the face amount of which shall be
7 equal to the credit which would (but for this
8 subsection) be allowable under subsection (a) to
9 the taxpayer with respect to such rehabilitation,

10 “(C) which may only be transferred by the
11 taxpayer to a lending institution in connection
12 with a loan—

13 “(i) that is secured by the building
14 with respect to which the credit relates,
15 and

16 “(ii) the proceeds of which may not be
17 used for any purpose other than the acqui-
18 sition or rehabilitation of such building,
19 and

20 “(D) in exchange for which such lending
21 institution provides the taxpayer—

22 “(i) a reduction in the rate of interest
23 on the loan which results in interest pay-
24 ment reductions which are substantially

1 equivalent on a present value basis to the
 2 face amount of such certificate, or

3 “(ii) if the taxpayer so elects with re-
 4 spect to a specified amount of the face
 5 amount of such a certificate relating to a
 6 building—

7 “(I) which is a targeted area res-
 8 idence within the meaning of section
 9 143(j)(1), or

10 “(II) which is located in an en-
 11 terprise or empowerment zone,
 12 a payment which is substantially equivalent
 13 to such specified amount to be used to re-
 14 duce the taxpayer’s cost of purchasing the
 15 building (and only the remainder of such
 16 face amount shall be taken into account
 17 under clause (i)).

18 “(3) USE OF CERTIFICATE BY LENDER.—The
 19 amount of the credit specified in the certificate shall
 20 be allowed to the lender only to offset the regular
 21 tax (as defined in section 55(c)) of such lender. The
 22 lender may carry forward all unused amounts under
 23 this subsection until exhausted.

24 “(i) RECAPTURE.—

1 “(1) IN GENERAL.—If, before the end of the 5-
 2 year period beginning on the date on which the reha-
 3 bilitation of the building is completed (or, if sub-
 4 section (g) applies, the date of purchase of such
 5 building by the taxpayer)—

6 “(A) the taxpayer disposes of such tax-
 7 payer’s interest in such building, or

8 “(B) such building ceases to be used as the
 9 principal residence of the taxpayer,
 10 the taxpayer’s tax imposed by this chapter for the
 11 taxable year in which such disposition or cessation
 12 occurs shall be increased by the recapture percent-
 13 age of the credit allowed under this section for all
 14 prior taxable years with respect to such rehabilita-
 15 tion.

16 “(2) RECAPTURE PERCENTAGE.—For purposes
 17 of paragraph (1), the recapture percentage shall be
 18 determined in accordance with the table under sec-
 19 tion 50(a)(1)(B), deeming such table to be amend-
 20 ed—

21 “(A) by striking ‘If the property ceases to
 22 be investment credit property within—’ and in-
 23 serting ‘If the disposition or cessation occurs
 24 within—’, and

1 “(B) in clause (i) by striking ‘One full year
2 after placed in service’ and inserting ‘One full
3 year after the taxpayer becomes entitled to the
4 credit’.

5 “(j) BASIS ADJUSTMENTS.—For purposes of this
6 subtitle, if a credit is allowed under this section for any
7 expenditure with respect to any property (including any
8 purchase under subsection (g) and any transfer under sub-
9 section (h)), the increase in the basis of such property
10 which would (but for this subsection) result from such ex-
11 penditure shall be reduced by the amount of the credit
12 so allowed.

13 “(k) PROCESSING FEES.—Any State may impose a
14 fee for the processing of applications for the certification
15 of any rehabilitation under this section provided that the
16 amount of such fee is used only to defray expenses associ-
17 ated with the processing of such applications.

18 “(l) DENIAL OF DOUBLE BENEFIT.—No credit shall
19 be allowed under this section for any amount for which
20 credit is allowed under section 47.

21 “(m) REGULATIONS.—The Secretary shall prescribe
22 such regulations as may be appropriate to carry out the
23 purposes of this section, including regulations where less
24 than all of a building is used as a principal residence and

1 where more than 1 taxpayer use the same dwelling unit
 2 as their principal residence.”

3 (b) CONFORMING AMENDMENT.—Subsection (a) of
 4 section 1016 of such Code is amended by striking “and”
 5 at the end of paragraph (25), by striking the period at
 6 the end of paragraph (26) and inserting “, and”, and by
 7 adding at the end the following new item:

8 “(27) to the extent provided in section 24(j).”

9 (c) CLERICAL AMENDMENT.—The table of sections
 10 for subpart A of part IV of subchapter A of chapter 1
 11 of such Code is amended by inserting after the item relat-
 12 ing to section 23 the following new item:

“Sec. 24. Historic homeownership rehabilitation credit.”

13 (d) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply with respect to rehabilitations the
 15 physical work on which begins after the date of enactment
 16 of this Act.

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