

108TH CONGRESS
1ST SESSION

H. R. 1913

To amend the Internal Revenue Code of 1986 to allow a first time homebuyer credit for the purchase of principal residences located in rural areas.

IN THE HOUSE OF REPRESENTATIVES

MAY 1, 2003

Mr. DAVIS of Alabama (for himself, Mr. LEACH, Mr. ROSS, Mr. HINOJOSA, and Mr. LUCAS of Kentucky) 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 allow a first time homebuyer credit for the purchase of principal residences located in rural areas.

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 “Rural Housing Tax
5 Credit Act of 2003”.

1 **SEC. 2. CREDIT FOR PURCHASE OF PRINCIPAL RESI-**
 2 **DENCES BY FIRST-TIME RURAL HOME-**
 3 **BUYERS.**

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

8 **“SEC. 25C. PURCHASE OF PRINCIPAL RESIDENCES BY**
 9 **FIRST-TIME RURAL HOMEBUYERS.**

10 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
 11 dividual who is a first-time homebuyer of a principal resi-
 12 dence in a rural area during any taxable year, there shall
 13 be allowed as a credit against the tax imposed by this
 14 chapter for the taxable year an amount equal to the lesser
 15 of—

16 “(1) 10 percent of the purchase price of the
 17 residence, or

18 “(2) \$5,000.

19 “(b) LIMITATIONS.—

20 “(1) LIMITATION BASED ON ADJUSTED GROSS
 21 INCOME.—

22 “(A) IN GENERAL.—The amount allowed
 23 as a credit under subsection (a) for any taxable
 24 year shall be reduced (but not below zero) by
 25 the amount which bears the same ratio to such
 26 amount as—

1 “(i) the excess of—

2 “(I) the taxpayer’s modified ad-
3 justed gross income for such taxable
4 year, over

5 “(II) \$30,000 (\$60,000 in the
6 case of a joint return), bears to

7 “(ii) \$10,000 (\$20,000 in the case of
8 a joint return).

9 “(B) MODIFIED ADJUSTED GROSS IN-
10 COME.—For purposes of subparagraph (A), the
11 term ‘modified adjusted gross income’ means
12 the adjusted gross income of the taxpayer for
13 the taxable year increased by any amount ex-
14 cluded from gross income under section 911,
15 931, or 933.

16 “(2) LIMITATION BASED ON AMOUNT OF
17 TAX.—The credit allowed under subsection (a) for
18 any taxable year shall not exceed the excess of—

19 “(A) the sum of the regular tax liability
20 (as defined in section 26(b)) plus the tax im-
21 posed by section 55, over

22 “(B) the sum of the credits allowable
23 under this subpart (other than this section and
24 section 23) and section 27 for the taxable year.

1 “(3) MARRIED INDIVIDUALS FILING JOINTLY.—

2 In the case of a husband and wife who file a joint
3 return, the credit under this section is allowable only
4 if the residence is a qualified residence with respect
5 to both the husband and wife, and the amount speci-
6 fied under subsection (a)(2) shall apply to the joint
7 return.

8 “(4) MARRIED INDIVIDUALS FILING SEPA-
9 RATELY.—In the case of a married individual filing
10 a separate return, subsection (a)(2) shall be applied
11 by substituting ‘\$2,500’ for ‘\$5,000’.

12 “(5) OTHER TAXPAYERS.—If 2 or more individ-
13 uals who are not married purchase a qualified resi-
14 dence, the amount of the credit allowed under sub-
15 section (a) shall be allocated among such individuals
16 in such manner as the Secretary may prescribe, ex-
17 cept that the total amount of the credits allowed to
18 all such individuals shall not exceed \$5,000.

19 “(c) DEFINITIONS.—For purposes of this section—

20 “(1) RURAL AREA.—The term ‘rural area’ has
21 the meaning given such term by section 520 of the
22 Housing Act of 1949.

23 “(2) FIRST-TIME HOMEBUYER.—The term
24 ‘first-time homebuyer’ has the meaning given such
25 term by section 72(t)(8)(D)(i).

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

4 “(4) PURCHASE AND PURCHASE PRICE.—The
5 terms ‘purchase’ and ‘purchase price’ have the
6 meanings provided by section 1400C(e).

7 “(d) CARRYFORWARD OF UNUSED CREDIT.—If the
8 credit allowable under subsection (a) for any taxable year
9 exceeds the limitation imposed by subsection (b)(2) for
10 such taxable year reduced by the sum of the credits allow-
11 able under this subpart (other than this section and sec-
12 tion 23), such excess shall be carried to the succeeding
13 taxable year and added to the credit allowable under sub-
14 section (a) for such taxable year.

15 “(e) REPORTING.—If the Secretary requires informa-
16 tion reporting under section 6045 by a person described
17 in subsection (e)(2) thereof to verify the eligibility of tax-
18 payers for the credit allowable by this section, the excep-
19 tion provided by section 6045(e)(5) shall not apply.

20 “(f) RECAPTURE OF CREDIT IN CASE OF CERTAIN
21 SALES.—

22 “(1) IN GENERAL.—Except as provided in para-
23 graph (5), if the taxpayer—

24 “(A) fails to use a qualified residence as
25 the principal residence of the taxpayer, or

1 “(B) disposes of a qualified residence,
2 with respect to the purchase of which a credit was
3 allowed under subsection (a) at any time within 5
4 years after the date the taxpayer acquired the prop-
5 erty, then the tax imposed under this chapter for the
6 taxable year in which the disposition occurs is in-
7 creased by the credit recapture amount.

8 “(2) CREDIT RECAPTURE AMOUNT.—For pur-
9 poses of paragraph (1), the credit recapture amount
10 is an amount equal to the sum of—

11 “(A) the applicable recapture percentage of
12 the amount of the credit allowed to the tax-
13 payer under this section, plus

14 “(B) interest at the overpayment rate es-
15 tablished under section 6621 on the amount de-
16 termined under subparagraph (A) for each
17 prior taxable year for the period beginning on
18 the due date for filing the return for the prior
19 taxable year involved.

20 No deduction shall be allowed under this chapter for
21 interest described in subparagraph (B).

22 “(3) APPLICABLE RECAPTURE PERCENTAGE.—

23 “(A) IN GENERAL.—For purposes of this
24 subsection, the applicable recapture percentage
25 shall be determined from the following table:

“If the sale occurs in:	The applicable recapture percentage is:
Year 1	100
Year 2	80
Year 3	60
Year 4	40
Year 5	20
Years 6 and thereafter	0.

1 “(B) YEARS.—For purposes of subpara-
2 graph (A), year 1 shall begin on the first day
3 of the taxable year in which the purchase of the
4 qualified residence described in subsection (a)
5 occurs.

6 “(4) NO CREDITS AGAINST TAX.—Any increase
7 in tax under this subsection shall not be treated as
8 a tax imposed by this chapter for purposes of deter-
9 mining the amount of any credit under this chapter
10 or for purposes of section 55.

11 “(5) DEATH OF OWNER; CASUALTY LOSS; IN-
12 VOLUNTARY CONVERSION; ETC.—The provisions of
13 paragraph (1) do not apply to—

14 “(A) a disposition of a qualified residence
15 made on account of the death of any individual
16 having a legal or equitable interest therein oc-
17 curring during the 5-year period to which ref-
18 erence is made under paragraph (1),

19 “(B) a disposition of the old qualified resi-
20 dence if it is substantially or completely de-
21 stroyed by a casualty described in section

1 165(c)(3) or compulsorily or involuntarily con-
 2 verted (within the meaning of section 1033(a)),
 3 or

4 “(C) a disposition pursuant to a settlement
 5 in a divorce or legal separation proceeding
 6 where the qualified residence is sold or the
 7 other spouse retains such residence.

8 “(g) BASIS ADJUSTMENT.—For purposes of this sub-
 9 title, if a credit is allowed under this section with respect
 10 to the purchase of any residence, the basis of such resi-
 11 dence shall be reduced by the amount of the credit so al-
 12 lowed.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Subsection (a) of section 1016 of such Code
 15 (relating to general rule for adjustments to basis) is
 16 amended by striking “and” at the end of paragraph
 17 (27), by striking the period at the end of paragraph
 18 (28) and inserting “, and”, and by adding at the
 19 end the following new paragraph:

20 “(29) in the case of a residence with respect to
 21 which a credit was allowed under section 25C, to the
 22 extent provided in section 25C(g).”.

23 (2) Section 24(b)(3)(B), as added by the Eco-
 24 nomic Growth and Tax Relief Reconciliation Act of

1 2001, is amended by striking “23 and 25B” and in-
2 serting “23, 25B, and 25C”.

3 (3) Section 25(e)(1)(C) is amended by striking
4 “23 and 1400C” and by inserting “23, 25C, and
5 1400C”.

6 (4) Section 25(e)(1)(C), as amended by the
7 Economic Growth and Tax Relief Reconciliation Act
8 of 2001, is amended by inserting “25C,” after
9 “25B,”.

10 (5) Section 25B, as added by the Economic
11 Growth and Tax Relief Reconciliation Act of 2001,
12 is amended by striking “section 23” and inserting
13 “sections 23 and 25C”.

14 (6) Section 26(a)(1), as amended by the Eco-
15 nomic Growth and Tax Relief Reconciliation Act of
16 2001, is amended by striking “and 25B” and insert-
17 ing “25B, and 25C”.

18 (7) Section 1400C(d) is amended by inserting
19 “and section 25C” after “this section”.

20 (8) Section 1400C(d), as amended by the Eco-
21 nomic Growth and Tax Relief Reconciliation Act of
22 2001, is amended by striking “and 25B” and insert-
23 ing “25B, and 25C”.

24 (9) The table of sections for subpart A of part
25 IV of subchapter A of chapter 1 is amended by in-

1 serting before the item relating to section 26 the fol-
2 lowing:

 “Sec. 25C. Purchase of principal residences by first-time rural
 homebuyers.”.

3 (c) EFFECTIVE DATE.—

4 (1) IN GENERAL.—The amendments made by
5 subsections (a) and (b)(9) shall apply to purchases
6 after the date of the enactment of this Act, in tax-
7 able years ending after such date.

8 (2) TEMPORARY CONFORMING AMENDMENTS.—

9 The amendments made by paragraphs (1), (3), and
10 (7) of subsection (b) shall apply to taxable years
11 ending before January 1, 2004.

12 (3) PERMANENT CONFORMING AMENDMENTS.—

13 The amendments made by paragraphs (2), (4), (5),
14 (6), (7), and (8) of subsection (b) shall apply to tax-
15 able years beginning after December 31, 2003.

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