

108TH CONGRESS  
2D SESSION

# H. R. 5378

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

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 17, 2004

Mr. PORTMAN (for himself, Mr. JEFFERSON, Mrs. JOHNSON of Connecticut, Mr. NEAL of Massachusetts, Mr. HOUGHTON, Mr. MCCRERY, Mrs. JONES of Ohio, Mr. ENGLISH, Mr. TURNER of Ohio, and Mr. MILLER of North Carolina) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to modify the rehabilitation credit and 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.**

4 This Act may be cited as the “Community Restora-  
5 tion and Revitalization Act of 2004”.

1 **SEC. 2. MODIFICATIONS TO RULES FOR DETERMINING THE**  
2 **APPLICABLE PERCENTAGE FOR CERTAIN**  
3 **BUILDINGS ELIGIBLE FOR LOW-INCOME**  
4 **HOUSING CREDIT.**

5 (a) IN GENERAL.—Subparagraph (B) of section  
6 42(b)(2) of the Internal Revenue Code of 1986 (relating  
7 to the method of prescribing the applicable percentage) is  
8 amended by striking “and” at the end of clause (i), by  
9 striking the period at the end of clause (ii) and inserting  
10 a comma, and by adding at the end the following new  
11 clauses:

12 “(iii) 87.5 percent of the qualified  
13 basis of a building described in paragraph  
14 (1)(A), if the basis of the building is sub-  
15 ject to the basis adjustment for rehabilita-  
16 tion credit property required under section  
17 50(c), and

18 “(iv) 37.5 percent of the qualified  
19 basis of a building described in paragraph  
20 (1)(B), if the basis of the building is sub-  
21 ject to the basis adjustment for rehabilita-  
22 tion credit property required under section  
23 50(c).”.

24 (b) EFFECTIVE DATE.—The amendments made by  
25 this section shall apply to—

1           (1) housing credit dollar amounts allocated  
2           after December 31, 2003, and

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

8   **SEC. 3. MODIFICATION TO BASIS ADJUSTMENT RULE.**

9           (a) IN GENERAL.—Paragraph (3) of subsection 50(c)  
10          of the Internal Revenue Code of 1986 (relating to special  
11          rules for determining basis) is amended by striking “en-  
12          ergy credit or reforestation credit” and inserting “energy  
13          credit, reforestation credit, or rehabilitation credit”.

14          (b) EFFECTIVE DATE.—The amendment made by  
15          this section shall apply to taxable years beginning after  
16          December 31, 2003.

17   **SEC. 4. INCREASE IN THE REHABILITATION CREDIT FOR**  
18                           **CERTAIN SMALLER PROJECTS.**

19          (a) IN GENERAL.—Section 47 of the Internal Rev-  
20          enue Code of 1986 (relating to rehabilitation credit) is  
21          amended by adding at the end the following new sub-  
22          section:

23               “(e) SPECIAL RULE REGARDING CERTAIN SMALLER  
24          PROJECTS.—

1           “(1) IN GENERAL.—In the case of any qualified  
2       rehabilitated building or portion thereof—

3           “(A) which is placed in service after the  
4       date of the enactment of this subsection, and

5           “(B) which is a smaller project,  
6       subsection (a)(2) shall be applied by substituting ‘40  
7       percent’ for ‘20 percent’ with respect to qualified re-  
8       habilitation expenditures not over \$1,000,000, and  
9       ‘20 percent’ with respect to qualified rehabilitation  
10      expenditures of over \$1,000,000.

11          “(2) SMALLER PROJECT DEFINED.—For pur-  
12      poses of this section, the term ‘smaller project’  
13      means any qualified rehabilitated building or portion  
14      thereof as to which—

15          “(A) the qualified rehabilitation expendi-  
16      tures reported by the taxpayer for purposes of  
17      calculating the credit under this section are not  
18      over \$2,000,000, except that for purposes of  
19      making this determination, qualified rehabilita-  
20      tion expenditures attributable to the provisions  
21      of subsection (c)(2)(E) shall be disregarded,  
22      and

23          “(B) no credit was allowable under this  
24      section during any of the two prior taxable  
25      years, provided that this subparagraph shall not

1           apply to any building as to which the election  
2           provided for in subsection (d)(5) shall have  
3           been made.

4           “(3) COORDINATION WITH SUBSECTION (d).—

5           With respect to any building as to which the election  
6           provided for in subsection (d)(5) shall have been  
7           made, such building shall be deemed a smaller  
8           project only if the qualified rehabilitation expendi-  
9           tures reported by the taxpayer for purposes of calcu-  
10          lating the credit under this section with respect to  
11          the taxable years to which such election shall apply  
12          are, in the aggregate, not over \$2,000,000.”.

13          (b) EFFECTIVE DATE.—The amendment made by  
14          this section shall apply to property placed in service after  
15          the date of the enactment of this Act.

16      **SEC. 5. USE FOR LODGING NOT TO DISQUALIFY FOR REHA-**  
17                      **BILITATION CREDIT PROPERTY WHICH IS**  
18                      **NOT A CERTIFIED HISTORIC STRUCTURE.**

19          (a) IN GENERAL.—Subparagraph (C) of section  
20          50(b)(2) of the Internal Revenue Code of 1986 (relating  
21          to property eligible for the investment credit) is amended  
22          by striking “certified historic structure” and inserting  
23          “qualified rehabilitated building”.

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section shall apply to property placed in service after  
 3 the date of the enactment of this Act.

4 **SEC. 6. DATE BY WHICH BUILDING MUST BE FIRST PLACED**  
 5 **IN SERVICE.**

6 (a) IN GENERAL.—Subparagraph (B) of section  
 7 47(c)(1) of the Internal Revenue Code of 1986 (relating  
 8 to the date by which building must be first placed in serv-  
 9 ice) is amended—

10 (1) by striking “BUILDING MUST BE FIRST  
 11 PLACED IN SERVICE BEFORE 1936” and inserting  
 12 “DATE BY WHICH BUILDING MUST FIRST BE  
 13 PLACED IN SERVICE”, and

14 (2) by striking “before 1936” at the end of the  
 15 subparagraph and inserting “no less than 50 years  
 16 prior to the year in which qualified rehabilitation ex-  
 17 penditures are taken into account under subsection  
 18 (b)(1)”.

19 (b) EFFECTIVE DATE.—The amendments made by  
 20 section shall apply to property placed in service after the  
 21 date of the enactment of this Act.

22 **SEC. 7. MODIFICATIONS REGARDING CERTAIN TAX-EXEMPT**  
 23 **USE PROPERTY.**

24 (a) IN GENERAL.—Clause (I) of section  
 25 47(c)(2)(B)(v) of the Internal Revenue Code of 1986 (re-

1 relating to tax-exempt use property) is amended by striking  
 2 the period at the end and inserting “(1)(B)(ii)(IV), except  
 3 that for purposes of this clause, ‘50 percent’ shall be sub-  
 4 stituted for ‘35 percent’ in applying section  
 5 168(h)(1)(B)(iii))”.

6 (b) EFFECTIVE DATE.—The amendments made by  
 7 section shall apply to property placed in service after the  
 8 date of the enactment of this Act.

9 **SEC. 8. INCREASE IN REHABILITATION CREDIT FOR BUILD-**  
 10 **INGS IN HIGH COST AREAS.**

11 (a) IN GENERAL.—Paragraph (2) of subsection 47(c)  
 12 of the Internal Revenue Code of 1986 (relating to the defi-  
 13 nition of qualified rehabilitation expenditures) is amended  
 14 by adding at the end the following new subparagraph:

15 “(E) INCREASE IN CREDIT FOR BUILDINGS  
 16 IN HIGH COST AREAS.—

17 “(i) IN GENERAL.—In the case of any  
 18 qualified rehabilitated building located in a  
 19 qualified census tract or difficult develop-  
 20 ment area which is designated for purposes  
 21 of this subparagraph, the qualified reha-  
 22 bilitation expenditures for purposes of this  
 23 section shall be 130 percent of such ex-  
 24 penditures determined without regard to  
 25 this subparagraph.

1                   “(ii) RULES.—For purposes of clause  
2                   (i), rules similar to the rules of section  
3                   42(d)(5)(C) (excluding clause (i) thereof)  
4                   shall be applied.”.

5           (b) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to property placed in service after  
7 the date of the enactment of this Act.

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