

106TH CONGRESS
1ST SESSION

H. R. 2400

To amend the Internal Revenue Code of 1986 to modify the low-income housing credit.

IN THE HOUSE OF REPRESENTATIVES

JUNE 30, 1999

Mrs. JOHNSON of Connecticut 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 modify the low-income housing credit.

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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Affordable Housing Improvement Act of 1999”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. MODIFICATION OF CRITERIA FOR ALLOCATING**
 4 **HOUSING CREDITS AMONG PROJECTS.**

5 (a) SELECTION CRITERIA.—Subparagraph (C) of
 6 section 42(m)(1) (relating to certain selection criteria
 7 must be used) is amended—

8 (1) by inserting “, including whether the project
 9 includes the use of existing housing as part of a
 10 community revitalization plan” before the comma at
 11 the end of clause (iii), and

12 (2) by striking clauses (v), (vi), and (vii) and
 13 inserting the following new clauses:

14 “(v) tenant populations with special
 15 housing needs,

16 “(vi) public housing waiting lists,

17 “(vii) tenant populations of individ-
 18 uals with children, and

19 “(viii) projects intended for eventual
 20 tenant ownership.”

21 (b) PREFERENCE FOR COMMUNITY REVITALIZATION
 22 PROJECTS LOCATED IN QUALIFIED CENSUS TRACTS.—
 23 Clause (ii) of section 42(m)(1)(B) is amended by striking
 24 “and” at the end of subclause (I), by adding “and” at

1 the end of subclause (II), and by inserting after subclause
 2 (II) the following new subclause:

3 “(III) projects which are located
 4 in qualified census tracts (as defined
 5 in subsection (d)(5)(C)) and the devel-
 6 opment of which contributes to a con-
 7 certed community revitalization
 8 plan,”.

9 **SEC. 3. ADDITIONAL RESPONSIBILITIES OF HOUSING**
 10 **CREDIT AGENCIES.**

11 (a) MARKET STUDY; PUBLIC DISCLOSURE OF RA-
 12 TIONALE FOR NOT FOLLOWING CREDIT ALLOCATION
 13 PRIORITIES.—Subparagraph (A) of section 42(m)(1) (re-
 14 lating to responsibilities of housing credit agencies) is
 15 amended by striking “and” at the end of clause (i), by
 16 striking the period at the end of clause (ii) and inserting
 17 a comma, and by adding at the end the following new
 18 clauses:

19 “(iii) a comprehensive market study
 20 of the housing needs of low-income individ-
 21 uals in the area to be served by the build-
 22 ing is conducted before the credit alloca-
 23 tion is made and at the developer’s expense
 24 by a disinterested party who is approved
 25 by such agency, and

1 “(iv) a written explanation is available
 2 to the general public for any allocation of
 3 a housing credit dollar amount which is
 4 not made in accordance with established
 5 priorities and selection criteria of the hous-
 6 ing credit agency.”.

7 (b) SITE VISITS.—Clause (iii) of section 42(m)(1)(B)
 8 (relating to qualified allocation plan) is amended by insert-
 9 ing before the period “and in monitoring for noncompli-
 10 ance with habitability standards through regular site vis-
 11 its”.

12 **SEC. 4. MODIFICATIONS TO RULES RELATING TO BASIS OF**
 13 **BUILDING WHICH IS ELIGIBLE FOR CREDIT.**

14 (a) HOME ASSISTANCE NOT TO DISQUALIFY
 15 BUILDING FOR ADDITIONAL CREDIT AVAILABLE TO
 16 BUILDINGS IN HIGH COST AREAS.—Clause (i) of section
 17 42(i)(2)(E) (relating to buildings receiving HOME assist-
 18 ance) is amended by striking the last sentence.

19 (b) ADJUSTED BASIS TO INCLUDE PORTION OF CER-
 20 TAIN BUILDINGS USED BY LOW-INCOME INDIVIDUALS
 21 WHO ARE NOT TENANTS AND BY PROJECT EMPLOY-
 22 EES.—Paragraph (4) of section 42(d) (relating to special
 23 rules relating to determination of adjusted basis) is
 24 amended—

1 (1) by striking “subparagraph (B)” in subpara-
2 graph (A) and inserting “subparagraphs (B) and
3 (C)”,

4 (2) by redesignating subparagraph (C) as sub-
5 paragraph (D), and

6 (3) by inserting after subparagraph (B) the fol-
7 lowing new subparagraph:

8 “(C) INCLUSION OF BASIS OF PROPERTY
9 USED TO PROVIDE SERVICES FOR CERTAIN
10 NONTENANTS.—

11 “(i) IN GENERAL.—The adjusted
12 basis of any building located in a qualified
13 census tract (as defined in paragraph
14 (5)(C)) shall be determined by taking into
15 account the adjusted basis of property (of
16 a character subject to the allowance for de-
17 preciation and not otherwise taken into ac-
18 count) used throughout the taxable year in
19 providing any community service facility.

20 “(ii) LIMITATION.—The increase in
21 the adjusted basis of any building which is
22 taken into account by reason of clause (i)
23 shall not exceed 20 percent of the eligible
24 basis of the qualified low-income housing
25 project of which it is a part. For purposes

of the preceding sentence, all community service facilities which are part of the same qualified low-income housing project shall be treated as 1 facility.

“(iii) COMMUNITY SERVICE FACILITY.—For purposes of this subparagraph, the term ‘community service facility’ means any facility designed to serve primarily individuals whose income is 60 percent or less of area median income (within the meaning of subsection (g)(1)(B)).”.

SEC. 5. OTHER MODIFICATIONS.

(a) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) SPECIAL RULES FOR LOW-INCOME HOUSING CREDIT OF NONCORPORATE TAXPAYERS.—

“(A) IN GENERAL.—In the case of the low-income housing credit allowable to a taxpayer other than a corporation—

1 “(i) this section and section 39 shall
 2 be applied separately with respect to the
 3 credit, and

4 “(ii) in applying paragraph (1) to the
 5 credit—

6 “(I) subparagraph (A) shall not
 7 apply, and

8 “(II) the limitation under para-
 9 graph (1) (as modified by subclause
 10 (I)) shall be reduced by the credit al-
 11 lowed under subsection (a) for the
 12 taxable year (other than the low-in-
 13 come housing credit).

14 “(B) LOW-INCOME HOUSING CREDIT.—For
 15 purposes of this subsection, the term ‘low-in-
 16 come housing credit’ means the credit allowable
 17 under subsection (a) by reason of section
 18 42(a).”

19 (2) CONFORMING AMENDMENT.—Subclause (II)
 20 of section 38(c)(2)(A)(ii) is amended by inserting
 21 “or the low-income housing credit” after “employ-
 22 ment credit”.

23 (b) ALLOCATION OF CREDIT LIMIT TO CERTAIN
 24 BUILDINGS.—

1 (1) The first sentence of section 42(h)(1)(E)(ii)
 2 is amended by striking “(as of” the first place it ap-
 3 pears and inserting “(as of the later of the date
 4 which is 6 months after the date that the allocation
 5 was made or”.

6 (2) The last sentence of section 42(h)(3)(C) is
 7 amended by striking “project which” and inserting
 8 “project which fails to meet the 10 percent test
 9 under paragraph (1)(E)(ii) on a date after the close
 10 of the calendar year in which the allocation was
 11 made or which”.

12 (c) DETERMINATION OF WHETHER BUILDINGS ARE
 13 LOCATED IN HIGH COST AREAS.—The first sentence of
 14 section 42(d)(5)(C)(ii)(I) is amended—

15 (1) by inserting “either” before “in which 50
 16 percent”, and

17 (2) by inserting before the period “ or which
 18 has a poverty rate of at least 25 percent”.

19 **SEC. 6. EFFECTIVE DATE.**

20 (a) IN GENERAL.—Except as otherwise provided in
 21 this section, the amendments made by this Act shall apply
 22 to—

23 (1) housing credit dollar amounts allocated
 24 after December 31, 1999, and

1 (2) buildings placed in service after December
2 31, 1999, to the extent paragraph (1) of section
3 42(h) of the Internal Revenue Code of 1986 does
4 not apply to any building by reason of paragraph (4)
5 thereof, but only with respect to bonds issued after
6 December 31, 1999.

7 (b) SECTIONS 2 AND 3.—In the case of the amend-
8 ments made by sections 2 and 3, subsection (a) of this
9 section shall be applied by substituting “December 31,
10 2000” for “December 31, 1999” each place it appears.

11 (c) CREDIT ALLOWED AGAINST MINIMUM TAX.—
12 The amendments made by section 5(a) shall apply to tax-
13 able years beginning after December 31, 1999.

○