I

116TH CONGRESS
2D SESSION

H. R. 8965

To amend the Internal Revenue Code of 1986 to make certain improvements to the new markets tax credit, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 14, 2020

Ms. SEWELL of Alabama (for herself and Mr. REED) 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 make certain improvements to the new markets tax credit, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "New Markets Stabilization Act".

SEC. 2. IMPROVEMENTS TO NEW MARKETS TAX CREDIT.

(a) ADDITIONAL ALLOCATIONS.—

(1) IN GENERAL.—Section 45D(f)(1) of the Internal Revenue Code of 1986 is amended by striking

subparagraphs (G) and (H) and inserting the following new subparagraphs:

"(G) $3,500,000,000 for each of calendar years 2010 through 2018,

"(H) $4,000,000,000 for calendar year 2019,

"(I) $7,000,000,000 for calendar year 2020,

"(J) $6,500,000,000 for calendar year 2021, and

"(K) $5,500,000,000 for calendar year 2022.".

(2) CONFORMING AMENDMENT.—Section 45D(f)(3) of such Code is amended by striking "2025" and inserting "2027".

(3) SPECIAL RULE FOR ALLOCATIONS OF INCREASED 2019 AND 2020 LIMITATION.—The amount of the increase by reason of the amendments made by paragraph (1) in the new markets tax credit limitation for calendar year 2019 and the amount of such increase for calendar year 2020 shall each be allocated in accordance with section 45D(f)(2) of the Internal Revenue Code of 1986 to qualified community development entities (as defined in section 45D(c) of such Code) which—

(A) submitted an allocation application with respect to the calendar year to which such increase relates, and

(B)(i) did not receive an allocation with respect to such calendar year, or

(ii) received an allocation for such calendar year in an amount less than the amount requested in the allocation application.

(b) PERMANENT ALLOWANCE OF CREDIT AGAINST ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Section 38(c)(4)(B) of the Internal Revenue Code of 1986 is amended clauses (vii) through (xii) as clauses (viii) through (xiii), respectively, and by inserting after clause (vi) the following new clause:

"(vii) the credit determined under section 45D to the extent attributable to qualified equity investments originally issued after the date of the enactment of this clause,".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

(c) CREDIT ALLOWED TO BE CARRIED BACK 5 YEARS AND TO OFFSET ENTIRE TAX LIABILITY AS TEM-

PORARY INCENTIVE FOR MAKING INVESTMENTS IN QUALIFIED COMMUNITY DEVELOPMENT ENTITIES.—

(1) IN GENERAL.—In the case of the portion of the new markets tax credit determined under section 45D of the Internal Revenue Code of 1986 which is attributable to qualified equity investments originally issued after the date of the enactment of this Act and before January 1, 2023—

(A) sections 38 and 39 of such Code shall be applied separately with respect to such portion,

(B) notwithstanding section 39(d) of such Code, section 39(a) of such Code shall be applied—

(i) by substituting ‘‘each of the 5 taxable years’’ for ‘‘the taxable year’’ in paragraph (1)(A) thereof,

(ii) by substituting ‘‘25 taxable years’’ for ‘‘21 taxable years’’ in paragraph (2)(A) thereof, and

(iii) by substituting ‘‘24 taxable years’’ for ‘‘20 taxable years’’ in subparagraph (2)(B) thereof,

(C) the amounts described in subparagraphs (A) and (B) of section 38(c)(1) of such Code shall each be treated as being zero, and

(D) the limitation under section 38(c)(1) of such Code (as modified by subparagraph (C)) shall be reduced by the credit allowed under section 38(a) for the taxable year (other than the portion of qualified new markets tax credit to which this paragraph applies).

(2) COORDINATION WITH OTHER LIMITATIONS.—The portion of the new markets tax credit to which paragraph (1) applies—

(A) shall not be taken into account as a credit allowed under section 38(a) of such Code for purposes of paragraphs (2)(A)(ii)(II) and (4)(A)(ii)(II) of section 38(c) of such Code, and

(B) shall not be treated as described in section 38(c)(4)(B)(vii) of such Code, as amended by this Act.

(d) TEMPORARY OVERRIDE OF CERTAIN REGULATIONS TREATING DEBT MODIFICATIONS AS EXCHANGES.—

(1) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, any modification of a QCDE loan which occurs during the period beginning on

March 12, 2020, and ending on December 31, 2022, shall not be treated an exchange of an existing debt instrument for a new debt instrument.

(2) QCDE LOAN.—For purposes of this subsection, the term ''QCDE loan'' means any debt instrument held by a qualified community development entity (as defined in section 45D(c) of the Internal Revenue Code of 1986) to the extent that the borrower is a qualified active low-income community business (as defined in section 45D(d)(2) of such Code).

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