

106TH CONGRESS
1ST SESSION

S. 664

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 18, 1999

Mr. CHAFEE (for himself, Mr. GRAHAM, Mr. JEFFORDS, and Mr. BREAUX) 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 25A the following new
 7 section:

8 **“SEC. 25B. 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 \$40,000 (\$20,000 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 121.

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 “(9) ALLOCATION OF EXPENDITURES RELAT-
20 ING TO EXTERIOR OF BUILDING CONTAINING COOP-
21 ERATIVE OR CONDOMINIUM UNITS.—The percentage
22 of the total expenditures made in the rehabilitation
23 of a building containing cooperative or condominium
24 residential units allocated to the rehabilitation of the
25 exterior of the building shall be attributed propor-

1 tionately to each cooperative or condominium resi-
 2 dential unit in such building for which a credit
 3 under this section is claimed.

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

9 “(1) on the date the rehabilitation is completed,
 10 or

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

14 Regulations under paragraph (2) shall include a rule simi-
 15 lar to the rule under section 50(a)(2) (relating to recap-
 16 ture if property ceases to qualify for progress expendi-
 17 tures).

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

20 “(1) IN GENERAL.—In the case of a qualified
 21 purchased historic home, the taxpayer shall be treat-
 22 ed as having made (on the date of purchase) the
 23 qualified rehabilitation expenditures made by the
 24 seller of such home. For purposes of the preceding
 25 sentence, expenditures made by the seller shall be

1 deemed to be qualified rehabilitation expenditures if
 2 such expenditures, if made by the purchaser, would
 3 be qualified rehabilitation expenditures.

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

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

13 “(B) the structure (or a portion thereof)
 14 will, within a reasonable period, be the principal
 15 residence of the taxpayer,

16 “(C) no credit was allowed to the seller
 17 under this section or section 47 with respect to
 18 such rehabilitation, and

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

23 “(h) HISTORIC REHABILITATION MORTGAGE CREDIT
 24 CERTIFICATE.—

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

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

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

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

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

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

22 “(C) which may only be transferred by the
23 taxpayer to a lending institution (including a
24 non-depository institution) in connection with a
25 loan—

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

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

8 “(D) in exchange for which such lending
9 institution provides the taxpayer—

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

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

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

22 “(II) which is located in an en-
23 terprise or empowerment zone,
24 a payment which is substantially equivalent
25 to such specified amount to be used to re-

1 duce the taxpayer’s cost of purchasing the
 2 building (and only the remainder of such
 3 face amount shall be taken into account
 4 under clause (i)).

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

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

18 “(i) RECAPTURE.—

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

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

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

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

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

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

22 “(j) BASIS ADJUSTMENTS.—For purposes of this
 23 subtitle, if a credit is allowed under this section for any
 24 expenditure with respect to any property (including any
 25 purchase under subsection (g) and any transfer under sub-

1 section (h)), the increase in the basis of such property
 2 which would (but for this subsection) result from such ex-
 3 penditure shall be reduced by the amount of the credit
 4 so allowed.

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

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

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

19 (b) CONFORMING AMENDMENT.—Subsection (a) of
 20 section 1016 of the Internal Revenue Code of 1986 is
 21 amended by striking “and” at the end of paragraph (26),
 22 by striking the period at the end of paragraph (27) and
 23 inserting “, and”, and by adding at the end the following
 24 new item:

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

1 (c) CLERICAL AMENDMENT.—The table of sections
2 for subpart A of part IV of subchapter A of chapter 1
3 of the Internal Revenue Code of 1986 is amended by in-
4 serting after the item relating to section 25A the following
5 new item:

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

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply with respect to rehabilitations the
8 physical work on which begins after the date of enactment
9 of this Act.

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