

116TH CONGRESS
1ST SESSION

H. R. 3316

To amend the Internal Revenue Code of 1986 to allow a credit against tax for neighborhood revitalization, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 18, 2019

Mr. HIGGINS of New York (for himself and Mr. KELLY of Pennsylvania) 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 credit against tax for neighborhood revitalization, and for other purposes.

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 “Neighborhood Homes
5 Investment Act”.

6 **SEC. 2. NEIGHBORHOOD HOMES CREDIT.**

7 (a) IN GENERAL.—Subpart D of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by inserting after section 42 the fol-
 2 lowing new section:

3 **“SEC. 42A. NEIGHBORHOOD HOMES CREDIT.**

4 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
 5 tion 38, the amount of the neighborhood homes credit de-
 6 termined under this section for a taxable year for a quali-
 7 fied project shall be, with respect to each qualified resi-
 8 dence that is part of such qualified project and that expe-
 9 riences a qualified completion event during such taxable
 10 year, an amount equal to—

11 “(1) in the case of an affordable sale, with re-
 12 spect to the seller, the excess of—

13 “(A) the qualified development cost in-
 14 curred by such seller for such residence, over

15 “(B) the sale price of such residence, or

16 “(2) in the case of any other qualified comple-
 17 tion event, with respect to a taxpayer other than the
 18 owner of the residence (or a related person with re-
 19 spect to such owner), the excess of—

20 “(A) the development cost incurred by
 21 such taxpayer for such residence, over

22 “(B) the amount received by such taxpayer
 23 as payment for such rehabilitation.

24 “(b) LIMITATIONS.—

1 “(1) AMOUNT.—The amount determined under
2 subsection (a) with respect to a residence shall not
3 exceed 35 percent of the lesser of—

4 “(A) the qualified development cost, or

5 “(B) 80 percent of the national median
6 sale price for new homes.

7 “(2) ALLOCATIONS.—

8 “(A) IN GENERAL.—The amount deter-
9 mined under subsection (a) with respect to a
10 residence that is part of a qualified project and
11 that experiences a qualified completion event
12 shall not exceed the excess of—

13 “(i) the amount determined under
14 subparagraph (B), over

15 “(ii) the amounts previously deter-
16 mined under subsection (a) with respect to
17 such qualified project.

18 “(B) ALLOCATION AMOUNT.—The amount
19 determined under this paragraph with respect
20 to a residence that is part of a qualified project
21 and that experiences a qualified completion
22 event is the least of—

23 “(i) the amount allocated to such
24 project by the neighborhood homes credit
25 agency under this section,

1 “(ii) the amount such agency deter-
 2 mines at the time of the qualified comple-
 3 tion event is necessary to ensure the finan-
 4 cial feasibility of the project given the
 5 sources and uses of funds and the total fi-
 6 nancing (including local, State, and Fed-
 7 eral subsidies) planned for the project, or
 8 “(iii) in the case of a qualified com-
 9 pletion event that occurs after the 5-year
 10 period beginning on the date of the alloca-
 11 tion referred to in clause (i), \$0.

12 “(c) QUALIFIED DEVELOPMENT COST.—For pur-
 13 poses of this section—

14 “(1) IN GENERAL.—The term ‘qualified devel-
 15 opment cost’ means, with respect to a residence so
 16 much of the allowable development cost as the neigh-
 17 borhood homes credit agency certifies, at the time of
 18 the completion event—

19 “(A) meets the standards promulgated
 20 under subsection (h)(1)(C), and

21 “(B) does not represent unreasonable fees
 22 by the taxpayer claiming the credit under sub-
 23 section (a).

24 “(2) ALLOWABLE DEVELOPMENT COST.—The
 25 term ‘allowable development cost’ means—

1 “(A) the cost of construction, substantial
2 rehabilitation, demolition of any structure, and
3 environmental remediation, and

4 “(B) in the case of an affordable sale, so
5 much of the cost of acquiring buildings and
6 land as does not exceed an amount equal to 75
7 percent of the costs described in subparagraph
8 (A).

9 “(3) PROPERTIES WITH MULTIPLE RESI-
10 DENCES.—The allowable development cost of any
11 residence shall include on a pro-rata basis the allow-
12 able development cost with respect to common areas
13 or other comparable amenities.

14 “(d) QUALIFIED PROJECT.—For purposes of this
15 section, the term ‘qualified project’ means a project that—

16 “(1) a neighborhood homes credit agency cer-
17 tifies will build or substantially rehabilitate 1 or
18 more qualified residences located in one or more
19 qualified census tracts, and

20 “(2) is designated by such agency as a qualified
21 project under this section and is allocated (before
22 such building or substantial rehabilitation begins) a
23 portion of the amount allocated to such agency
24 under subsection (g).

1 “(e) QUALIFIED CENSUS TRACT.—For purposes of
2 this section—

3 “(1) IN GENERAL.—The term ‘qualified census
4 tract’ means a census tract—

5 “(A) with—

6 “(i) a median gross income which
7 does not exceed 80 percent of the applica-
8 ble area median gross income,

9 “(ii) a poverty rate that is not less
10 than 130 percent of the applicable area
11 poverty rate, and

12 “(iii) a median value for owner-occu-
13 pied homes that does not exceed applicable
14 area median value for owner-occupied
15 homes, or

16 “(B) that is—

17 “(i) in a nonmetropolitan county,

18 “(ii) with a median gross income
19 which does not exceed the applicable area
20 median gross income, and

21 “(iii) designated by a neighborhood
22 homes credit agency under this clause.

23 “(2) ADDITIONAL CENSUS TRACTS FOR SUB-
24 STANTIAL REHABILITATION.—In the case of a resi-
25 dence that is intended for substantial rehabilitation

described in subsection (f)(5)(B), the term ‘qualified census tract’ includes a census tract that meets the requirements of paragraph (1)(A), without regard to clause (iii), and that is designated by the neighborhood homes credit agency under this paragraph.

“(3) LIST OF QUALIFIED CENSUS TRACTS.—The Secretary of Housing and Urban Development shall make publically available a list of qualified census tracts under paragraph (1)(A), a list of qualified census tracts under paragraph (1)(B), and a list of qualified census tracts under paragraph (2) for each year.

“(f) OTHER DEFINITIONS.—For purposes of this section—

“(1) QUALIFIED RESIDENCE.—The term ‘qualified residence’ means a residence that consists of—

“(A) a single-family home containing 4 or fewer residential units,

“(B) a condominium, or

“(C) a house or an apartment owned by a cooperative housing corporation (as defined in section 216(b)).

“(2) AFFORDABLE SALE.—

“(A) IN GENERAL.—

1 “(i) IN GENERAL.—The term ‘afford-
2 able sale’ means a sale to a qualified home-
3 owner of a residence that the neighborhood
4 homes credit agency certifies as meeting
5 the standards promulgated under sub-
6 section (h)(1)(D) for a price that does not
7 exceed—

8 “(I) in the case of any residence
9 not described in subclause (II), (III),
10 or (IV), the amount equal to the prod-
11 uct of 4 multiplied by the applicable
12 area median gross income,

13 “(II) in the case of a single-fam-
14 ily home containing two residential
15 units, 125 percent of the amount de-
16 scribed in subclause (I),

17 “(III) in the case of a single-fam-
18 ily home containing three residential
19 units, 150 percent of the amount de-
20 scribed in subclause (I), or

21 “(IV) in the case of a single-fam-
22 ily home containing four residential
23 units, 175 percent of the amount de-
24 scribed in subclause (I).

25 “(ii) RELATED PERSONS.—

1 “(I) IN GENERAL.—A sale be-
 2 tween related persons shall not be
 3 treated as an affordable sale.

4 “(II) DEFINITION.—For pur-
 5 poses of this section, a person (in this
 6 clause referred to as the ‘related per-
 7 son’) is related to any person if the
 8 related person bears a relationship to
 9 such person specified in section
 10 267(b) or 707(b)(1), or the related
 11 person and such person are engaged
 12 in trades or businesses under common
 13 control (within the meaning of sub-
 14 sections (a) and (b) of section 52).
 15 For purposes of the preceding sen-
 16 tence, in applying section 267(b) or
 17 707(b)(1), ‘10 percent’ shall be sub-
 18 stituted for ‘50 percent’.

19 “(3) APPLICABLE AREA.—The term ‘applicable
 20 area’ means—

21 “(A) in the case of a metropolitan census
 22 tract, the metropolitan area in which such cen-
 23 sus tract is located, and

1 “(B) in the case of a census tract other
2 than a census tract described in subparagraph
3 (A), the State.

4 “(4) SUBSTANTIAL REHABILITATION.—The
5 term ‘substantial rehabilitation’ means rehabilitation
6 efforts involving qualified development costs that are
7 not less than the greater of—

8 “(A) \$20,000, and

9 “(B) 20 percent of the cost of acquiring
10 buildings and land.

11 “(5) QUALIFIED COMPLETION EVENT.—The
12 term ‘qualified completion event’ means—

13 “(A) in the case of a residence that is built
14 or substantially rehabilitated as part of a quali-
15 fied project and sold, an affordable sale, or

16 “(B) in the case of a residence that is sub-
17 stantially rehabilitated as part of a qualified
18 project and owned by the same qualified home-
19 owner throughout such rehabilitation, the com-
20 pletion of such rehabilitation (as determined by
21 the neighborhood homes credit agency) to the
22 standards promulgated under subsection
23 (h)(1)(D).

24 “(6) QUALIFIED HOMEOWNER.—

1 “(A) IN GENERAL.—The term ‘qualified
2 homeowner’ means, with respect to a residence,
3 an individual—

4 “(i) who owns and uses such residence
5 as the principal residence of such indi-
6 vidual, and

7 “(ii) whose income is 140 percent or
8 less of the applicable area median gross in-
9 come for the location of the residence.

10 “(B) OWNERSHIP.—For purposes of a co-
11 operative housing corporation (as such term is
12 defined in section 216(b)), a tenant-stockholder
13 shall be treated as owning the house or apart-
14 ment which such person is entitled to occupy.

15 “(C) INCOME.—For purposes of this para-
16 graph, income shall be a determined in accord-
17 ance with section 143(f)(2) and 143(f)(4).

18 “(D) TIMING.—For purposes of this para-
19 graph, the income of a taxpayer shall be deter-
20 mined—

21 “(i) in the case of a residence that is
22 built or substantially rehabilitated as part
23 of a qualified project and sold, at the time
24 a binding contract for purchase is made, or

1 “(ii) in the case of a residence that is
2 occupied by a qualified homeowner and in-
3 tended to be substantially rehabilitated as
4 part of a qualified project, at the time a
5 binding contract to undertake such reha-
6 bilitation is made.

7 “(7) NEIGHBORHOOD HOMES CREDIT AGEN-
8 CY.—The term ‘neighborhood homes credit agency’
9 means the agency designated by the governor of a
10 State as the neighborhood homes credit agency of
11 the State.

12 “(g) ALLOCATION.—

13 “(1) STATE NEIGHBORHOOD HOMES CREDIT
14 CEILING.—The State neighborhood homes credit
15 amount for a State for a calendar year is an amount
16 equal to the sum of—

17 “(A) the greater of—

18 “(i) the product of \$3, multiplied by
19 the State population (determined in ac-
20 cordance with section 146(j)), or

21 “(ii) \$4,000,000, plus

22 “(B) the converted private activity bond
23 amount with respect to the State for the cal-
24 endar year.

1 “(2) UNUSED AMOUNT.—The State neighbor-
2 hood homes credit amount for a calendar year shall
3 be increased by the sum of—

4 “(A) any amount certified by the neighbor-
5 hood homes credit agency of the State as hav-
6 ing been previously allocated to a qualified
7 project and not used during the 5-year period
8 described in subsection (b)(2)(iii), plus

9 “(B) sum of the amount by which the
10 amount determined under paragraph (1) (with-
11 out application of this paragraph) exceeded the
12 amount allocated to qualified projects in each of
13 the three immediately preceding calendar years.

14 “(3) CONVERTED PRIVATE ACTIVITY BOND
15 AMOUNT.—

16 “(A) IN GENERAL.—For purposes of this
17 paragraph, the converted private activity bond
18 amount with respect to any State for any cal-
19 endar year shall be 60 percent of the amount
20 elected by—

21 “(i) the State agency that is an issuer
22 of qualified mortgage bonds (as defined in
23 section 143) that is designated by the gov-
24 ernor of the State under this subparagraph
25 for such year, or

1 “(ii) if no such agency exists, the
 2 neighborhood homes credit agency of the
 3 State.

4 “(B) REDUCTION OF PRIVATE ACTIVITY
 5 BOND CEILING.—The State ceiling under sec-
 6 tion 146(d)(1) shall be reduced by the amount
 7 elected under subparagraph (A).

8 “(4) PORTION OF STATE CREDIT CEILING FOR
 9 CERTAIN PROJECTS INVOLVING QUALIFIED NON-
 10 PROFIT ORGANIZATIONS.—Rules similar to the rules
 11 of section 42(h)(5) shall apply.

12 “(h) RESPONSIBILITIES OF NEIGHBORHOOD HOMES
 13 CREDIT AGENCIES.—

14 “(1) IN GENERAL.—Notwithstanding subsection
 15 (g), the State neighborhood homes credit dollar
 16 amount shall be zero for a calendar year unless the
 17 neighborhood homes credit agency of the State—

18 “(A) allocates such amount pursuant to a
 19 qualified allocation plan of the neighborhood
 20 homes credit agency,

21 “(B) allocates not more than 20 percent of
 22 such amount for the previous year to projects
 23 with respect to residences in census tracts
 24 under subsection (e)(1)(B) or (e)(2),

1 “(C) promulgates standards with respect
2 to reasonable qualified development costs,

3 “(D) promulgates standards with respect
4 to construction quality, and

5 “(E) submits to the Secretary (at such
6 time and in such manner as the Secretary may
7 prescribe) an annual report specifying—

8 “(i) the amount of the neighborhood
9 homes credits allocated to each qualified
10 project for the previous year, and

11 “(ii) such other information as the
12 Secretary may require.

13 “(2) QUALIFIED ALLOCATION PLAN.—For pur-
14 poses of this paragraph, the term ‘qualified alloca-
15 tion plan’ means any plan which—

16 “(A) sets forth the selection criteria to be
17 used to prioritize qualified projects for alloca-
18 tions of State neighborhood homes credit dollar
19 amounts, including—

20 “(i) the need for new or substantially
21 rehabilitated owner-occupied homes in the
22 area addressed by the project,

23 “(ii) the expected contribution of the
24 project to neighborhood stability and revi-
25 talization,

1 “(iii) the capability of the project
2 sponsor, and

3 “(iv) the likelihood the project will re-
4 sult in long-term homeownership, and

5 “(B) has been made available for public
6 comment.

7 “(i) POSSESSIONS TREATED AS STATES.—For pur-
8 poses of this section, the term ‘State’ includes the District
9 of Columbia and a possession of the United States.

10 “(j) REPAYMENT.—

11 “(1) IN GENERAL.—If a residence is sold dur-
12 ing the 5-year period beginning on the date of the
13 qualified completion event described in subsection
14 (a) with respect to such residence, the seller shall
15 transfer an amount equal to the repayment amount
16 from the amount realized on such sale to the rel-
17 evant neighborhood homes credit agency to be used
18 to stabilize or revitalize qualified census tracts (de-
19 termined without regard to paragraphs (1)(B) and
20 (2) of subsection (e)).

21 “(2) REPAYMENT AMOUNT.—For purposes of
22 paragraph (1), the repayment amount is an amount
23 equal to 50 percent of the gain from such resale, re-
24 duced by 20 percent for each year of the 5-year pe-

1 riod referred to in paragraph (1) which ends before
2 the date of the sale referred to in paragraph (1).

3 “(3) LIEN FOR REPAYMENT AMOUNT.—A
4 neighborhood homes credit agency receiving an allo-
5 cation under this section shall place a lien on each
6 residence that is built or rehabilitated as part of a
7 qualified project for the greatest amount that could
8 be required to be paid under this subsection to such
9 agency.

10 “(4) DENIAL OF DEDUCTIONS IF CONVERTED
11 TO RENTAL HOUSING.—If, during the 5-year period
12 beginning on the date of the qualified completion
13 event described in subsection (a), an individual who
14 owns a residence fails to use such residence as such
15 individual’s principal residence for any period of
16 time, no deduction shall be allowed for expenses paid
17 or incurred by such individual with respect to rent-
18 ing, during such period of time, such residence.

19 “(5) WAIVER.—The neighborhood homes credit
20 agency may waive the repayment required under
21 paragraph (1) in the case of homeowner experi-
22 encing a hardship.

23 “(k) INFLATION ADJUSTMENT.—

1 “(1) IN GENERAL.—In the case of a calendar
2 year after 2020, the dollar amounts in this section
3 shall be increased by an amount equal to—

4 “(A) such dollar amount, multiplied by

5 “(B) the cost-of-living adjustment deter-
6 mined under section 1(f)(3) for such calendar
7 year by substituting ‘calendar year 2019’ for
8 ‘calendar year 2016’ in subparagraph (A)(ii)
9 thereof.

10 “(2) ROUNDING.—

11 “(A) SUBSTANTIAL REHABILITATION.—In
12 the case of the dollar amount in subsection
13 (f)(4), any increase under the preceding sen-
14 tence which is not a multiple of \$1,000 shall be
15 rounded to the nearest multiple of \$1,000.

16 “(B) In the case of the dollar amount in
17 subsection (g)(1)(A)(i), any increase under the
18 preceding sentence which is not a multiple of
19 \$0.01 shall be rounded to the nearest multiple
20 of \$0.01.

21 “(C) In the case of the dollar amount in
22 subsection (g)(1)(A)(ii), any increase under the
23 preceding sentence which is not a multiple of
24 \$100,000 shall be rounded to the nearest mul-
25 tiple of \$100,000.”.

1 (b) CURRENT YEAR BUSINESS CREDIT CALCULA-
 2 TION.—Section 38(b) (of the Internal Revenue Code of
 3 1986) is amended by redesignating paragraphs (6)
 4 through (37) as paragraphs (7) through (38), respectively,
 5 and by inserting after paragraph (5) the following new
 6 paragraph:

7 “(6) the neighborhood homes credit determined
 8 under section 42A(a),”.

9 (c) LIMITATION ON CARRYBACK.—Section 39 of the
 10 Internal Revenue Code of 1986 is amended by adding at
 11 the end the following new section:

12 “(e) NO CARRYBACK OF NEIGHBORHOOD HOMES
 13 CREDIT BEFORE EFFECTIVE DATE.—No amount of the
 14 unused credit attributable to section 42A may be taken
 15 into account under section 38(a)(3) for any taxable year
 16 beginning before the date of the enactment of this Act.”.

17 (d) CANCELLATION OF INDEBTEDNESS.—Section
 18 108 of the Internal Revenue Code of 1986 is amended—

19 (1) by striking “or” at the end of subsection
 20 (a)(1)(D), by striking the period at the end of sub-
 21 section (a)(1)(E)(ii) and inserting “, or”, and add-
 22 ing at the end of subsection (a)(1) the following new
 23 subparagraph:

24 “(F) if the discharge is qualified neighbor-
 25 hood homes credit indebtedness.”, and

1 (2) by adding at the end of subsection (b)(2)
 2 the following new subparagraph:

3 “(H) SPECIAL RULES RELATING TO QUALI-
 4 FIED NEIGHBORHOOD HOMES CREDIT INDEBT-
 5 EDNESS.—For purposes of this section, the
 6 term ‘qualified neighborhood homes credit in-
 7 debtedness’ means indebtedness arising in con-
 8 nection with the development of a qualified resi-
 9 dence under section 42A.”.

10 (e) CONFORMING AMENDMENTS.—Subsections
 11 (i)(3)(D), (i)(6)(B)(i), and (k)(1) of section 469 of the In-
 12 ternal Revenue Code of 1986 are each amended by insert-
 13 ing “or 42A” after “section 42”.

14 (f) CLERICAL AMENDMENT.—The table of sections
 15 for subpart D of part IV of subchapter A of chapter 1
 16 of the Internal Revenue Code of 1986 is amended by in-
 17 serting after the item relating to section 42 the following:

“Sec. 42A. Neighborhood homes credit.”

18 (g) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply to calendar years beginning after
 20 December 31, 2019.

○