

106TH CONGRESS
1ST SESSION

H. R. 1172

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 HOUSE OF REPRESENTATIVES

MARCH 17, 1999

Mr. SHAW (for himself, Mr. LEWIS of Georgia, Mrs. JOHNSON of Connecticut, Mr. CLYBURN, Mr. HOUGHTON, Mrs. THURMAN, Mr. MCCOLLUM, Mrs. MEEK of Florida, Mr. BORSKI, Mr. WEYGAND, Mr. BLAGOJEVICH, Mr. SANDLIN, Mr. MURTHA, Mr. SMITH of New Jersey, Mr. BISHOP, Mrs. KELLY, Ms. KILPATRICK, Mr. EHRLICH, Mr. ETHERIDGE, Mr. GEJDENSON, Mr. BLILEY, Mrs. LOWEY, Mr. GOODE, Mr. HINCHEY, Mr. SABO, Ms. DELAURO, Mr. FROST, Mr. PETERSON of Minnesota, Mr. PRICE of North Carolina, Mr. SNYDER, Mr. DELAHUNT, Mr. WALSH, Mr. OLVER, Mr. DEUTSCH, Mr. PETERSON of Pennsylvania, Mr. FORD, Mr. BONIOR, Ms. EDDIE BERNICE JOHNSON of Texas, Ms. LOFGREN, Mr. GUTKNECHT, and Mr. WELDON of Pennsylvania) 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 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Historic Homeowner-
3 ship Assistance Act”.

4 **SEC. 2. HISTORIC HOMEOWNERSHIP REHABILITATION**
5 **CREDIT.**

6 (a) IN GENERAL.—Subpart A of part IV of sub-
7 chapter A of chapter 1 of the Internal Revenue Code of
8 1986 (relating to nonrefundable personal credits) is
9 amended by inserting after section 25A the following new
10 section:

11 **“SEC. 25B. HISTORIC HOMEOWNERSHIP REHABILITATION**
12 **CREDIT.**

13 “(a) GENERAL RULE.—In the case of an individual,
14 there shall be allowed as a credit against the tax imposed
15 by this chapter for the taxable year an amount equal to
16 20 percent of the qualified rehabilitation expenditures
17 made by the taxpayer with respect to a qualified historic
18 home.

19 “(b) DOLLAR LIMITATION.—

20 “(1) IN GENERAL.—The credit allowed by sub-
21 section (a) with respect to any residence of a tax-
22 payer shall not exceed \$40,000 (\$20,000 in the case
23 of a married individual filing a separate return).

24 “(2) CARRYFORWARD OF CREDIT UNUSED BY
25 REASON OF LIMITATION BASED ON TAX LIABIL-
26 ITY.—If the credit allowable under subsection (a) for

1 any taxable year exceeds the limitation imposed by
 2 section 26(a) for such taxable year reduced by the
 3 sum of the credits allowable under this subpart
 4 (other than this section), such excess shall be carried
 5 to the succeeding taxable year and added to the
 6 credit allowable under subsection (a) for such suc-
 7 ceeding taxable year.

8 “(c) QUALIFIED REHABILITATION EXPENDITURE.—
 9 For purposes of this section:

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

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

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

19 “(2) CERTAIN EXPENDITURES NOT IN-
 20 CLUDED.—

21 “(A) EXTERIOR.—Such term shall not in-
 22 clude any expenditure in connection with the re-
 23 habilitation of a building unless at least 5 per-
 24 cent of the total expenditures made in the reha-

1 bilitation process are allocable to the rehabilita-
2 tion of the exterior of such building.

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

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

12 “(d) CERTIFIED REHABILITATION.—For purposes of
13 this section:

14 “(1) IN GENERAL.—Except as otherwise pro-
15 vided in this subsection, the term ‘certified rehabili-
16 tation’ has the meaning given such term by section
17 47(c)(2)(C).

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

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

1 “(i) the feasibility of preserving exist-
2 ing architectural and design elements of
3 the interior of such building,

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

9 “(iii) the effects of such deterioration
10 or demolition on neighboring historic prop-
11 erties.

12 “(B) BUILDINGS TO WHICH THIS PARA-
13 GRAPH APPLIES.—This paragraph shall apply
14 with respect to any building—

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

18 “(ii) which is located within an enter-
19 prise or empowerment zone,

20 but shall not apply with respect to any building
21 which is listed in the National Register.

22 “(3) APPROVED STATE PROGRAM.—The term
23 ‘certified rehabilitation’ includes a certification made
24 by—

1 “(A) a State Historic Preservation Officer
 2 who administers a State Historic Preservation
 3 Program approved by the Secretary of the Inte-
 4 rior pursuant to section 101(b)(1) of the Na-
 5 tional Historic Preservation Act, or

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

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

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

19 “(1) QUALIFIED HISTORIC HOME.—The term
 20 ‘qualified historic home’ means a certified historic
 21 structure—

22 “(A) which has been substantially rehabili-
 23 tated, and

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

25 “(i) is owned by the taxpayer, and

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

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

9 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-
10 cipal residence’ has the same meaning as when used
11 in section 121.

12 “(4) CERTIFIED HISTORIC STRUCTURE.—

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

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

1 “(5) ENTERPRISE OR EMPOWERMENT ZONE.—

2 The term ‘enterprise or empowerment zone’ means
3 any area designated under section 1391 as an enter-
4 prise community or an empowerment zone.

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

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

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

23 “(9) ALLOCATION OF EXPENDITURES RELAT-
24 ING TO EXTERIOR OF BUILDING CONTAINING COOP-
25 ERATIVE OR CONDOMINIUM UNITS.—The percentage

1 of the total expenditures made in the rehabilitation
 2 of a building containing cooperative or condominium
 3 residential units allocated to the rehabilitation of the
 4 exterior of the building shall be attributed propor-
 5 tionately to each cooperative or condominium resi-
 6 dential unit in such building for which a credit
 7 under this section is claimed.

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

13 “(1) on the date the rehabilitation is completed,
 14 or

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

18 Regulations under paragraph (2) shall include a rule simi-
 19 lar to the rule under section 50(a)(2) (relating to recap-
 20 ture if property ceases to qualify for progress expendi-
 21 tures).

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

24 “(1) IN GENERAL.—In the case of a qualified
 25 purchased historic home, the taxpayer shall be treat-

1 ed as having made (on the date of purchase) the ex-
2 penditures made by the seller of such home which
3 would be qualified rehabilitation expenditures had
4 such expenditures been made by the taxpayer and
5 had such home been a qualified historic home of the
6 taxpayer at the time such expenditures were made.

7 “(2) QUALIFIED PURCHASED HISTORIC
8 HOME.—For purposes of this subsection, the term
9 ‘qualified purchased historic home’ means any sub-
10 stantially rehabilitated certified historic structure
11 purchased by the taxpayer if—

12 “(A) the taxpayer is the first purchaser of
13 such structure after the date rehabilitation is
14 completed, and the purchase occurs within 5
15 years after such date,

16 “(B) the structure (or a portion thereof)
17 will, within a reasonable period, be the principal
18 residence of the taxpayer,

19 “(C) no credit was allowed to the seller
20 under this section or section 47 with respect to
21 such rehabilitation, and

22 “(D) the taxpayer is furnished with such
23 information as the Secretary determines is nec-
24 essary to determine the credit under this sub-
25 section.

1 “(h) HISTORIC REHABILITATION MORTGAGE CREDIT
2 CERTIFICATE.—

3 “(1) IN GENERAL.—The taxpayer may elect, in
4 lieu of the credit otherwise allowable under this sec-
5 tion, to receive a historic rehabilitation mortgage
6 credit certificate. An election under this paragraph
7 shall be made—

8 “(A) in the case of a building to which
9 subsection (g) applies, at the time of purchase,
10 or

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

13 “(2) HISTORIC REHABILITATION MORTGAGE
14 CREDIT CERTIFICATE.—For purposes of this sub-
15 section, the term ‘historic rehabilitation mortgage
16 credit certificate’ means a certificate—

17 “(A) issued to the taxpayer, in accordance
18 with procedures prescribed by the Secretary,
19 with respect to a certified rehabilitation,

20 “(B) the face amount of which shall be
21 equal to the credit which would (but for this
22 subsection) be allowable under subsection (a) to
23 the taxpayer with respect to such rehabilitation,

24 “(C) which may only be transferred by the
25 taxpayer to a lending institution (including a

1 nondepository institution) in connection with a
2 loan—

3 “(i) that is secured by the building
4 with respect to which the credit relates,
5 and

6 “(ii) the proceeds of which may not be
7 used for any purpose other than the acqui-
8 sition or rehabilitation of such building,
9 and

10 “(D) in exchange for which such lending
11 institution provides to the taxpayer—

12 “(i) a reduction in the rate of interest
13 on the loan which results in interest pay-
14 ment reductions which are substantially
15 equivalent on a present value basis to the
16 face amount of such certificate, or

17 “(ii) if the taxpayer so elects with re-
18 spect to a specified amount of the face
19 amount of such a certificate relating to a
20 building—

21 “(I) which is a targeted area res-
22 idence (within the meaning of section
23 143(j)(1)), or

24 “(II) which is located in an en-
25 terprise or empowerment zone,

1 a payment which is substantially equivalent
2 to such specified amount to be used to re-
3 duce the taxpayer's cost of purchasing the
4 building (and only the remainder of such
5 face amount shall be taken into account
6 under clause (i)).

7 “(3) USE OF CERTIFICATE BY LENDER.—The
8 amount of the credit specified in the certificate shall
9 be allowed to the lender only to offset the regular
10 tax (as defined in section 55(c)) of such lender. The
11 lender may carry forward all unused amounts under
12 this subsection until exhausted.

13 “(4) HISTORIC REHABILITATION MORTGAGE
14 CREDIT CERTIFICATE NOT TREATED AS TAXABLE IN-
15 COME.—Notwithstanding any other provision of law,
16 no benefit accruing to the taxpayer through the use
17 of a historic rehabilitation mortgage credit certifi-
18 cate shall be included in gross income for purposes
19 of this title.

20 “(i) RECAPTURE.—

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

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

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

11 “(2) RECAPTURE PERCENTAGE.—For purposes
12 of paragraph (1), the recapture percentage shall be
13 determined in accordance with the table under
14 section 50(a)(1)(B), deeming such table to be
15 amended—

16 “(A) by striking ‘If the property ceases to
17 be investment credit property within—’ and in-
18 serting ‘If the disposition or cessation occurs
19 within—’, and

20 “(B) in clause (i) by striking ‘One full year
21 after placed in service’ and inserting ‘One full
22 year after the taxpayer becomes entitled to the
23 credit’.

24 “(j) BASIS ADJUSTMENTS.—For purposes of this
25 subtitle, if a credit is allowed under this section for any

1 expenditure with respect to any property (including any
2 purchase under subsection (g) and any transfer under sub-
3 section (h)), the increase in the basis of such property
4 which would (but for this subsection) result from such ex-
5 penditure shall be reduced by the amount of the credit
6 so allowed.

7 “(k) PROCESSING FEES.—Any State may impose a
8 fee for the processing of applications for the certification
9 of any rehabilitation under this section provided that the
10 amount of such fee is used only to defray expenses associ-
11 ated with the processing of such applications.

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

15 “(m) REGULATIONS.—The Secretary shall prescribe
16 such regulations as may be appropriate to carry out the
17 purposes of this section, including regulations where less
18 than all of a building is used as a principal residence and
19 where more than 1 taxpayer use the same dwelling unit
20 as their principal residence.”

21 (b) CONFORMING AMENDMENTS.—

22 (1) Subsection (c) of section 23 of such Code
23 is amended by striking “and section 1400C” and in-
24 serting “and sections 25B and 1400C”.

1 (2) Subparagraph (C) of section 25(e)(1) of
2 such Code is amended by inserting “, 25B,” after
3 “sections 23”.

4 (3) Subsection (d) of section 1400C of such
5 Code is amended by striking “other than this sec-
6 tion)” and inserting “other than this section and
7 section 25B)”.

8 (4) Subsection (a) of section 1016 of such Code
9 is amended by striking “and” at the end of para-
10 graph (26), by striking the period at the end of
11 paragraph (27) and inserting “, and”, and by add-
12 ing at the end the following new item:

13 “(28) to the extent provided in section 25B(j).”

14 (c) CLERICAL AMENDMENT.—The table of sections
15 for subpart A of part IV of subchapter A of chapter 1
16 of such Code is amended by inserting after the item relat-
17 ing to section 25A the following new item:

 “Sec. 25B. Historic homeownership rehabilitation credit.”

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply with respect to rehabilitations the
20 physical work on which begins after the date of enactment
21 of this Act.

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