

111TH CONGRESS  
1ST SESSION

# H. R. 3812

To amend the Internal Revenue Code of 1986 to encourage businesses to purchase commercial and residential property in distressed communities by providing an exclusion from tax on certain gains.

---

## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 14, 2009

Ms. KOSMAS 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 encourage businesses to purchase commercial and residential property in distressed communities by providing an exclusion from tax on certain gains.

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 “Distressed Commu-  
5       nities Reinvestment Act of 2009”.

1 **SEC. 2. EXCLUSION OF CERTAIN CAPITAL GAINS ON COM-**  
 2 **MERCIAL AND RESIDENTIAL PROPERTY.**

3 (a) IN GENERAL.—Part III of subchapter B of chap-  
 4 ter 1 of the Internal Revenue Code of 1986 is amended  
 5 by inserting after section 139C the following new section:

6 **“SEC. 139D. CAPITAL GAINS ON CERTAIN COMMERCIAL**  
 7 **AND RESIDENTIAL PROPERTY.**

8 “(a) IN GENERAL.—Gross income shall not include  
 9 gain from the sale of real property consisting predomi-  
 10 nantly of commercial and residential property if—

11 “(1) such property is located in a distressed  
 12 community,

13 “(2) such property is acquired by the taxpayer  
 14 by purchase (as defined in section 179(d)(2)) during  
 15 the 24-month period beginning on the date of the  
 16 enactment of this section, and

17 “(3) such property is held by the taxpayer con-  
 18 tinuously during the 5-year period ending on the  
 19 date of the sale of such property.

20 “(b) DISTRESSED COMMUNITY.—For purposes of  
 21 this section—

22 “(1) IN GENERAL.—The term ‘distressed com-  
 23 munity’ means a county that the Secretary des-  
 24 ignates as—

25 “(A) having, for any month during the ap-  
 26 plicable period—

1 “(i) a residential mortgage foreclosure  
2 rate of 110 percent or more of the national  
3 average,

4 “(ii) a commercial mortgage fore-  
5 closure rate of 110 percent or more of the  
6 national average,

7 “(iii) a decline in the average fair  
8 market value of housing of at least 20 per-  
9 cent, or

10 “(iv) an unemployment rate of 110  
11 percent or more of the national average,

12 “(B) being a county in which, for a cal-  
13 endar year during the applicable period, more  
14 than 50 percent of loans secured by housing  
15 had a loan-to-value ratio of greater than 80  
16 percent, or

17 “(C) being in a disaster area (as defined in  
18 section 165(h)(3)(C)) as a result of a federally  
19 declared disaster that occurred during the ap-  
20 plicable period.

21 “(2) APPLICABLE PERIOD.—The term ‘applica-  
22 ble period’ means—

23 “(A) in the case of subparagraphs (A) and  
24 (B) of paragraph (1), the period beginning on  
25 January 1, 2008, and ending on the date which

1 is 2 years after the date of the enactment of the  
2 Distressed Communities Reinvestment Act of  
3 2009, and

4 “(B) in the case of subparagraph (C) of  
5 paragraph (1), the 4-year period ending on the  
6 date which is 2 years after the date of the en-  
7 actment of such Act.”.

8 (b) CONFORMING AMENDMENT.—The table of sec-  
9 tions for part III of subchapter B of chapter 1 of such  
10 Code is amended by inserting after the item relating to  
11 section 139C the following new item:

“139D. Capital gains on certain commercial and residential property.”.

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to property purchased after the  
14 date of the enactment of this section.

○