

110TH CONGRESS  
1ST SESSION

# S. 584

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 SENATE OF THE UNITED STATES

FEBRUARY 14, 2007

Mrs. LINCOLN (for herself, Mr. SMITH, and Ms. LANDRIEU) introduced the following bill; which was read twice and referred to the Committee on Finance

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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 2007”.

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, 2006, and

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

9 (a) IN GENERAL.—Paragraph (3) of section 50(c) of  
10 the Internal Revenue Code of 1986 (relating to special  
11 rules for determining basis) is amended by inserting “or  
12 rehabilitation credit” after “energy credit”.

13 (b) EFFECTIVE DATE.—The amendment made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 2006.

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

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

22        "(e) SPECIAL RULE REGARDING CERTAIN SMALLER  
23 PROJECTS —

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

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

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

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

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

21                  “(B) no credit was allowable under this  
22                  section during any of the two prior taxable  
23                  years, provided that this subparagraph shall not  
24                  apply to any building as to which the election

1                   provided for in subsection (d)(5) shall have  
2                   been made.

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

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

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

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

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

1 **SEC. 6. DATE BY WHICH BUILDING MUST BE FIRST PLACED**2 **IN SERVICE.**

3 (a) IN GENERAL.—Subparagraph (B) of section  
4 47(c)(1) of the Internal Revenue Code of 1986 (relating  
5 to the date by which building must be first placed in serv-  
6 ice) is amended—

7 (1) by striking “BUILDING MUST BE FIRST  
8 PLACED IN SERVICE BEFORE 1936” in the heading  
9 and inserting “DATE BY WHICH BUILDING MUST  
10 FIRST BE PLACED IN SERVICE”, and

11 (2) by striking “before 1936” in the text and  
12 inserting “no less than 50 years prior to the year in  
13 which qualified rehabilitation expenditures are taken  
14 into account under subsection (b)(1)”.

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

18 **SEC. 7. MODIFICATIONS REGARDING CERTAIN TAX-EXEMPT  
19 USE PROPERTY.**

20 (a) IN GENERAL.—Subclause (I) of section  
21 47(c)(2)(B)(v) of the Internal Revenue Code of 1986 (re-  
22 lating to tax-exempt use property) is amended by inserting  
23 “, except that for purposes of this clause, ‘50 percent’  
24 shall be substituted for ‘35 percent’ in applying section  
25 168(h)(1)(B)(iii))” before the period at the end.

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

4 SEC. 8. INCREASE IN REHABILITATION CREDIT FOR BUILD-  
5 INGS IN HIGH COST AREAS.

6 (a) IN GENERAL.—Paragraph (2) of section 47(c) of  
7 the Internal Revenue Code of 1986 (relating to the defini-  
8 tion of qualified rehabilitation expenditures) is amended  
9 by adding at the end the following new subparagraph:

10                   “(E) INCREASE IN CREDIT FOR BUILDINGS  
11                   IN HIGH COST AREAS.—

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

4 SEC. 9. RECAPTURE OF REHABILITATION CREDIT FOR CER-  
5 TIFIED HISTORIC STRUCTURE NOT TRIG-  
6 GERED BY CONDOMINIUM TRANSACTION.

7 (a) IN GENERAL.—Subsection (a) of section 50 of the  
8 Internal Revenue Code of 1986 (relating to recapture of  
9 credits upon disposition of property) is amended by adding  
10 at the end thereof the following new paragraph:

11                   “(6) SPECIAL RULE FOR CERTIFIED HISTORIC  
12                   STRUCTURES.—In the case of the rehabilitation  
13                   credit determined under section 47(a)(2), para-  
14                   graphs (1) and (2) shall not apply to a transaction  
15                   in which a portion of the building is transferred as  
16                   a condominium unit.”.

17 (b) EFFECTIVE DATE.—The amendment made by  
18 this section shall apply to transfers after the date of enact-  
19 ment of this Act.

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