

107TH CONGRESS  
2D SESSION

# H. R. 4933

To promote State historic tax credits.

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IN THE HOUSE OF REPRESENTATIVES

JUNE 13, 2002

Mr. GEPHARDT introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To promote State historic tax credits.

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 Rehabilitation  
5       Enhancement Act of 2002”.

6       **SEC. 2. SPECIAL RULES FOR DISPOSITIONS OF STATE HIS-**  
7       **TORIC TAX CREDITS.**

8       (a) PROCEEDS NOT INCOME; REDUCTION IN  
9       BASIS.—

10       (1) IN GENERAL.—In the case of a taxpayer  
11       who receives a State historic tax credit and transfers

1 or disposes of such credit, or receives a refund of all  
2 or a portion of such credit—

3 (A) no portion of the net proceeds of such  
4 transfer or disposition or of such refund shall  
5 constitute income to such taxpayer under sec-  
6 tion 61(a) of the Internal Revenue Code of  
7 1986, and

8 (B) the taxpayer's adjusted basis in the  
9 property with respect to which the State his-  
10 toric tax credit is allowed shall be reduced by  
11 an amount equal to such net proceeds or refund  
12 received by such taxpayer,

13 unless the taxpayer makes an election under sub-  
14 section (b).

15 (2) DETERMINATION OF REDUCTION IN  
16 BASIS.—The reduction in basis under paragraph (1)  
17 shall be applied—

18 (A) first, against the basis in the under-  
19 lying real property,

20 (B) second, against the adjusted cost of  
21 acquisition, exclusive of land, as defined in sec-  
22 tion 47(c)(2)(B)(ii) of the Internal Revenue  
23 Code of 1986, and

24 (C) third, against the remaining basis in  
25 the property.

1           (3) ADJUSTMENT IN BASIS OF INTEREST IN  
2       PARTNERSHIP OR S CORPORATION.—The adjusted  
3       basis of—

4                   (A) a partner's interest in a partnership,  
5                   or

6                   (B) stock in an S corporation (as defined  
7           in section 1361(a)(1) of such Code),  
8       shall be appropriately adjusted to take into account  
9       adjustments made under this subsection in the basis  
10      of property held by the partnership or S corporation  
11      (if any).

12      (b) ELECTION TO INCLUDE IN INCOME.—

13           (1) IN GENERAL.—In the case of a taxpayer  
14      who elects to have this subsection apply, the net pro-  
15      ceeds of the transfer or disposition or the refund de-  
16      scribed in subsection (a) received by such taxpayer  
17      shall constitute income to such taxpayer under sec-  
18      tion 61(a) of the Internal Revenue Code of 1986.

19           (2) MAKING OF ELECTION.—An election under  
20      this subsection shall be made at such time and in  
21      such manner as the Secretary of the Treasury may  
22      by regulation prescribe. Such election shall apply for  
23      the taxable year for which it is made and for all sub-  
24      sequent taxable years and may be revoked only with  
25      the consent of the Secretary of the Treasury.

1       (c) EFFECT ON QUALIFIED REHABILITATION EX-  
2 PENDITURES AND REHABILITATION CREDITS.—For pur-  
3 poses of determining the rehabilitation credit allowable to  
4 a taxpayer under section 47 of the Internal Revenue Code  
5 of 1986, the transfer or disposition of State historic tax  
6 credits with respect to any property by a taxpayer shall  
7 not affect or reduce the amount of qualified rehabilitation  
8 expenditures (as defined in section 47(c)(2) of such Code)  
9 incurred in connection with such property, nor shall such  
10 transfer or disposition, nor any basis adjustments under  
11 subsection (a), be treated as an early disposition of invest-  
12 ment credit property for purposes of the recapture provi-  
13 sions of section 50 of such Code.

14       (d) STATE HISTORIC TAX CREDITS DEFINED.—For  
15 purposes of this section, the term “State historic tax cred-  
16 it” means any credit against State or local tax liabilities  
17 which—

18               (1) is allowable under the laws of any State or  
19       political subdivision thereof to a taxpayer with re-  
20       spect to expenditures made for the rehabilitation of  
21       property identified by such laws, and

22               (2) is transferable or refundable under such  
23       laws.

1       (e) EFFECTIVE DATE.—This section shall apply to  
2 transfers or dispositions made, or refunds received, after  
3 the date of the enactment of this Act.

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