

109TH CONGRESS  
2D SESSION

# H. R. 4873

To amend the Internal Revenue Code of 1986 to encourage investment in  
affordable housing.

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IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 2006

Mr. RAMSTAD 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 encourage  
investment in affordable housing.

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. LOW-INCOME HOUSING CREDIT IMPROVE-**  
4 **MENTS.**

5 (a) RENAMING THE LOW-INCOME HOUSING CREDIT  
6 AS THE AFFORDABLE HOUSING CREDIT.—

7 (1) IN GENERAL.—The heading of section 42 of  
8 the Internal Revenue Code of 1986 (relating to low-  
9 income housing credit) is amended by striking  
10 “**LOW-INCOME**” and inserting “**AFFORDABLE**”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) Sections 38(b)(5), 42(a), 772(a)(7),  
3 and 772(d)(5) of such Code are each amended  
4 by striking “low-income” and inserting “afford-  
5 able”.

6 (B) The headings of subparagraphs (3)(D)  
7 and (6)(B) of section 469(i) of such Code are  
8 each amended by striking “LOW-INCOME” and  
9 inserting “AFFORDABLE”.

10 (C) The table of sections for subpart D of  
11 part IV of subchapter A of chapter 1 of such  
12 Code is amended by striking the item relating  
13 to section 42 and inserting the following:

“Sec. 42. Affordable housing credit.”.

14 (b) MODIFICATION OF RULES FOR DETERMINING  
15 APPLICABLE PERCENTAGE.—

16 (1) IN GENERAL.—Subsection (b) of section 42  
17 of the Internal Revenue Code of 1986 (relating to  
18 applicable percentage: 70 percent present value cred-  
19 it for certain new buildings; 30 percent present value  
20 credit for certain other buildings) is amended to  
21 read as follows:

22 “(b) APPLICABLE PERCENTAGE.—

23 “(1) IN GENERAL.—For purposes of this sec-  
24 tion, the term ‘applicable percentage’ means—

1 “(A) 9 percent in the case of any building  
2 to which subparagraph (B) does not apply, and

3 “(B) 4 percent in the case of—

4 “(i) any existing building, and

5 “(ii) any new building if, at any time  
6 during the taxable year or any prior tax-  
7 able year, there is or was outstanding any  
8 obligation—

9 “(I) not taken into account under  
10 section 146,

11 “(II) which is exempt from tax  
12 under section 103, and

13 “(III) the proceeds of which are  
14 or were used (directly or indirectly)  
15 with respect to such building or the  
16 operation thereof.

17 “(2) CROSS REFERENCES.—

18 “(A) For treatment of certain rehabilita-  
19 tion expenditures as separate new buildings, see  
20 subsection (e).

21 “(B) For determination of applicable per-  
22 centage for increases in qualified basis after the  
23 1st year of the credit period, see subsection  
24 (f)(3).

“(C) For authority of housing credit agency to limit applicable percentage and qualified basis which may be taken into account under this section with respect to any building, see subsection (h)(7).”.

(2) MODIFICATION OF RULES RELATED TO FEDERAL SUBSIDIES.—Paragraph (2) of section 42(i) of such Code (relating to determination of whether building is Federally subsidized) is amended to read as follows:

“(2) EXCEPTIONS FOR CERTAIN NEW BUILDINGS OTHERWISE SUBJECT TO 4 PERCENT CREDIT LIMITATION.—

“(A) ELECTION TO REDUCE ELIGIBLE BASIS BY PROCEEDS OF OBLIGATIONS.—A tax-exempt obligation shall not be taken into account under subsection (b)(1)(B)(ii) if the taxpayer elects to exclude the proceeds of such obligation from the eligible basis of the building for purposes of subsection (d).

“(B) SPECIAL RULE FOR SUBSIDIZED CONSTRUCTION FINANCING.—A tax-exempt obligation used to provide construction financing for any building shall not be taken into account under subsection (b)(1)(B)(ii) if—

1 “(i) such obligation (when issued)  
 2 identified the building for which the pro-  
 3 ceeds of such obligation would be used,  
 4 and

5 “(ii) such obligation is redeemed be-  
 6 fore such building is placed in service.”.

7 (c) INCREASE IN CREDIT FOR BUILDINGS IN STATE  
 8 DESIGNATED AREAS.—

9 (1) IN GENERAL.—Clause (i) of section  
 10 42(d)(5)(C) of the Internal Revenue Code of 1986  
 11 (relating to increase in credit for buildings in high  
 12 cost areas) is amended by striking “or difficult de-  
 13 velopment area” and inserting “, difficult develop-  
 14 ment area, or State designated project”.

15 (2) STATE DESIGNATED PROJECT.—Subpara-  
 16 graph (C) of section 42(d)(5) of such Code is  
 17 amended by adding at the end the following new  
 18 clause:

19 “(v) STATE DESIGNATED PROJECT.—  
 20 For purposes of this subparagraph, the  
 21 term ‘State designated project’ means any  
 22 project designated by the housing credit  
 23 agency as meeting such criteria for des-  
 24 ignation under this clause as the State in  
 25 which such project is located may specify.

1           The rules of clauses (ii)(II) and (iv) shall  
2           not apply for purposes designations made  
3           under this clause.”.

4           (3) CONFORMING AMENDMENT.—The heading  
5           of subparagraph (C) of section 42(d)(5) of such  
6           Code is amended by striking “BUILDINGS IN HIGH  
7           COST AREAS” and inserting “CERTAIN BUILDINGS”.

8           (d) MODIFICATION OF SCATTERED SITE RULE.—  
9           Paragraph (7) of section 42(g) of the Internal Revenue  
10          Code of 1986 (relating to scattered site projects) is  
11          amended to read as follows:

12           “(7) SCATTERED SITE PROJECTS.—Buildings  
13          which would (but for their lack of proximity) be  
14          treated as a project for purposes of this section shall  
15          be so treated if the rent-restricted (within the mean-  
16          ing of paragraph (2)) residential units of such  
17          project are distributed among such buildings in pro-  
18          portion to the number of residential units in each  
19          building.”.

20          (e) AFFORDABLE HOUSING CREDITS ALLOWED FOR  
21          SECTION 8 MODERATE REHABILITATION DEVELOP-  
22          MENTS.—Paragraph (2) of section 42(c) of the Internal  
23          Revenue Code of 1986 (relating to qualified low-income  
24          building) is amended by striking the last sentence.

1 (f) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to—

3 (1) housing credit dollar amounts allocated  
4 after December 31, 2006, and

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

11 **SEC. 2. REPEAL OF REQUIRED USE OF CERTAIN PRINCIPAL**  
12 **REPAYMENTS ON QUALIFIED MORTGAGE**  
13 **ISSUES TO REDEEM BONDS.**

14 (a) IN GENERAL.—Subparagraph (A) of section  
15 142(a)(2) of the Internal Revenue Code of 1986 (relating  
16 to qualified mortgage issue defined) is amended by insert-  
17 ing “and” at the end of clause (ii), by striking “, and”  
18 at the end of clause (iii) and inserting a period, and by  
19 striking clause (iv) and the last sentence.

20 (b) CONFORMING AMENDMENT.—Clause (ii) of sec-  
21 tion 142(a)(2)(D) of such Code is amended by striking  
22 “(and clause (iv) of subparagraph (A))”.

23 (c) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to repayments received after the  
25 date of the enactment of this Act.

1 **SEC. 3. COORDINATION OF CERTAIN RULES APPLICABLE**  
 2 **TO AFFORDABLE HOUSING CREDIT AND**  
 3 **QUALIFIED RESIDENTIAL RENTAL PROJECT**  
 4 **EXEMPT FACILITY BONDS.**

5 (a) DETERMINATION OF NEXT AVAILABLE UNIT.—  
 6 Paragraph (3) of section 142(d) of the Internal Revenue  
 7 Code of 1986 (relating to current income determinations)  
 8 is amended by adding at the end the following new sub-  
 9 paragraph:

10 “(C) EXCEPTION FOR PROJECTS WITH RE-  
 11 SPECT TO WHICH AFFORDABLE HOUSING CRED-  
 12 IT IS ALLOWED.—In the case of a project with  
 13 respect to which credit is allowed under section  
 14 42, the second sentence of subparagraph (B)  
 15 shall be applied by substituting ‘building (with-  
 16 in the meaning of section 42)’ for ‘project’.”.

17 (b) STUDENTS.—Paragraph (2) of section 142(d) of  
 18 the Internal Revenue Code of 1986 (relating to definitions  
 19 and special rules) is amended by adding at the end the  
 20 following new subparagraph:

21 “(C) STUDENTS.—Students (as defined in  
 22 section 151(c)(4)) shall not be treated as satis-  
 23 fying the requirements of subparagraph (A) or  
 24 (B) of paragraph (1) except under rules similar  
 25 to the rules of 42(i)(3)(D).”.



1 (c) SINGLE-ROOM OCCUPANCY UNITS.—Paragraph  
 2 (2) of section 142(d) of the Internal Revenue Code of  
 3 1986 (relating to definitions and special rules), as amend-  
 4 ed by this Act, is further amended by adding at the end  
 5 the following new subparagraph:

6 “(D) SINGLE-ROOM OCCUPANCY UNITS.—A  
 7 unit shall not fail to be treated as a residential  
 8 unit merely because such unit is a single-room  
 9 occupancy unit (within the meaning of section  
 10 42).”.

11 (d) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to determinations of the status of  
 13 qualified residential rental projects for periods beginning  
 14 after the date of the enactment of this Act, with respect  
 15 to bonds issued before, on, or after such date.

16 **SEC. 4. DISPLACED HOMEMAKERS, SINGLE PARENTS, AND**  
 17 **CERTAIN DISASTER VICTIMS TREATED AS**  
 18 **FIRST-TIME HOME BUYERS UNDER RULES**  
 19 **FOR MORTGAGE REVENUE BONDS.**

20 (a) IN GENERAL.—Paragraph (2) of section 143(d)  
 21 of the Internal Revenue Code of 1986 (relating to excep-  
 22 tions) is amended by striking “and” at the end of subpara-  
 23 graph (B), and by inserting after subparagraph (C) the  
 24 following new subparagraphs:

1           “(D) financing provided to a displaced  
2           homemaker or a single parent, and

3           “(E) financing provided for the acquisition  
4           of a residence located in an area determined by  
5           the President to warrant assistance from the  
6           Federal Government under the Robert T. Staf-  
7           ford Disaster Relief and Emergency Assistance  
8           Act by an individual whose prior primary resi-  
9           dence was in such area and was destroyed or  
10          otherwise rendered uninhabitable as a result of  
11          such disaster,”.

12          (b) DISPLACED HOMEMAKER; SINGLE PARENT.—  
13          Subsection (d) of section 143 of such Code (relating to  
14          3-year requirement) is amended by adding at the end the  
15          following new paragraph:

16               “(4) DISPLACED HOMEMAKER; SINGLE PAR-  
17          ENT.—For purposes of paragraph (2)(D)—

18               “(A) DISPLACED HOMEMAKER.—The term  
19               ‘displaced homemaker’ means an individual  
20               who—

21                       “(i) is an adult,

22                       “(ii) has not worked full-time full-year  
23                       in the labor force for a number of years  
24                       but has, during such years, worked pri-

1 marily without remuneration to care for  
 2 the home and family, and

3 “(iii) is unemployed or underemployed  
 4 and is experiencing difficulty in obtaining  
 5 or upgrading employment.

6 “(B) SINGLE PARENT.—The term ‘single  
 7 parent’ means an individual who—

8 “(i) is not a married individual, and

9 “(ii) who has one or more dependents  
 10 (within the meaning of section 152).”.

11 (c) EFFECTIVE DATE.—The amendment made by  
 12 this section shall apply to bonds originally issued after the  
 13 date of the enactment of this Act.

14 **SEC. 5. REPEAL OF RECAPTURE BOND RULE.**

15 (a) IN GENERAL.—Paragraph (6) of section 42(j) of  
 16 the Internal Revenue Code of 1986 (relating to recapture  
 17 of credit) is amended to read as follows:

18 “(6) NO RECAPTURE ON DISPOSITION OF  
 19 BUILDING (OR INTEREST THEREIN) REASONABLY  
 20 EXPECTED TO CONTINUE AS A QUALIFIED LOW-IN-  
 21 COME BUILDING.—

22 “(A) IN GENERAL.—In the case of a dis-  
 23 position of a building or an interest therein, the  
 24 taxpayer shall be discharged from liability for  
 25 any additional tax under this subsection by rea-

son of such disposition if it is reasonably expected that such building will continue to be operated as a qualified low-income building for the remaining compliance period with respect to such building.

“(B) STATUTE OF LIMITATIONS.—

“(i) EXTENSION OF PERIOD.—The period for assessing a deficiency attributable to the application of subparagraph (A) with respect to a building (or interest therein) during the compliance period with respect to such building shall not expire before the expiration of 3 years after the end of such compliance period.

“(ii) ASSESSMENT.—Such deficiency may be assessed before the expiration of the 3-year period referred to in clause (i) notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.”.

(b) INFORMATION REPORTING.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 of such Code (relating to information concerning transactions with other

1 persons) is amended by inserting after section  
2 6050T the following new section:

3 **“SEC. 6050U. RETURNS RELATING TO PAYMENT OF LOW-IN-**  
4 **COME HOUSING CREDIT REPAYMENT**  
5 **AMOUNT.**

6 “(a) REQUIREMENT OF REPORTING.—Every person  
7 who, at any time during the taxable year, is an owner of  
8 a building (or an interest therein)—

9 “(1) which is in the compliance period at any  
10 time during such year, and

11 “(2) with respect to which recapture is required  
12 by section 42(j),

13 shall, at such time as the Secretary may prescribe, make  
14 the return described in subsection (b).

15 “(b) FORM AND MANNER OF RETURNS.—A return  
16 is described in this subsection if such return—

17 “(1) is in such form as the Secretary may pre-  
18 scribe, and

19 “(2) contains—

20 “(A) the name, address, and TIN of each  
21 person who, with respect to such building or in-  
22 terest, was formerly an investor in such owner  
23 at any time during the compliance period,

1                   “(B) the amount (if any) of any credit re-  
2                   capture amount required under section 42(j),  
3                   and

4                   “(C) such other information as the Sec-  
5                   retary may prescribe.

6           “(c) STATEMENTS TO BE FURNISHED TO PERSONS  
7 WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—  
8 Every person required to make a return under subsection  
9 (a) shall furnish to each person whose name is required  
10 to be set forth in such return a written statement show-  
11 ing—

12                   “(1) the name and address of the person re-  
13                   quired to make such return and the phone number  
14                   of the information contact for such person, and

15                   “(2) the information required to be shown on  
16                   the return with respect to such person.

17 The written statement required under the preceding sen-  
18 tence shall be furnished on or before March 31 of the year  
19 following the calendar year for which the return under  
20 subsection (a) is required to be made.

21           “(d) COMPLIANCE PERIOD.—For purposes of this  
22 section, the term ‘compliance period’ has the meaning  
23 given such term by section 42(i).”.

24                   (2) ASSESSABLE PENALTIES.—

(A) Subparagraph (B) of section 6724(d)(1) of such Code (relating to definitions) is amended by redesignating clauses (xiii) through (xviii) as clauses (xiv) through (xix), respectively, and by inserting after clause (xii) the following new clause:

“(xiii) section 6050U (relating to returns relating to payment of low-income housing credit repayment amount),”.

(B) Paragraph (2) of section 6724(d) of such Code is amended by striking “or” at the end of subparagraph (AA), by striking the period at the end of subparagraph (BB) and inserting “, or”, and by adding after subparagraph (BB) the following new subparagraph:

“(CC) section 6050U (relating to returns relating to payment of low-income housing credit repayment amount).”.

(C) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code is amended by inserting after the item relating to section 6050S the following new item:

“Sec. 6050U. Returns relating to payment of low-income housing credit repayment amount.”.

(c) EFFECTIVE DATE.—

1           (1) IN GENERAL.—The amendments made by  
2       this section shall apply with respect to any liability  
3       for the credit recapture amount under section 42(j)  
4       of the Internal Revenue Code of 1986 that arises  
5       after the date of the enactment of this Act.

6           (2) SPECIAL RULE FOR LOW-INCOME HOUSING  
7       BUILDINGS SOLD BEFORE DATE OF ENACTMENT OF  
8       THIS ACT.—In the case of a building disposed of be-  
9       fore the date of the enactment of this Act with re-  
10      spect to which the taxpayer posted a bond (or alter-  
11      native form of security) under section 42(j) of the  
12      Internal Revenue Code of 1986 (as in effect before  
13      the enactment of this Act), the taxpayer may elect  
14      (by notifying the Secretary of the Treasury in writ-  
15      ing)—

16                (A) to cease to be subject to the bond re-  
17                quirements under section 42(j)(6) of such Code,  
18                as in effect before the enactment of this Act,  
19                and

20                (B) to be subject to the requirements of  
21                section 42(j) of such Code, as amended by this  
22                Act.



1 **SEC. 6. AFFORDABLE HOUSING CREDIT ALLOWED AGAINST**  
 2 **ALTERNATIVE MINIMUM TAX.**

3 (a) IN GENERAL.—Subsection (c) of section 38 of the  
 4 Internal Revenue Code of 1986 (relating to limitation  
 5 based on amount of tax) is amended by redesignating  
 6 paragraph (5) as paragraph (6) and by inserting after  
 7 paragraph (4) the following new paragraph:

8 “(5) SPECIAL RULES FOR AFFORDABLE HOUS-  
 9 ING CREDIT.—

10 “(A) IN GENERAL.—In the case of the af-  
 11 fordable housing credit—

12 “(i) this section and section 39 shall  
 13 be applied separately with respect to such  
 14 credit, and

15 “(ii) in applying paragraph (1) to  
 16 such credit—

17 “(I) the tentative minimum tax  
 18 shall be treated as being zero, and

19 “(II) the limitation under para-  
 20 graph (1) (as modified by subclause  
 21 (I)) shall be reduced by the credit al-  
 22 lowed under subsection (a) for the  
 23 taxable year (other than the afford-  
 24 able housing credit).

25 “(B) AFFORDABLE HOUSING CREDIT.—  
 26 For purposes of this subsection, the term ‘af-

1           fordable housing credit’ means the portion of  
2           the credit under subsection (a) which is attrib-  
3           utable to the credit determined under section  
4           42 (relating to affordable housing credit). ”.

5       (b) CONFORMING AMENDMENTS.—

6           (1) Subclause (II) of section 38(c)(2)(A)(ii) of  
7           such Code is amended by striking “and the specified  
8           credits” and inserting “the specified credits, and the  
9           affordable housing credit”.

10          (2) Subclause (II) of section 38(c)(3)(A)(ii) of  
11          such Code is amended by striking “and the specified  
12          credits” and inserting “, the specified credits, and  
13          the affordable housing credit”.

14          (3) Subclause (II) of section 38(c)(4)(A)(ii) of  
15          such Code is amended by inserting “and the afford-  
16          able housing credit” after “the specified credits”.

17       (c) EFFECTIVE DATE.—The amendments made by  
18       this section shall apply to taxable years beginning after  
19       December 31, 2005.

1 **SEC. 7. INTEREST ON QUALIFIED MORTGAGE BONDS,**  
 2 **QUALIFIED VETERANS' MORTGAGE BONDS,**  
 3 **AND QUALIFIED RESIDENTIAL RENTAL**  
 4 **PROJECT EXEMPT FACILITY BONDS EXEMPT**  
 5 **FROM ALTERNATIVE MINIMUM TAX.**

6 (a) IN GENERAL.—Clause (ii) of section 57(a)(5)(C)  
 7 of the Internal Revenue Code of 1986 (relating to excep-  
 8 tion for qualified 501(c)(3) bonds) is amended to read as  
 9 follows:

10 “(ii) EXCEPTION FOR CERTAIN  
 11 BONDS.—For purposes of clause (i), the  
 12 term ‘private activity bond’ shall not in-  
 13 clude—

14 “(I) any qualified 501(c)(3) bond  
 15 (as defined in section 145),

16 “(II) any qualified mortgage  
 17 bond (as defined in section 143(a)),

18 “(III) any qualified veterans’  
 19 mortgage bond (as defined in section  
 20 143(b)), and

21 “(IV) any exempt facility bond  
 22 (as defined in section 142(a)) issued  
 23 as part of an issue 95 percent or more  
 24 of the net proceeds of which are to be  
 25 used to provide qualified residential

1 rental projects (as defined in section  
2 142(d)).”.

3 (b) EFFECTIVE DATE.—The amendment made by  
4 this section shall apply to bonds originally issued after the  
5 date of the enactment of this Act.

○