

118TH CONGRESS  
2D SESSION

# H. R. 9380

To amend the Internal Revenue Code of 1986 to provide a credit for working families housing development, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

AUGUST 16, 2024

Mr. RYAN introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Transportation and Infrastructure, and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a credit for working families housing development, 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 “Working Families  
5 Housing Tax Credit Act”.

6 **SEC. 2. SENSE OF CONGRESS RELATING TO THE WORKING**  
7 **FAMILIES HOUSING TAX CREDIT.**

8 It is the sense of Congress that—

1           (1) the working family housing tax credit under  
 2           section 42A of the Internal Revenue Code of 1986  
 3           is a critically important Federal Government policy  
 4           tool to encourage the production of quality housing  
 5           for our teachers, firefighters, police officers, vet-  
 6           erans, and all hard-working Americans; and

7           (2) Congress should further improve and en-  
 8           hance the working families housing tax credit by  
 9           passing pro-housing legislation.

10 **SEC. 3. WORKING FAMILIES HOUSING TAX CREDIT.**

11           (a) IN GENERAL.—Subpart D of part IV of sub-  
 12           chapter A of chapter 1 of the Internal Revenue Code of  
 13           1986 is amended by inserting after section 42 the fol-  
 14           lowing new section:

15 **“SEC. 42A. WORKING FAMILIES HOUSING CREDIT.**

16           “(a) IN GENERAL.—For purposes of section 38, the  
 17           amount of the working families housing credit determined  
 18           under this section for any taxable year in the credit period  
 19           shall be an amount equal to—

20                   “(1) the applicable percentage, of

21                   “(2) the qualified basis of each qualified work-  
 22           ing families building.

23           “(b) APPLICABLE PERCENTAGE.—

24                   “(1) DETERMINATION OF APPLICABLE PER-  
 25           CENTAGE.—For purposes of this section—

1           “(A) IN GENERAL.—The term ‘applicable  
2           percentage’ means, with respect to any building,  
3           the appropriate percentage prescribed by the  
4           Secretary for the earlier of—

5                   “(i) the month in which such building  
6                   is placed in service, or

7                   “(ii) at the election of the taxpayer,  
8                   the month in which the taxpayer and the  
9                   housing credit agency enter into an agree-  
10                  ment with respect to such building (which  
11                  is binding on such agency, the taxpayer,  
12                  and all successors in interest) as to the  
13                  housing credit dollar amount to be allo-  
14                  cated to such building.

15           A month may be elected under clause (ii) only  
16           if the election is made not later than the 5th  
17           day after the close of such month. Such an elec-  
18           tion, once made, shall be irrevocable.

19           “(B) METHOD OF PRESCRIBING PERCENT-  
20           AGES.—The percentages prescribed by the Sec-  
21           retary for any month shall be percentages which  
22           will yield over a 15-year period amounts of  
23           credit under subsection (a) which have a  
24           present value equal to—

1 “(i) 50 percent of the qualified basis  
2 of a new building, and

3 “(ii) 60 percent of the qualified basis  
4 of a building not described in clause (i).

5 “(C) METHOD OF DISCOUNTING.—The  
6 present value under subparagraph (B) shall be  
7 determined—

8 “(i) as of the last day of the 1st year  
9 of the 15-year period referred to in sub-  
10 paragraph (B),

11 “(ii) by using a discount rate equal to  
12 72 percent of the average of the annual  
13 Federal mid-term rate and the annual  
14 Federal long-term rate applicable under  
15 section 1274(d)(1) to the month applicable  
16 under clause (i) or (ii) of subparagraph  
17 (A) and compounded annually, and

18 “(iii) by assuming that the credit al-  
19 lowable under this section for any year is  
20 received on the last day of such year.

21 “(2) MINIMUM CREDIT RATE.—

22 “(A) IN GENERAL.—The applicable per-  
23 centage for any building which is not Federally  
24 subsidized for the taxable year shall not be less  
25 than 5 percent.

1           “(B) MINIMUM CREDIT RATE FOR FEDER-  
2           ALLY SUBSIDIZED BUILDINGS.—In the case of  
3           any building to which subparagraph (A) does  
4           not apply, except as provided in paragraph (3),  
5           the applicable percentage shall not be less than  
6           2 percent.

7           “(3) EXCEPTION FOR CERTAIN FEDERALLY  
8           SUBSIDIZED BUILDINGS.—In the case of any build-  
9           ing to which paragraph (2)(A) does not apply, the  
10          applicable percentage is zero unless—

11           “(A) a credit is allowed under section 42  
12           with respect to such building for the taxable  
13           year, and

14           “(B) such building is financed by tax-ex-  
15           empt bonds as described in section 42(h)(4).

16          “(4) CROSS REFERENCES.—

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

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

24           “(C) For authority of housing credit agen-  
25           cy to limit applicable percentage and qualified

1 basis which may be taken into account under  
 2 this section with respect to any building, see  
 3 subsection (h)(6).

4 “(c) QUALIFIED BASIS; QUALIFIED WORKING FAMI-  
 5 LIES BUILDING.—For purposes of this section—

6 “(1) QUALIFIED BASIS.—

7 “(A) DETERMINATION.—The qualified  
 8 basis of any qualified working families building  
 9 for any taxable year is an amount equal to—

10 “(i) the applicable fraction (deter-  
 11 mined as of the close of such taxable year)  
 12 of

13 “(ii) the eligible basis of such building  
 14 (determined under subsection (d)).

15 “(B) APPLICABLE FRACTION.—For pur-  
 16 poses of subparagraph (A), the term ‘applicable  
 17 fraction’ means the smaller of the unit fraction  
 18 or the floor space fraction.

19 “(C) UNIT FRACTION.—For purposes of  
 20 subparagraph (B), the term ‘unit fraction’  
 21 means the fraction—

22 “(i) the numerator of which is the  
 23 number of working families units in the  
 24 building, and

1 “(ii) the denominator of which is the  
 2 number of residential rental units (whether  
 3 or not occupied) in such building.

4 “(D) FLOOR SPACE FRACTION.—For pur-  
 5 poses of subparagraph (B), the term ‘floor  
 6 space fraction’ means the fraction—

7 “(i) the numerator of which is the  
 8 total floor space of the working families  
 9 units in such building, and

10 “(ii) the denominator of which is the  
 11 total floor space of the residential rental  
 12 units (whether or not occupied) in such  
 13 building.

14 “(2) QUALIFIED WORKING FAMILIES BUILD-  
 15 ING.—The term ‘qualified working families building’  
 16 means any building which is part of a qualified  
 17 working families housing project at all times during  
 18 the period—

19 “(A) beginning on the 1st day in the credit  
 20 period on which such building is part of such a  
 21 project, and

22 “(B) ending on the last day of the credit  
 23 period with respect to such building.

24 “(d) ELIGIBLE BASIS.—For purposes of this sec-  
 25 tion—

1           “(1) NEW BUILDINGS.—The eligible basis of a  
2           new building is its adjusted basis as of the close of  
3           the 1st taxable year of the credit period.

4           “(2) EXISTING BUILDINGS.—

5                 “(A) IN GENERAL.—The eligible basis of  
6           an existing building is—

7                     “(i) in the case of a building which  
8                     meets the requirements of subparagraph  
9                     (B), its adjusted basis as of the close of  
10                    the 1st taxable year of the credit period,  
11                    and

12                   “(ii) zero in any other case.

13                 “(B) REQUIREMENTS.—A building meets  
14           the requirements of this subparagraph if—

15                     “(i) the building is acquired by pur-  
16                     chase (as defined in section 179(d)(2)),

17                     “(ii) there is a period of at least 10  
18                     years between the date of its acquisition by  
19                     the taxpayer and the date the building was  
20                     last placed in service,

21                     “(iii) the building was not previously  
22                     placed in service by the taxpayer or by any  
23                     person who was a related person with re-  
24                     spect to the taxpayer as of the time pre-  
25                     viously placed in service, and



1 “(iv) except as provided in subsection  
2 (f)(5), a credit is allowable under sub-  
3 section (a) by reason of subsection (e) with  
4 respect to the building.

5 “(C) ADJUSTED BASIS.—For purposes of  
6 subparagraph (A), the adjusted basis of any  
7 building shall not include so much of the basis  
8 of such building as is determined by reference  
9 to the basis of other property held at any time  
10 by the person acquiring the building.

11 “(D) SPECIAL RULES.—

12 “(i) SPECIAL RULES FOR CERTAIN  
13 TRANSFERS.—For purposes of determining  
14 under subparagraph (B)(ii) when a build-  
15 ing was last placed in service, there shall  
16 not be taken into account any placement in  
17 service—

18 “(I) in connection with the acqui-  
19 sition of the building in a transaction  
20 in which the basis of the building in  
21 the hands of the person acquiring it is  
22 determined in whole or in part by ref-  
23 erence to the adjusted basis of such  
24 building in the hands of the person  
25 from whom acquired,

1 “(II) by a person whose basis in  
2 such building is determined under sec-  
3 tion 1014(a) (relating to property ac-  
4 quired from a decedent),

5 “(III) by any governmental unit  
6 or qualified nonprofit organization if  
7 the requirements of subparagraph  
8 (B)(ii) are met with respect to the  
9 placement in service by such unit or  
10 organization and all the income from  
11 such property is exempt from Federal  
12 income taxation,

13 “(IV) by any person who ac-  
14 quired such building by foreclosure  
15 (or by instrument in lieu of fore-  
16 closure) of any purchase-money secu-  
17 rity interest held by such person if the  
18 requirements of subparagraph (B)(ii)  
19 are met with respect to the placement  
20 in service by such person and such  
21 building is resold within 12 months  
22 after the date such building is placed  
23 in service by such person after such  
24 foreclosure, or

1 “(V) of a single-family residence  
2 by any individual who owned and used  
3 such residence for no other purpose  
4 than as his principal residence.

5 “(ii) RELATED PERSON.—For pur-  
6 poses of subparagraph (B)(iii), a person  
7 (hereinafter in this subclause referred to as  
8 the ‘related person’) is related to any per-  
9 son if the related person bears a relation-  
10 ship to such person specified in section  
11 267(b) or 707(b)(1), or the related person  
12 and such person are engaged in trades or  
13 businesses under common control (within  
14 the meaning of subsections (a) and (b) of  
15 section 52).

16 “(3) SPECIAL RULES RELATING TO DETER-  
17 MINATION OF ADJUSTED BASIS.—For purposes of  
18 this subsection—

19 “(A) IN GENERAL.—Except as provided in  
20 subparagraph (B), the adjusted basis of any  
21 building shall be determined without regard to  
22 the adjusted basis of any property which is not  
23 residential rental property.

24 “(B) BASIS OF PROPERTY IN COMMON  
25 AREAS, ETC., INCLUDED.—

1 “(i) IN GENERAL.—Except as pro-  
2 vided in clause (ii), the adjusted basis of  
3 any building shall be determined by taking  
4 into account the adjusted basis of property  
5 (of a character subject to the allowance for  
6 depreciation) used in common areas or  
7 provided as comparable amenities to all  
8 residential rental units in such building.

9 “(ii) SPECIAL RULE.—In the case of  
10 any building for which the low-income  
11 housing tax credit is allowable under sec-  
12 tion 42, the adjusted basis of the building  
13 under this section shall be determined  
14 without regard to property used in com-  
15 mon areas or provided as comparable  
16 amenities to all residential rental units in  
17 such building.

18 “(C) NO REDUCTION FOR DEPRECIA-  
19 TION.—The adjusted basis of any building shall  
20 be determined without regard to paragraphs (2)  
21 and (3) of section 1016(a).

22 “(4) SPECIAL RULES FOR DETERMINING ELIGI-  
23 BLE BASIS.—

24 “(A) FEDERAL GRANTS NOT TAKEN INTO  
25 ACCOUNT IN DETERMINING ELIGIBLE BASIS.—

1           The eligible basis of a building shall not include  
2           any costs financed with the proceeds of a Fed-  
3           erally funded grant.

4           “(B) INCREASE IN CREDIT FOR BUILDINGS  
5           IN HIGH COST AREAS.—

6           “(i) IN GENERAL.—In the case of any  
7           building located in a difficult development  
8           area which is designated for purposes of  
9           this subparagraph—

10           “(I) in the case of a new build-  
11           ing, the eligible basis of such building  
12           shall be 130 percent of such basis de-  
13           termined without regard to this sub-  
14           paragraph, and

15           “(II) in the case of an existing  
16           building, the rehabilitation expendi-  
17           tures taken into account under sub-  
18           section (e) shall be 130 percent of  
19           such expenditures determined without  
20           regard to this subparagraph.

21           “(ii) LIMITATION.—Clause (i) shall  
22           not apply to any building if paragraph (1)  
23           of subsection (h) does not apply to any  
24           portion of the eligible basis of such build-

1 ing by reason of paragraph (9) of such  
2 subsection.

3 “(iii) DIFFICULT DEVELOPMENT  
4 AREAS.—

5 “(I) IN GENERAL.—The term  
6 ‘difficult development areas’ means  
7 any area designated by the Secretary  
8 of Housing and Urban Development  
9 as an area which has high construc-  
10 tion, land, or utility costs relative to  
11 area median gross income, any rural  
12 area, and any Indian area.

13 “(II) RURAL AREA.—For pur-  
14 poses of subclause (I), the term ‘rural  
15 area’ means any non-metropolitan  
16 area, or any rural area as defined by  
17 section 520 of the Housing Act of  
18 1949, which is identified by the quali-  
19 fied allocation plan under subsection  
20 (m)(1)(B).

21 “(III) INDIAN AREA.—For pur-  
22 poses of subclause (I), the term ‘In-  
23 dian area’ means any Indian area (as  
24 defined in section 4(11) of the Native  
25 American Housing Assistance and

1 Self Determination Act of 1996 (25  
2 U.S.C. 4103(11))).

3 “(IV) SPECIAL RULE FOR BUILD-  
4 INGS IN INDIAN AREAS.—In the case  
5 of an area which is a difficult develop-  
6 ment area solely because it is an In-  
7 dian area, a building shall not be  
8 treated as located in such area unless  
9 such building is assisted or financed  
10 under the Native American Housing  
11 Assistance and Self Determination  
12 Act of 1996 (25 U.S.C. 4101 et seq.)  
13 or the project sponsor is an Indian  
14 tribe (as defined in section  
15 45A(c)(6)), a tribally designated hous-  
16 ing entity (as defined in section 4(22)  
17 of such Act (25 U.S.C. 4103(22))), or  
18 wholly owned or controlled by such an  
19 Indian tribe or tribally designated  
20 housing entity.

21 “(V) LIMIT ON AREAS DES-  
22 IGNATED.—The portions of metropoli-  
23 tan statistical areas which may be  
24 designated for purposes of this sub-  
25 paragraph shall not exceed an aggre-

1 gate area having 20 percent of the  
2 population of such metropolitan sta-  
3 tistical areas. A comparable rule shall  
4 apply to nonmetropolitan areas.

5 “(iv) SPECIAL RULES AND DEFINI-  
6 TIONS.—For purposes of this subpara-  
7 graph—

8 “(I) population shall be deter-  
9 mined on the basis of the most recent  
10 decennial census for which data are  
11 available,

12 “(II) area median gross income  
13 shall be determined in accordance  
14 with subsection (g)(4),

15 “(III) the term ‘metropolitan sta-  
16 tistical area’ has the same meaning as  
17 when used in section 143(k)(2)(B),  
18 and

19 “(IV) the term ‘nonmetropolitan  
20 area’ means any county (or portion  
21 thereof) which is not within a metro-  
22 politan statistical area.

23 “(v) BUILDINGS DESIGNATED BY  
24 STATE HOUSING CREDIT AGENCY.—Any  
25 building which is designated by the State



1           housing credit agency as requiring the in-  
2           crease in credit under this subparagraph in  
3           order for such building to be financially  
4           feasible as part of a qualified working fam-  
5           ilies housing project shall be treated for  
6           purposes of this subparagraph as located  
7           in a difficult development area which is  
8           designated for purposes of this subpara-  
9           graph.

10           “(5) CREDIT ALLOWABLE FOR CERTAIN BUILD-  
11           INGS ACQUIRED DURING 10-YEAR PERIOD.—On ap-  
12           plication by the taxpayer, the Secretary may waive  
13           paragraph (2)(B)(ii) with respect to any building ac-  
14           quired from an insured depository institution in de-  
15           fault (as defined in section 3 of the Federal Deposit  
16           Insurance Act) or from a receiver or conservator of  
17           such an institution.

18           “(6) ACQUISITION OF BUILDING BEFORE END  
19           OF PRIOR CREDIT PERIOD.—

20           “(A) IN GENERAL.—Under regulations  
21           prescribed by the Secretary, in the case of a  
22           building described in subparagraph (B) (or in-  
23           terest therein) which is acquired by the tax-  
24           payer—

1 “(i) paragraph (2)(B) shall not apply,  
2 but

3 “(ii) the credit allowable by reason of  
4 subsection (a) to the taxpayer for any pe-  
5 riod after such acquisition shall be equal to  
6 the amount of credit which would have  
7 been allowable under subsection (a) for  
8 such period to the prior owner referred to  
9 in subparagraph (B) had such owner not  
10 disposed of the building.

11 “(B) DESCRIPTION OF BUILDING.—A  
12 building is described in this subparagraph if—

13 “(i) a credit was allowed by reason of  
14 subsection (a) to any prior owner of such  
15 building, and

16 “(ii) the taxpayer acquired such build-  
17 ing before the end of the credit period for  
18 such building with respect to such prior  
19 owner (determined without regard to any  
20 disposition by such prior owner).

21 “(e) REHABILITATION EXPENDITURES TREATED AS  
22 SEPARATE NEW BUILDING.—

23 “(1) IN GENERAL.—Rehabilitation expenditures  
24 paid or incurred by the taxpayer with respect to any

1 building shall be treated for purposes of this section  
2 as a separate building which is not a new building.

3 “(2) REHABILITATION EXPENDITURES.—For  
4 purposes of paragraph (1)—

5 “(A) IN GENERAL.—The term ‘rehabilita-  
6 tion expenditures’ means amounts chargeable to  
7 capital account and incurred for property (or  
8 additions or improvements to property) of a  
9 character subject to the allowance for deprecia-  
10 tion in connection with the rehabilitation of a  
11 building.

12 “(B) COST OF ACQUISITION, ETC., NOT IN-  
13 CLUDED.—Such term does not include the cost  
14 of acquiring any building (or interest therein)  
15 or any amount not permitted to be taken into  
16 account under paragraph (3) of subsection (d).

17 “(C) CERTAIN RELOCATION COSTS.—In  
18 the case of a rehabilitation of a building to  
19 which section 280B does not apply, costs relat-  
20 ing to the relocation of occupants, including—

21 “(i) amounts paid to occupants,

22 “(ii) amounts paid to third parties for  
23 services relating to such relocation, and

24 “(iii) amounts paid for temporary  
25 housing for occupants,

1 shall be treated as chargeable to capital account  
2 and taken into account as rehabilitation ex-  
3 penditures.

4 “(3) MINIMUM EXPENDITURES TO QUALIFY.—

5 “(A) IN GENERAL.—Paragraph (1) shall  
6 apply to rehabilitation expenditures with respect  
7 to any building only if—

8 “(i) the expenditures are allocable to  
9 1 or more working families units or sub-  
10 stantially benefit such units, and

11 “(ii) the amount of such expenditures  
12 during any 24-month period meets the re-  
13 quirements of whichever of the following  
14 subclauses requires the greater amount of  
15 such expenditures:

16 “(I) The requirement of this sub-  
17 clause is met if such amount is not  
18 less than 20 percent of the adjusted  
19 basis of the building (determined as of  
20 the 1st day of such period and with-  
21 out regard to paragraphs (2) and (3)  
22 of section 1016(a)).

23 “(II) The requirement of this  
24 subclause is met if the qualified basis  
25 attributable to such amount, when di-

1                   vided by the number of working fami-  
2                   lies units in the building, is equal to  
3                   or greater than the dollar amount in  
4                   effect under section 42(e)(3)(A)(ii)(II)  
5                   for the calendar year in which such  
6                   expenditures are treated as placed in  
7                   service under paragraph (4).

8                   “(B) DATE OF DETERMINATION.—The de-  
9                   termination under subparagraph (A) shall be  
10                  made as of the close of the 1st taxable year in  
11                  the credit period with respect to such expendi-  
12                  tures.

13                  “(4) SPECIAL RULES.—For purposes of apply-  
14                  ing this section with respect to expenditures which  
15                  are treated as a separate building by reason of this  
16                  subsection—

17                         “(A) such expenditures shall be treated as  
18                         placed in service at the close of the 24-month  
19                         period referred to in paragraph (3)(A), and

20                         “(B) the applicable fraction under sub-  
21                         section (c)(1) shall be the applicable fraction for  
22                         the building (without regard to paragraph (1))  
23                         with respect to which the expenditures were in-  
24                         curred.

1       Nothing in subsection (d)(2) shall prevent a credit  
2       from being allowed by reason of this subsection.

3           “(5) NO DOUBLE COUNTING.—Rehabilitation  
4       expenditures may, at the election of the taxpayer, be  
5       taken into account under this subsection or sub-  
6       section (d)(2)(A)(i) but not under both such sub-  
7       sections.

8           “(6) REGULATIONS TO APPLY SUBSECTION  
9       WITH RESPECT TO GROUP OF UNITS IN BUILDING.—  
10      The Secretary may prescribe regulations, consistent  
11      with the purposes of this subsection, treating a  
12      group of units with respect to which rehabilitation  
13      expenditures are incurred as a separate new build-  
14      ing.

15      “(f) DEFINITION AND SPECIAL RULES RELATING TO  
16      CREDIT PERIOD.—

17           “(1) CREDIT PERIOD DEFINED.—For purposes  
18      of this section, the term ‘credit period’ means, with  
19      respect to any building, the period of 15 taxable  
20      years beginning with—

21           “(A) the taxable year in which the building  
22           is placed in service, or

23           “(B) at the election of the taxpayer, the  
24           succeeding taxable year,

but only if the building is a qualified working families building as of the close of the 1st year of such period. The election under subparagraph (B), once made, shall be irrevocable.

“(2) SPECIAL RULE FOR 1ST YEAR OF CREDIT PERIOD.—

“(A) IN GENERAL.—The credit allowable under subsection (a) with respect to any building for the 1st taxable year of the credit period shall be determined by substituting for the applicable fraction under subsection (c)(1) the fraction—

“(i) the numerator of which is the sum of the applicable fractions determined under subsection (c)(1) as of the close of each full month of such year during which such building was in service, and

“(ii) the denominator of which is 12.

“(B) DISALLOWED 1ST-YEAR CREDIT ALLOWED IN 16TH YEAR.—Any reduction by reason of subparagraph (A) in the credit allowable (without regard to subparagraph (A)) for the 1st taxable year of the credit period shall be allowable under subsection (a) for the 1st taxable year following the credit period.

1           “(3) DETERMINATION OF APPLICABLE PER-  
2           CENTAGE WITH RESPECT TO INCREASES IN QUALI-  
3           FIED BASIS AFTER 1ST YEAR OF CREDIT PERIOD.—

4           “(A) IN GENERAL.—In the case of any  
5           building which was a qualified working families  
6           building as of the close of the 1st year of the  
7           credit period, if—

8           “(i) as of the close of any taxable year  
9           in the credit period (after the 1st year of  
10          such period) the qualified basis of such  
11          building, exceeds

12          “(ii) the qualified basis of such build-  
13          ing as of the close of the 1st year of the  
14          credit period,

15          the applicable percentage which shall apply  
16          under subsection (a) for the taxable year to  
17          such excess shall be the percentage equal to  $\frac{2}{3}$   
18          of the applicable percentage which (after the  
19          application of subsection (h)) would but for this  
20          paragraph apply to such basis.

21          “(B) 1ST YEAR COMPUTATION APPLIES.—

22          A rule similar to the rule of paragraph (2)(A)  
23          shall apply to any increase in qualified basis to  
24          which subparagraph (A) applies for the 1st year  
25          of such increase.



1           “(4) DISPOSITIONS OF PROPERTY.—If a build-  
 2           ing (or an interest therein) is disposed of during any  
 3           year for which credit is allowable under subsection  
 4           (a), such credit shall be allocated between the par-  
 5           ties on the basis of the number of days during such  
 6           year the building (or interest) was held by each.

7           “(5) CREDIT PERIOD FOR EXISTING BUILDINGS  
 8           NOT TO BEGIN BEFORE REHABILITATION CREDIT  
 9           ALLOWED.—

10           “(A) IN GENERAL.—The credit period for  
 11           an existing building shall not begin before the  
 12           1st taxable year of the credit period for reha-  
 13           bilitation expenditures with respect to the build-  
 14           ing.

15           “(B) ACQUISITION CREDIT ALLOWED FOR  
 16           CERTAIN BUILDINGS NOT ALLOWED A REHA-  
 17           BILITATION CREDIT.—

18           “(i) IN GENERAL.—In the case of a  
 19           building described in clause (ii)—

20                   “(I) subsection (d)(2)(B)(iv)  
 21                   shall not apply, and

22                   “(II) the credit period for such  
 23                   building shall not begin before the  
 24                   taxable year which would be the 1st  
 25                   taxable year of the credit period for

1 rehabilitation expenditures with re-  
 2 spect to the building under the modi-  
 3 fications described in clause (ii)(II).

4 “(ii) BUILDING DESCRIBED.—A build-  
 5 ing is described in this clause if—

6 “(I) a waiver is granted under  
 7 subsection (d)(4) with respect to the  
 8 acquisition of the building, and

9 “(II) a credit would be allowed  
 10 for rehabilitation expenditures with  
 11 respect to such building if subsection  
 12 (e)(3)(A)(ii)(I) did not apply and if  
 13 the dollar amount in effect under sub-  
 14 section (e)(3)(A)(ii)(II) were two-  
 15 thirds of such amount.

16 “(g) QUALIFIED WORKING FAMILIES HOUSING  
 17 PROJECT.—For purposes of this section—

18 “(1) QUALIFIED WORKING FAMILIES HOUSING  
 19 PROJECT.—

20 “(A) IN GENERAL.—The term ‘qualified  
 21 working families housing project’ means any  
 22 project for residential rental property if such  
 23 project meets the low-income requirements of  
 24 subparagraph (B) and the working families re-  
 25 quirements of subparagraph (C).

1           “(B) LOW-INCOME REQUIREMENTS.—The  
2           project meets the low-income requirements of  
3           this subparagraph if 20 percent or more of the  
4           residential units in such project are both rent-  
5           restricted and occupied by individuals whose in-  
6           come is 60 percent or less of area median gross  
7           income.

8           “(C) WORKING FAMILIES REQUIRE-  
9           MENTS.—

10           “(i) IN GENERAL.—The project meets  
11           the working families requirements of this  
12           subparagraph if 40 percent or more of the  
13           residential units in such project are both  
14           rent-restricted and occupied by individuals  
15           whose income does not exceed the imputed  
16           income limitation designated by the tax-  
17           payer with respect to the respective unit.

18           “(ii) SPECIAL RULES RELATING TO  
19           INCOME LIMITATION.—For purposes of  
20           clause (i)—

21           “(I) DESIGNATION.—The tax-  
22           payer shall designate the imputed in-  
23           come limitation of each unit taken  
24           into account under such clause.

1                   “(II) AVERAGE TEST.—The aver-  
 2                   age of the imputed income limitations  
 3                   designated under subclause (I) shall  
 4                   not exceed 100 percent of area me-  
 5                   dian gross income.

6                   “(III) PERMITTED INCRE-  
 7                   MENTS.—The designated imputed in-  
 8                   come limitation of any unit under sub-  
 9                   clause (I) shall be 70, 80, 90, 100,  
 10                  110, 120, 130, 140, 150, 160, 170, or  
 11                  180 percent of area median gross in-  
 12                  come.

13           Any designation under this paragraph, once made,  
 14           shall be irrevocable. For purposes of this paragraph,  
 15           any property shall not be treated as failing to be res-  
 16           idential rental property merely because part of the  
 17           building in which such property is located is used for  
 18           purposes other than residential rental purposes.

19           “(2) RENT-RESTRICTED UNITS.—

20                   “(A) IN GENERAL.—For purposes of para-  
 21                   graph (1), a residential unit is rent-restricted if  
 22                   the gross rent with respect to such unit does  
 23                   not exceed 30 percent of the imputed income  
 24                   limitation applicable to such unit. For purposes  
 25                   of the preceding sentence, the amount of the in-

1           come limitation under paragraph (1) applicable  
2           for any period shall not be less than such limi-  
3           tation applicable for the earliest period the  
4           building (which contains the unit) was included  
5           in the determination of whether the project is  
6           a qualified working families housing project.

7           “(B) GROSS RENT.—For purposes of sub-  
8           paragraph (A), gross rent—

9           “(i) includes any utility allowance de-  
10          termined by the Secretary after taking into  
11          account such determinations under section  
12          8 of the United States Housing Act of  
13          1937,

14          “(ii) does not include any fee for a  
15          supportive service which is paid to the  
16          owner of the unit (on the basis of the  
17          working families status of the tenant of the  
18          unit) by any governmental program of as-  
19          sistance (or by an organization described  
20          in section 501(c)(3) and exempt from tax  
21          under section 501(a)) if such program (or  
22          organization) provides assistance for rent  
23          and the amount of assistance provided for  
24          rent is not separable from the amount of

1 assistance provided for supportive services,  
2 and

3 “(iii) does not include any rental pay-  
4 ment to the owner of the unit to the extent  
5 such owner pays an equivalent amount to  
6 the Farmers’ Home Administration under  
7 section 515 of the Housing Act of 1949.

8 For purposes of clause (ii), the term ‘supportive  
9 service’ means any service provided under a  
10 planned program of services designed to enable  
11 residents of a residential rental property to re-  
12 main independent and avoid placement in a  
13 hospital, nursing home, or intermediate care fa-  
14 cility for the mentally or physically handi-  
15 capped.

16 “(C) IMPUTED INCOME LIMITATION APPLI-  
17 CABLE TO UNIT.—For purposes of this para-  
18 graph, the imputed income limitation applicable  
19 to a unit is the income limitation which would  
20 apply under paragraph (1) to individuals occu-  
21 pying the unit if the number of individuals oc-  
22 cupying the unit were as follows:

23 “(i) In the case of a unit which does  
24 not have a separate bedroom, 1 individual.

1                   “(ii) In the case of a unit which has  
2                   1 or more separate bedrooms, 1.5 individ-  
3                   uals for each separate bedroom.

4                   In the case of a project with respect to which  
5                   a credit is allowable by reason of this section  
6                   and for which financing is provided by a bond  
7                   described in section 142(a)(7), the imputed in-  
8                   come limitation shall apply in lieu of the other-  
9                   wise applicable income limitation for purposes  
10                  of applying section 142(d)(4)(B)(ii).

11                  “(D) TREATMENT OF UNITS OCCUPIED BY  
12                  INDIVIDUALS WHOSE INCOMES RISE ABOVE  
13                  LIMIT.—

14                  “(i) IN GENERAL.—Except as pro-  
15                  vided in clause (ii), notwithstanding an in-  
16                  crease in the income of the occupants of a  
17                  working families unit above the income  
18                  limitation applicable under paragraph (1),  
19                  such unit shall continue to be treated as a  
20                  working families unit if the income of such  
21                  occupants initially met such income limita-  
22                  tion and such unit continues to be rent-re-  
23                  stricted.

24                  “(ii) NEXT AVAILABLE UNIT MUST BE  
25                  RENTED TO WORKING FAMILIES TENANT

1 IF INCOME RISES ABOVE 140 PERCENT OF  
2 INCOME LIMIT.—If the income of the occu-  
3 pants of the unit increases above 140 per-  
4 cent of the income limitation applicable  
5 under paragraph (1), clause (i) shall cease  
6 to apply to such unit if any residential  
7 rental unit in the building (of a size com-  
8 parable to, or smaller than, such unit) is  
9 occupied by a new resident whose income  
10 exceeds such income limitation.

11 “(3) DATE FOR MEETING REQUIREMENTS.—

12 “(A) IN GENERAL.—Except as otherwise  
13 provided in this paragraph, a building shall be  
14 treated as a qualified working families building  
15 only if the project (of which such building is a  
16 part) meets the requirements of paragraph (1)  
17 not later than the close of the 1st year of the  
18 credit period for such building.

19 “(B) BUILDINGS WHICH RELY ON LATER  
20 BUILDINGS FOR QUALIFICATION.—

21 “(i) IN GENERAL.—In determining  
22 whether a building (hereinafter in this sub-  
23 paragraph referred to as the ‘prior build-  
24 ing’) is a qualified working families build-  
25 ing, the taxpayer may take into account 1



1 or more additional buildings placed in serv-  
2 ice during the 12-month period described  
3 in subparagraph (A) with respect to the  
4 prior building only if the taxpayer elects to  
5 apply clause (ii) with respect to each addi-  
6 tional building taken into account.

7 “(ii) TREATMENT OF ELECTED  
8 BUILDINGS.—In the case of a building  
9 which the taxpayer elects to take into ac-  
10 count under clause (i), the period under  
11 subparagraph (A) for such building shall  
12 end at the close of the 12-month period ap-  
13 plicable to the prior building.

14 “(iii) DATE PRIOR BUILDING IS  
15 TREATED AS PLACED IN SERVICE.—For  
16 purposes of determining the credit period  
17 for the prior building, the prior building  
18 shall be treated for purposes of this section  
19 as placed in service on the most recent  
20 date any additional building elected by the  
21 taxpayer (with respect to such prior build-  
22 ing) was placed in service.

23 “(C) SPECIAL RULE.—A building—

24 “(i) other than the 1st building placed  
25 in service as part of a project, and

1                   “(ii) other than a building which is  
2                   placed in service during the 12-month pe-  
3                   riod described in subparagraph (A) with  
4                   respect to a prior building which becomes  
5                   a qualified working families building,  
6                   shall in no event be treated as a qualified work-  
7                   ing families building unless the project is a  
8                   qualified working families housing project  
9                   (without regard to such building) on the date  
10                  such building is placed in service.

11                  “(D) PROJECTS WITH MORE THAN 1  
12                  BUILDING MUST BE IDENTIFIED.—For pur-  
13                  poses of this section, a project shall be treated  
14                  as consisting of only 1 building unless, before  
15                  the close of the 1st calendar year in the project  
16                  period (as defined in subsection (h)(1)(F)(ii)),  
17                  each building which is (or will be) part of such  
18                  project is identified in such form and manner  
19                  as the Secretary may provide.

20                  “(4) CERTAIN RULES MADE APPLICABLE.—  
21                  Paragraphs (2) (other than subparagraph (A) there-  
22                  of), (3), and (7) of section 142(d), and section  
23                  6652(j), shall apply for purposes of determining  
24                  whether any project is a qualified working families  
25                  housing project and whether any unit is a working

1 families unit; except that, in applying such provi-  
2 sions for such purposes—

3 “(A) the term ‘gross rent’ shall have the  
4 meaning given such term by paragraph (2)(B)  
5 of this subsection, and

6 “(B) the term ‘applicable income limit’  
7 means the limitation under paragraph (1) of  
8 this subsection.

9 “(5) ELECTION TO TREAT BUILDING AFTER  
10 CREDIT PERIOD AS NOT PART OF A PROJECT.—For  
11 purposes of this section, the taxpayer may elect to  
12 treat any building as not part of a qualified working  
13 families housing project for any period beginning  
14 after the credit period for such building.

15 “(6) SPECIAL RULE WHERE DE MINIMIS EQ-  
16 UITY CONTRIBUTION.—Property shall not be treated  
17 as failing to be residential rental property for pur-  
18 poses of this section merely because the occupant of  
19 a residential unit in the project pays (on a voluntary  
20 basis) to the lessor a de minimis amount to be held  
21 toward the purchase by such occupant of a residen-  
22 tial unit in such project if—

23 “(A) all amounts so paid are refunded to  
24 the occupant on the cessation of his occupancy  
25 of a unit in the project, and

1           “(B) the purchase of the unit is not per-  
2           mitted until after the close of the credit period  
3           with respect to the building in which the unit  
4           is located.

5           Any amount paid to the lessor as described in the  
6           preceding sentence shall be included in gross rent  
7           under paragraph (2) for purposes of determining  
8           whether the unit is rent-restricted.

9           “(7) SCATTERED SITE PROJECTS.—Buildings  
10          which would (but for their lack of proximity) be  
11          treated as a project for purposes of this section shall  
12          be so treated if all of the dwelling units in each of  
13          the buildings are rent-restricted (within the meaning  
14          of paragraph (2)) residential rental units.

15          “(8) WAIVER OF CERTAIN RECERTIFI-  
16          CATIONS.—On application by the taxpayer, the Sec-  
17          retary may waive any annual recertification of ten-  
18          ant income for purposes of this subsection, if the en-  
19          tire building is occupied by working families tenants.

20          “(9) CLARIFICATION OF GENERAL PUBLIC USE  
21          REQUIREMENT.—A project does not fail to meet the  
22          general public use requirement solely because of oc-  
23          cupancy restrictions or preferences that favor ten-  
24          ants—

25               “(A) with special needs, or

1           “(B) who are members of a specified group  
2           under a Federal program or State program or  
3           policy that supports housing for such a speci-  
4           fied group.

5           “(10) PREVAILING WAGE REQUIREMENTS.—No  
6           credit shall be determined under this section with re-  
7           spect to any building (including any rehabilitation  
8           expenditures treated as a separate building under  
9           subsection (e)) unless such building meets require-  
10          ments similar the requirements described in section  
11          45(b)(7).

12          “(h) LIMITATION ON AGGREGATE CREDIT ALLOW-  
13          ABLE WITH RESPECT TO PROJECTS LOCATED IN A  
14          STATE.—

15               “(1) CREDIT MAY NOT EXCEED CREDIT  
16          AMOUNT ALLOCATED TO BUILDING.—

17               “(A) IN GENERAL.—The amount of the  
18               credit determined under this section for any  
19               taxable year with respect to any building shall  
20               not exceed the housing credit dollar amount al-  
21               located to such building under this subsection.

22               “(B) TIME FOR MAKING ALLOCATION.—  
23               Except in the case of an allocation which meets  
24               the requirements of subparagraph (C), (D),  
25               (E), or (F), an allocation shall be taken into ac-

count under subparagraph (A) only if it is made not later than the close of the calendar year in which the building is placed in service.

“(C) EXCEPTION WHERE BINDING COMMITMENT.—An allocation meets the requirements of this subparagraph if there is a binding commitment (not later than the close of the calendar year in which the building is placed in service) by the housing credit agency to allocate a specified housing credit dollar amount to such building beginning in a specified later taxable year.

“(D) EXCEPTION WHERE INCREASE IN QUALIFIED BASIS.—

“(i) IN GENERAL.—An allocation meets the requirements of this subparagraph if such allocation is made not later than the close of the calendar year in which ends the taxable year to which it will 1st apply but only to the extent the amount of such allocation does not exceed the limitation under clause (ii).

“(ii) LIMITATION.—The limitation under this clause is the amount of credit allowable under this section (without re-

1           gard to this subsection) for a taxable year  
2           with respect to an increase in the qualified  
3           basis of the building equal to the excess  
4           of—

5                       “(I) the qualified basis of such  
6                       building as of the close of the 1st tax-  
7                       able year to which such allocation will  
8                       apply, over

9                       “(II) the qualified basis of such  
10                      building as of the close of the 1st tax-  
11                      able year to which the most recent  
12                      prior housing credit allocation with re-  
13                      spect to such building applied.

14                     “(iii) HOUSING CREDIT DOLLAR  
15                     AMOUNT REDUCED BY FULL ALLOCA-  
16                     TION.—Notwithstanding clause (i), the full  
17                     amount of the allocation shall be taken  
18                     into account under paragraph (2).

19                     “(E) EXCEPTION WHERE 10 PERCENT OF  
20                     COST INCURRED.—

21                     “(i) IN GENERAL.—An allocation  
22                     meets the requirements of this subpara-  
23                     graph if such allocation is made with re-  
24                     spect to a qualified building which is  
25                     placed in service not later than the close of

1 the second calendar year following the cal-  
2 endar year in which the allocation is made.

3 “(ii) QUALIFIED BUILDING.—For pur-  
4 poses of clause (i), the term ‘qualified  
5 building’ means any building which is part  
6 of a project if the taxpayer’s basis in such  
7 project (as of the date which is 1 year  
8 after the date that the allocation was  
9 made) is more than 10 percent of the tax-  
10 payer’s reasonably expected basis in such  
11 project (as of the close of the second cal-  
12 endar year referred to in clause (i)). Such  
13 term does not include any existing building  
14 unless a credit is allowable under sub-  
15 section (e) for rehabilitation expenditures  
16 paid or incurred by the taxpayer with re-  
17 spect to such building for a taxable year  
18 ending during the second calendar year re-  
19 ferred to in clause (i) or the prior taxable  
20 year.

21 “(F) ALLOCATION OF CREDIT ON A  
22 PROJECT BASIS.—

23 “(i) IN GENERAL.—In the case of a  
24 project which includes (or will include)



1 more than 1 building, an allocation meets  
2 the requirements of this subparagraph if—

3 “(I) the allocation is made to the  
4 project for a calendar year during the  
5 project period,

6 “(II) the allocation only applies  
7 to buildings placed in service during  
8 or after the calendar year for which  
9 the allocation is made, and

10 “(III) the portion of such alloca-  
11 tion which is allocated to any building  
12 in such project is specified not later  
13 than the close of the calendar year in  
14 which the building is placed in service.

15 “(ii) PROJECT PERIOD.—For pur-  
16 poses of clause (i), the term ‘project pe-  
17 riod’ means the period—

18 “(I) beginning with the 1st cal-  
19 endar year for which an allocation  
20 may be made for the 1st building  
21 placed in service as part of such  
22 project, and

23 “(II) ending with the calendar  
24 year the last building is placed in  
25 service as part of such project.

1           “(2) ALLOCATED CREDIT AMOUNT TO APPLY  
2           TO ALL TAXABLE YEARS ENDING DURING OR AFTER  
3           CREDIT ALLOCATION YEAR.—Any housing credit dol-  
4           lar amount allocated to any building for any cal-  
5           endar year—

6                   “(A) shall apply to such building for all  
7                   taxable years in the credit period ending during  
8                   or after such calendar year, and

9                   “(B) shall reduce the aggregate housing  
10                  credit dollar amount of the allocating agency  
11                  only for such calendar year.

12           “(3) HOUSING CREDIT DOLLAR AMOUNT FOR  
13           AGENCIES.—

14                   “(A) IN GENERAL.—The aggregate hous-  
15                   ing credit dollar amount which a housing credit  
16                   agency may allocate for any calendar year is  
17                   the portion of the State housing credit ceiling  
18                   allocated under this paragraph for such cal-  
19                   endar year to such agency.

20                   “(B) STATE CEILING INITIALLY ALLO-  
21                   CATED TO STATE HOUSING CREDIT AGEN-  
22                   CIES.—Except as provided in subparagraph  
23                   (D), the State housing credit ceiling for each  
24                   calendar year shall be allocated to the housing  
25                   credit agency of such State. If there is more

than 1 housing credit agency of a State, all such agencies shall be treated as a single agency.

“(C) STATE HOUSING CREDIT CEILING.—

The State housing credit ceiling applicable to any State for any calendar year shall be an amount equal to the sum of—

“(i) the unused State housing credit ceiling (if any) of such State for the preceding calendar year,

“(ii) the greater of—

“(I) \$1.00 multiplied by the State population, or

“(II) \$1,500,000, plus

“(iii) the amount of State housing credit ceiling returned in the calendar year.

For purposes of clause (i), the unused State housing credit ceiling for any calendar year is the excess (if any) of the sum of the amounts described in clauses (ii) (reduced by the aggregate amounts described in paragraph (10)(A)(i) with respect to all elections made for such calendar year) and (iii) over the aggregate housing credit dollar amount allocated for such year.

For purposes of clause (iii), the amount of

1 State housing credit ceiling returned in the cal-  
2 endar year equals the housing credit dollar  
3 amount previously allocated within the State to  
4 any project which fails to meet the 10 percent  
5 test under paragraph (1)(E)(ii) on a date after  
6 the close of the calendar year in which the allo-  
7 cation was made or which does not become a  
8 qualified working families housing project with-  
9 in the period required by this section or the  
10 terms of the allocation or to any project with  
11 respect to which an allocation is cancelled by  
12 mutual consent of the housing credit agency  
13 and the allocation recipient.

14 “(D) STATE MAY PROVIDE FOR DIF-  
15 FERENT ALLOCATION.—Rules similar to the  
16 rules of section 146(e) (other than paragraph  
17 (2)(B) thereof) shall apply for purposes of this  
18 paragraph.

19 “(E) POPULATION.—For purposes of this  
20 paragraph, population shall be determined in  
21 accordance with section 146(j).

22 “(F) COST-OF-LIVING ADJUSTMENT.—

23 “(i) IN GENERAL.—In the case of a  
24 calendar year after 2024, the \$1,500,000  
25 and \$1.00 amounts in subparagraph (C)

1 shall each be increased by an amount equal  
2 to—

3 “(I) such dollar amount, multi-  
4 plied by

5 “(II) the cost-of-living adjust-  
6 ment determined under section 1(f)(3)  
7 for such calendar year by substituting  
8 ‘calendar year 2023’ for ‘calendar  
9 year 2016’ in subparagraph (A)(ii)  
10 thereof.

11 “(ii) ROUNDING.—

12 “(I) In the case of the  
13 \$1,140,000 amount, any increase  
14 under clause (i) which is not a mul-  
15 tiple of \$5,000 shall be rounded to the  
16 next lowest multiple of \$5,000.

17 “(II) In the case of the \$1.00  
18 amount, any increase under clause (i)  
19 which is not a multiple of 5 cents  
20 shall be rounded to the next lowest  
21 multiple of 5 cents.

22 “(4) PORTION OF STATE CEILING SET-ASIDE  
23 FOR CERTAIN PROJECTS INVOLVING QUALIFIED  
24 NONPROFIT ORGANIZATIONS.—

1           “(A) IN GENERAL.—Not more than 90  
2           percent of the State housing credit ceiling (de-  
3           termined without regard to paragraph (7)) for  
4           any State for any calendar year shall be allo-  
5           cated to projects other than qualified working  
6           families housing projects described in subpara-  
7           graph (B).

8           “(B) PROJECTS INVOLVING QUALIFIED  
9           NONPROFIT ORGANIZATIONS.—For purposes of  
10          subparagraph (A), a qualified working families  
11          housing project is described in this subpara-  
12          graph if a qualified nonprofit organization is to  
13          own an interest in the project (directly or  
14          through a partnership) and materially partici-  
15          pate (within the meaning of section 469(h)) in  
16          the development and operation of the project  
17          throughout the credit period.

18          “(C) QUALIFIED NONPROFIT ORGANIZA-  
19          TION.—For purposes of this paragraph, the  
20          term ‘qualified nonprofit organization’ means  
21          any organization if—

22                 “(i) such organization is described in  
23                 paragraph (3) or (4) of section 501(c) and  
24                 is exempt from tax under section 501(a),

1 “(ii) such organization is determined  
 2 by the State housing credit agency not to  
 3 be affiliated with or controlled by a for-  
 4 profit organization, and

5 “(iii) one of the exempt purposes of  
 6 such organization includes the fostering of  
 7 working families housing.

8 “(D) TREATMENT OF CERTAIN SUBSIDI-  
 9 ARIES.—

10 “(i) IN GENERAL.—For purposes of  
 11 this paragraph, a qualified nonprofit orga-  
 12 nization shall be treated as satisfying the  
 13 ownership and material participation test  
 14 of subparagraph (B) if any qualified cor-  
 15 poration in which such organization holds  
 16 stock satisfies such test.

17 “(ii) QUALIFIED CORPORATION.—For  
 18 purposes of clause (i), the term ‘qualified  
 19 corporation’ means any corporation if 100  
 20 percent of the stock of such corporation is  
 21 held by 1 or more qualified nonprofit orga-  
 22 nizations at all times during the period  
 23 such corporation is in existence.

24 “(E) STATE MAY NOT OVERRIDE SET-  
 25 ASIDE.—Nothing in subparagraph (E) of para-

1 graph (3) shall be construed to permit a State  
2 not to comply with subparagraph (A) of this  
3 paragraph.

4 “(5) BUILDINGS ELIGIBLE FOR CREDIT ONLY  
5 IF MINIMUM LONG-TERM COMMITMENT TO WORKING  
6 FAMILIES HOUSING.—

7 “(A) IN GENERAL.—No credit shall be al-  
8 lowed by reason of this section with respect to  
9 any building for the taxable year unless an ex-  
10 tended working families housing commitment is  
11 in effect as of the end of such taxable year.

12 “(B) EXTENDED WORKING FAMILIES  
13 HOUSING COMMITMENT.—For purposes of this  
14 paragraph, the term ‘extended working families  
15 housing commitment’ means any agreement be-  
16 tween the taxpayer and the housing credit agen-  
17 cy—

18 “(i) which requires that the applicable  
19 fraction (as defined in subsection (c)(1))  
20 for the building for each taxable year in  
21 the extended use period will not be less  
22 than the applicable fraction specified in  
23 such agreement and which prohibits the  
24 actions described in subclauses (I) and (II)  
25 of subparagraph (E)(ii),



1           “(ii) which allows individuals who  
2           meet the income limitation applicable to  
3           the building under subsection (g) (whether  
4           prospective, present, or former occupants  
5           of the building) the right to enforce in any  
6           State court the requirement and prohibi-  
7           tions of clause (i),

8           “(iii) which prohibits the disposition  
9           to any person of any portion of the build-  
10          ing to which such agreement applies unless  
11          all of the building to which such agreement  
12          applies is disposed of to such person,

13          “(iv) which prohibits the refusal to  
14          lease to a holder of a voucher or certificate  
15          of eligibility under section 8 of the United  
16          States Housing Act of 1937 because of the  
17          status of the prospective tenant as such a  
18          holder,

19          “(v) which is binding on all successors  
20          of the taxpayer, and

21          “(vi) which, with respect to the prop-  
22          erty, is recorded pursuant to State law as  
23          a restrictive covenant.

24          “(C) ALLOCATION OF CREDIT MAY NOT  
25          EXCEED AMOUNT NECESSARY TO SUPPORT

1 COMMITMENT.—The housing credit dollar  
2 amount allocated to any building may not ex-  
3 ceed the amount necessary to support the appli-  
4 cable fraction specified in the extended working  
5 families housing commitment for such building,  
6 including any increase in such fraction pursu-  
7 ant to the application of subsection (f)(3) if  
8 such increase is reflected in an amended work-  
9 ing families housing commitment.

10 “(D) EXTENDED USE PERIOD.—For pur-  
11 poses of this paragraph, the term ‘extended use  
12 period’ means the period—

13 “(i) beginning on the 1st day in the  
14 credit period on which such building is  
15 part of a qualified working families hous-  
16 ing project, and

17 “(ii) ending on the later of—

18 “(I) the date specified by such  
19 agency in such agreement, or

20 “(II) the date which is 15 years  
21 after the close of the credit period.

22 “(E) EXCEPTIONS IF FORECLOSURE OR IF  
23 NO BUYER WILLING TO MAINTAIN WORKING  
24 FAMILIES STATUS.—

1           “(i) IN GENERAL.—The extended use  
2           period for any building shall terminate on  
3           the 61st day after the taxpayer (or a suc-  
4           cessor in interest) provides notice to the  
5           Secretary and the housing credit agency  
6           that the building has been acquired by  
7           foreclosure (or instrument in lieu of fore-  
8           closure) and that the taxpayer intends the  
9           termination of such period, unless, before  
10          such date, the Secretary or the housing  
11          credit agency determines that such acquisi-  
12          tion is part of an arrangement with the  
13          taxpayer a purpose of which is to termi-  
14          nate such period.

15          “(ii) EVICTION, ETC., OF EXISTING  
16          WORKING FAMILIES TENANTS NOT PER-  
17          MITTED.—The termination of an extended  
18          use period under clause (i) shall not be  
19          construed to permit before the close of the  
20          3-year period following such termination—

21                 “(I) the eviction or the termi-  
22                 nation of tenancy (other than for good  
23                 cause) of an existing tenant of any  
24                 working families unit, or

1                   “(II) any increase in the gross  
2                   rent with respect to such unit not oth-  
3                   erwise permitted under this section.

4                   “(F) EFFECT OF NONCOMPLIANCE.—If,  
5                   during a taxable year, there is a determination  
6                   that an extended working families housing  
7                   agreement was not in effect as of the beginning  
8                   of such year, such determination shall not apply  
9                   to any period before such year and subpara-  
10                  graph (A) shall be applied without regard to  
11                  such determination if the failure is corrected  
12                  within 1 year from the date of the determina-  
13                  tion.

14                  “(G) PROJECTS WHICH CONSIST OF MORE  
15                  THAN 1 BUILDING.—The application of this  
16                  paragraph to projects which consist of more  
17                  than 1 building shall be made under regulations  
18                  prescribed by the Secretary.

19                  “(6) SPECIAL RULES.—

20                  “(A) BUILDING MUST BE LOCATED WITH-  
21                  IN JURISDICTION OF CREDIT AGENCY.—A hous-  
22                  ing credit agency may allocate its aggregate  
23                  housing credit dollar amount only to buildings  
24                  located in the jurisdiction of the governmental  
25                  unit of which such agency is a part.

1           “(B) AGENCY ALLOCATIONS IN EXCESS OF  
2           LIMIT.—If the aggregate housing credit dollar  
3           amounts allocated by a housing credit agency  
4           for any calendar year exceed the portion of the  
5           State housing credit ceiling allocated to such  
6           agency for such calendar year, the housing  
7           credit dollar amounts so allocated shall be re-  
8           duced (to the extent of such excess) for build-  
9           ings in the reverse of the order in which the al-  
10          locations of such amounts were made.

11          “(C) CREDIT REDUCED IF ALLOCATED  
12          CREDIT DOLLAR AMOUNT IS LESS THAN CREDIT  
13          WHICH WOULD BE ALLOWABLE WITHOUT RE-  
14          GARD TO PLACED IN SERVICE CONVENTION,  
15          ETC.—

16          “(i) IN GENERAL.—The amount of  
17          the credit determined under this section  
18          with respect to any building shall not ex-  
19          ceed the clause (ii) percentage of the  
20          amount of the credit which would (but for  
21          this subparagraph) be determined under  
22          this section with respect to such building.

23          “(ii) DETERMINATION OF PERCENT-  
24          AGE.—For purposes of clause (i), the

1 clause (ii) percentage with respect to any  
 2 building is the percentage which—

3 “(I) the housing credit dollar  
 4 amount allocated to such building,  
 5 bears to

6 “(II) the credit amount deter-  
 7 mined in accordance with clause (iii).

8 “(iii) DETERMINATION OF CREDIT  
 9 AMOUNT.—The credit amount determined  
 10 in accordance with this clause is the  
 11 amount of the credit which would (but for  
 12 this subparagraph) be determined under  
 13 this section with respect to the building  
 14 if—

15 “(I) this section were applied  
 16 without regard to paragraphs (2)(A)  
 17 and (3)(B) of subsection (f), and

18 “(II) subsection (f)(3)(A) were  
 19 applied without regard to ‘the per-  
 20 centage equal to  $\frac{2}{3}$  of’.

21 “(D) HOUSING CREDIT AGENCY TO SPECI-  
 22 FY APPLICABLE PERCENTAGE AND MAXIMUM  
 23 QUALIFIED BASIS.—In allocating a housing  
 24 credit dollar amount to any building, the hous-  
 25 ing credit agency shall specify the applicable

1 percentage and the maximum qualified basis  
2 which may be taken into account under this  
3 section with respect to such building. The appli-  
4 cable percentage and maximum qualified basis  
5 so specified shall not exceed the applicable per-  
6 centage and qualified basis determined under  
7 this section without regard to this subsection.

8 “(7) INCREASE IN STATE CEILING DEDICATED  
9 TO CERTAIN RURAL DEVELOPMENT PROJECTS.—

10 “(A) IN GENERAL.—The State housing  
11 credit ceiling for any calendar year shall be in-  
12 creased by an amount equal to 20 percent of  
13 the amount determined under paragraph  
14 (3)(C)(ii).

15 “(B) USE OF INCREASED AMOUNT.—

16 “(i) IN GENERAL.—The amount of  
17 the increase under subparagraph (A) for  
18 any calendar year may only be allocated to  
19 buildings located in a rural area or  
20 exurban area.

21 “(ii) RURAL AREA.—For purposes of  
22 clause (i), the term ‘rural area’ means any  
23 non-metropolitan area, or any rural area  
24 as defined by section 520 of the Housing  
25 Act of 1949, which is identified by the

1 qualified allocation plan under subsection  
2 (l)(1)(B).

3 “(iii) EXURBAN AREA.—For purposes  
4 of clause (i), the term ‘exurban area’ has  
5 the meaning given such term by the Sec-  
6 retary after consultation with the Bureau  
7 of the Census.

8 “(8) OTHER DEFINITIONS.—For purposes of  
9 this subsection—

10 “(A) HOUSING CREDIT AGENCY.—The  
11 term ‘housing credit agency’ means any agency  
12 authorized to carry out this subsection.

13 “(B) POSSESSIONS TREATED AS STATES.—  
14 The term ‘State’ includes a possession of the  
15 United States.

16 “(9) CREDIT FOR BUILDINGS FINANCED BY  
17 TAX-EXEMPT BONDS SUBJECT TO VOLUME CAP NOT  
18 TAKEN INTO ACCOUNT.—Rules similar to the rules  
19 of subsections (h)(4), (m)(1)(D), and (m)(2)(D) of  
20 section 42 shall apply for purposes of this sub-  
21 section.

22 “(10) ELECTION TO TRANSFER STATE HOUSING  
23 CREDIT CEILING FOR ALLOCATIONS TO LOW-INCOME  
24 BUILDINGS.—



1           “(A) IN GENERAL.—If a State housing  
2           credit agency makes an election under this  
3           paragraph with respect to a calendar year—

4                   “(i) the State housing credit ceiling  
5                   for such calendar year under paragraph  
6                   (3) (determined before application of para-  
7                   graph (7)) shall be reduced by the amount  
8                   specified in such election,

9                   “(ii) the amount determined under  
10                  paragraph (7) for such calendar year shall  
11                  be reduced by the amount specified in such  
12                  election, and

13                  “(iii) the amount determined under  
14                  section 42(h)(3)(C)(ii) for such calendar  
15                  year shall be increased by the sum of the  
16                  amounts specified in clauses (i) and (ii),  
17                  except that any amount specified under  
18                  clause (ii)—

19                   “(I) may only be allocated under  
20                   such section to qualified low-income  
21                   buildings (as defined in section 42) lo-  
22                   cated in a rural area or exurban area  
23                   (as defined in paragraph (7)), and

24                   “(II) shall not be taken into ac-  
25                   count for purposes of determining the

1 unused housing credit ceiling under  
2 the second sentence of section  
3 42(h)(3)(C).

4 “(B) TIME AND MANNER FOR MAKING  
5 ELECTION.—

6 “(i) IN GENERAL.—An election under  
7 this paragraph—

8 “(I) shall be made before the end  
9 of the calendar year with respect to  
10 which such election applies,

11 “(II) shall be made in such man-  
12 ner as specified by the Secretary, and

13 “(III) shall separately specify the  
14 amount of reductions to be made  
15 under paragraph (3) and paragraph  
16 (7).

17 “(ii) FREQUENCY.—A State housing  
18 credit agency may make more than one  
19 election under this section with respect to  
20 any calendar year, and any such election,  
21 once made, shall be revocable only if such  
22 revocation is made before the end of the  
23 calendar year with respect to which such  
24 election is made.

1           “(C) LIMITATION.—The aggregate amount  
 2 specified in elections under this paragraph with  
 3 respect to any State housing credit agency for  
 4 calendar year shall not exceed the sum of—

5           “(i) the amount determined under  
 6 paragraph (3)(C)(ii) for such calendar  
 7 year, plus

8           “(ii) the amount determined under  
 9 paragraph (7) for such calendar year.

10       “(i) DEFINITIONS AND SPECIAL RULES.—For pur-  
 11 poses of this section—

12       “(1) WORKING FAMILIES UNIT.—

13       “(A) IN GENERAL.—The term ‘working  
 14 families unit’ means any unit in a building if—

15       “(i) such unit is rent-restricted (as de-  
 16 fined in subsection (g)(2)), and

17       “(ii) the individuals occupying such  
 18 unit meet the income limitation applicable  
 19 under subsection (g)(1) to the project of  
 20 which such building is a part.

21       “(B) EXCEPTIONS.—

22       “(i) EXCLUSION OF LOW-INCOME  
 23 UNITS.—A unit shall not be treated as a  
 24 working families unit if such unit is a low-

1 income unit (as defined under section  
2 42(i)(3)).

3 “(ii) UNIT MUST BE SUITABLE FOR  
4 PERMANENT OCCUPANCY.—

5 “(I) IN GENERAL.—A unit shall  
6 not be treated as a working families  
7 unit unless the unit is suitable for oc-  
8 cupancy and used other than on a  
9 transient basis.

10 “(II) SUITABILITY FOR OCCU-  
11 PANCY.—For purposes of subclause  
12 (I), the suitability of a unit for occu-  
13 pancy shall be determined under regu-  
14 lations prescribed by the Secretary  
15 taking into account local health, safe-  
16 ty, and building codes.

17 “(III) SINGLE-ROOM OCCUPANCY  
18 UNITS.—For purposes of subclause  
19 (I), a single-room occupancy unit shall  
20 not be treated as used on a transient  
21 basis merely because it is rented on a  
22 month-by-month basis.

23 “(C) SPECIAL RULE FOR BUILDINGS HAV-  
24 ING 4 OR FEWER UNITS.—In the case of any  
25 building which has 4 or fewer residential rental

units, no unit in such building shall be treated as a working families unit if the units in such building are owned by—

“(i) any individual who occupies a residential unit in such building, or

“(ii) any person who is related (as defined in subsection (d)(2)(D)(ii)) to such individual.

“(D) RULES RELATING TO STUDENTS.—

“(i) IN GENERAL.—A unit occupied solely by individuals who—

“(I) have not attained age 24,

and

“(II) are enrolled in a full-time

course of study at an institution of

higher education (as defined in section

3304(f)),

shall not be treated as a working families unit.

“(ii) EXCEPTION FOR CERTAIN FED-

ERAL PROGRAMS.—In the case of a Feder-

ally-assisted building (as defined in sub-

section (d)(6)(C)(i) of section 42), clause

(i) shall not apply to a unit all of the occu-

pants of which meet all applicable require-

ments under the housing program described in such subsection through which the building is assisted, financed, or operated.

“(iii) OTHER EXCEPTIONS.—Clause (i) shall not apply to a unit occupied by an individual who—

“(I) is married, if such individual’s spouse also occupies the unit,

“(II) is a person with disabilities (as defined in section 3(b)(3)(E) of the United States Housing Act of 1937),

“(III) is a veteran (as defined in section 101(2) of title 38, United States Code),

“(IV) has one or more qualifying children (as defined in section 152(c)), if such children also occupy the unit, the individual is not a dependent (as defined in section 152, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of another individual, and such children are not claimed as de-

pendents (as so defined) of another individual, or

“(V) is, or was immediately prior to attaining the age of majority—

“(aa) an emancipated minor or in legal guardianship as determined by a court of competent jurisdiction in the individual’s State of legal residence,

“(bb) under the care and placement responsibility of the State agency responsible for administering a plan under part B or part E of title IV of the Social Security Act, or

“(cc) was an unaccompanied youth (within the meaning of section 725(6) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a(6))) or a homeless child or youth (within the meaning of section 725(2) of such Act (42 U.S.C. 11434a(2))).

1           “(E) OWNER-OCCUPIED BUILDINGS HAV-  
2           ING 4 OR FEWER UNITS ELIGIBLE FOR CREDIT  
3           WHERE DEVELOPMENT PLAN.—

4           “(i) IN GENERAL.—Subparagraph (C)  
5           shall not apply to the acquisition or reha-  
6           bilitation of a building pursuant to a devel-  
7           opment plan of action sponsored by a  
8           State or local government or a qualified  
9           nonprofit organization.

10          “(ii) LIMITATION ON CREDIT.—In the  
11          case of a building to which clause (i) ap-  
12          plies, the applicable fraction shall not ex-  
13          ceed 80 percent of the unit fraction.

14          “(iii) CERTAIN UNRENTED UNITS  
15          TREATED AS OWNER-OCCUPIED.—In the  
16          case of a building to which clause (i) ap-  
17          plies, any unit which is not rented for 90  
18          days or more shall be treated as occupied  
19          by the owner of the building as of the 1st  
20          day it is not rented.

21          “(2) NEW BUILDING.—The term ‘new building’  
22          means a building the original use of which begins  
23          with the taxpayer.



1           “(3) EXISTING BUILDING.—The term ‘existing  
2       building’ means any building which is not a new  
3       building.

4           “(4) APPLICATION TO ESTATES AND TRUSTS.—  
5       In the case of an estate or trust, the amount of the  
6       credit determined under subsection (a) shall be ap-  
7       portioned between the estate or trust and the bene-  
8       ficiaries on the basis of the income of the estate or  
9       trust allocable to each.

10          “(5) IMPACT OF TENANT’S OPTION TO ACQUIRE  
11       PROPERTY.—

12               “(A) IN GENERAL.—No Federal income  
13       tax benefit shall fail to be allowable to the tax-  
14       payer with respect to any qualified working  
15       families building merely by reason of an option  
16       held by the tenants (in cooperative form or oth-  
17       erwise) or resident management corporation of  
18       such building or by a qualified nonprofit organi-  
19       zation or government agency to purchase the  
20       property or all of the partnership interests  
21       (other than interests of the person exercising  
22       such option or a related party thereto (within  
23       the meaning of section 267(b) or 707(b)(1)))  
24       relating to the property after the close of the  
25       credit period for a price which is not less than

1           the minimum purchase price determined under  
2           subparagraph (B).

3           “(B) MINIMUM PURCHASE PRICE.—For  
4           purposes of subparagraph (A), the minimum  
5           purchase price under this subparagraph is an  
6           amount equal to the principal amount of out-  
7           standing indebtedness secured by the building  
8           (other than indebtedness incurred within the 5-  
9           year period ending on the date of the sale to  
10          the tenants). In the case of a purchase of a  
11          partnership interest, the minimum purchase  
12          price is an amount equal to such interest’s rat-  
13          able share of the amount determined under the  
14          preceding sentence.

15          “(6) TREATMENT OF RURAL PROJECTS.—For  
16          purposes of this section, in the case of any project  
17          for residential rental property located in a rural area  
18          (as defined in section 520 of the Housing Act of  
19          1949), any income limitation measured by reference  
20          to area median gross income shall be measured by  
21          reference to the greater of area median gross income  
22          or national non-metropolitan median income.

23          “(7) DETERMINATION OF WHETHER BUILDING  
24          IS FEDERALLY SUBSIDIZED.—

1           “(A) IN GENERAL.—Except as otherwise  
2           provided in this paragraph, for purposes of this  
3           section, a project shall be treated as Federally  
4           subsidized for any taxable year if, at any time  
5           during such taxable year or any prior taxable  
6           year, there is or was outstanding any obligation  
7           the interest on which is exempt from tax under  
8           section 103 the proceeds of which are or were  
9           used (directly or indirectly) with respect to such  
10          project or the operation thereof.

11          “(B) SPECIAL RULE FOR SUBSIDIZED CON-  
12          STRUCTION FINANCING.—Subparagraph (A)  
13          shall not apply to any tax-exempt obligation  
14          used to provide construction financing for any  
15          building if—

16               “(i) such obligation (when issued)  
17               identified the building for which the pro-  
18               ceeds of such obligation would be used,  
19               and

20               “(ii) such obligation is redeemed be-  
21               fore such building is placed in service.

22          “(8) REDUCTION IN BASIS.—In the case of any  
23          building for which a credit is allowable under this  
24          section and section 42, the basis of the building shall

1 be reduced by the amount of such credit allowed  
2 under subsection (a).

3 “(j) APPLICATION OF AT-RISK RULES.—For pur-  
4 poses of this section—

5 “(1) IN GENERAL.—Except as otherwise pro-  
6 vided in this subsection, rules similar to the rules of  
7 section 49(a)(1) (other than subparagraphs  
8 (D)(ii)(II) and (D)(iv)(I) thereof), section 49(a)(2),  
9 and section 49(b)(1) shall apply in determining the  
10 qualified basis of any building in the same manner  
11 as such sections apply in determining the credit base  
12 of property.

13 “(2) SPECIAL RULES FOR DETERMINING QUALI-  
14 FIED PERSON.—For purposes of paragraph (1)—

15 “(A) IN GENERAL.—If the requirements of  
16 subparagraphs (B), (C), and (D) are met with  
17 respect to any financing borrowed from a quali-  
18 fied nonprofit organization, the determination  
19 of whether such financing is qualified commer-  
20 cial financing with respect to any qualified  
21 working families building shall be made without  
22 regard to whether such organization—

23 “(i) is actively and regularly engaged  
24 in the business of lending money, or

1 “(ii) is a person described in section  
2 49(a)(1)(D)(iv)(II).

3 “(B) FINANCING SECURED BY PROP-  
4 ERTY.—The requirements of this subparagraph  
5 are met with respect to any financing if such fi-  
6 nancing is secured by the qualified working  
7 families building, except that this subparagraph  
8 shall not apply in the case of a federally as-  
9 sisted building described in section 42(d)(6)(C)  
10 if—

11 “(i) a security interest in such build-  
12 ing is not permitted by a Federal agency  
13 holding or insuring the mortgage secured  
14 by such building, and

15 “(ii) the proceeds from the financing  
16 (if any) are applied to acquire or improve  
17 such building.

18 “(C) PORTION OF BUILDING ATTRIB-  
19 UTABLE TO FINANCING.—The requirements of  
20 this subparagraph are met with respect to any  
21 financing for any taxable year in the credit pe-  
22 riod if, as of the close of such taxable year, not  
23 more than 60 percent of the eligible basis of the  
24 qualified working families building is attrib-  
25 utable to such financing (reduced by the prin-

1            ciproal and interest of any governmental financ-  
2            ing which is part of a wrap-around mortgage  
3            involving such financing).

4            “(D) REPAYMENT OF PRINCIPAL AND IN-  
5            TEREST.—The requirements of this subpara-  
6            graph are met with respect to any financing if  
7            such financing is fully repaid on or before the  
8            earliest of—

9                    “(i) the date on which such financing  
10                   matures,

11                   “(ii) the 90th day after the close of  
12                   the credit period with respect to the quali-  
13                   fied working families building, or

14                   “(iii) the date of its refinancing or the  
15                   sale of the building to which such financ-  
16                   ing relates.

17            In the case of a qualified nonprofit organization  
18            which is not described in section  
19            49(a)(1)(D)(iv)(II) with respect to a building,  
20            clause (ii) of this subparagraph shall be applied  
21            as if the date described therein were the 90th  
22            day after the earlier of the date the building  
23            ceases to be a qualified working families build-  
24            ing or the date which is 15 years after the close  
25            of a credit period with respect thereto.

1           “(3) PRESENT VALUE OF FINANCING.—If the  
2           rate of interest on any financing described in para-  
3           graph (2)(A) is less than the rate which is 1 per-  
4           centage point below the applicable Federal rate as of  
5           the time such financing is incurred, then the quali-  
6           fied basis (to which such financing relates) of the  
7           qualified working families building shall be the  
8           present value of the amount of such financing, using  
9           as the discount rate such applicable Federal rate.  
10          For purposes of the preceding sentence, the rate of  
11          interest on any financing shall be determined by  
12          treating interest to the extent of government sub-  
13          sidies as not payable.

14          “(4) FAILURE TO FULLY REPAY.—

15                 “(A) IN GENERAL.—To the extent that the  
16                 requirements of paragraph (2)(D) are not met,  
17                 then the taxpayer’s tax under this chapter for  
18                 the taxable year in which such failure occurs  
19                 shall be increased by an amount equal to the  
20                 applicable portion of the credit under this sec-  
21                 tion with respect to such building, increased by  
22                 an amount of interest for the period—

23                         “(i) beginning with the due date for  
24                         the filing of the return of tax imposed by

1 chapter 1 for the 1st taxable year for  
2 which such credit was allowable, and

3 “(ii) ending with the due date for the  
4 taxable year in which such failure occurs,  
5 determined by using the underpayment rate and  
6 method under section 6621.

7 “(B) APPLICABLE PORTION.—For pur-  
8 poses of subparagraph (A), the term ‘applicable  
9 portion’ means the aggregate decrease in the  
10 credits allowed to a taxpayer under section 38  
11 for all prior taxable years which would have re-  
12 sulted if the eligible basis of the building were  
13 reduced by the amount of financing which does  
14 not meet requirements of paragraph (2)(D).

15 “(C) CERTAIN RULES TO APPLY.—Rules  
16 similar to the rules of subparagraphs (A) and  
17 (D) of section 42(j)(4) shall apply for purposes  
18 of this subsection.

19 “(k) CERTIFICATIONS AND OTHER REPORTS TO SEC-  
20 RETARY.—

21 “(1) CERTIFICATION WITH RESPECT TO 1ST  
22 YEAR OF CREDIT PERIOD.—Following the close of  
23 the 1st taxable year in the credit period with respect  
24 to any qualified working families building, the tax-  
25 payer shall certify to the Secretary (at such time



1 and in such form and in such manner as the Sec-  
2 retary prescribes)—

3 “(A) the taxable year, and calendar year,  
4 in which such building was placed in service,

5 “(B) the adjusted basis and eligible basis  
6 of such building as of the close of the 1st year  
7 of the credit period,

8 “(C) the maximum applicable percentage  
9 and qualified basis permitted to be taken into  
10 account by the appropriate housing credit agen-  
11 cy under subsection (h), and

12 “(D) such other information as the Sec-  
13 retary may require.

14 In the case of a failure to make the certification re-  
15 quired by the preceding sentence on the date pre-  
16 scribed therefor, unless it is shown that such failure  
17 is due to reasonable cause and not to willful neglect,  
18 no credit shall be allowable by reason of subsection  
19 (a) with respect to such building for any taxable  
20 year ending before such certification is made.

21 “(2) ANNUAL REPORTS TO THE SECRETARY.—

22 The Secretary may require taxpayers to submit an  
23 information return (at such time and in such form  
24 and manner as the Secretary prescribes) for each  
25 taxable year setting forth—

1           “(A) the qualified basis for the taxable  
2           year of each qualified working families building  
3           of the taxpayer,

4           “(B) the information described in para-  
5           graph (1)(C) for the taxable year, and

6           “(C) such other information as the Sec-  
7           retary may require.

8           The penalty under section 6652(j) shall apply to any  
9           failure to submit the return required by the Sec-  
10          retary under the preceding sentence on the date pre-  
11          scribed therefor.

12          “(3) ANNUAL REPORTS FROM HOUSING CREDIT  
13          AGENCIES.—Each agency which allocates any hous-  
14          ing credit amount to any building for any calendar  
15          year shall submit to the Secretary (at such time and  
16          in such manner as the Secretary shall prescribe) an  
17          annual report specifying—

18               “(A) the amount of housing credit amount  
19               allocated to each building for such year,

20               “(B) sufficient information to identify each  
21               such building and the taxpayer with respect  
22               thereto, and

23               “(C) such other information as the Sec-  
24               retary may require.

1       The penalty under section 6652(j) shall apply to any  
2       failure to submit the report required by the pre-  
3       ceding sentence on the date prescribed therefor.

4       “(1) RESPONSIBILITIES OF HOUSING CREDIT AGEN-  
5       CIES.—

6               “(1) PLANS FOR ALLOCATION OF CREDIT  
7       AMONG PROJECTS.—

8               “(A) IN GENERAL.—Notwithstanding any  
9       other provision of this section, the housing cred-  
10      it dollar amount with respect to any building  
11      shall be zero unless—

12               “(i) such amount was allocated pursu-  
13      ant to a qualified allocation plan of the  
14      housing credit agency which is approved by  
15      the governmental unit (in accordance with  
16      rules similar to the rules of section  
17      42(m)(1)) of which such agency is a part,

18               “(ii) a comprehensive market study of  
19      the housing needs of working family indi-  
20      viduals in the area to be served by the  
21      project is conducted before the credit allo-  
22      cation is made and at the developer’s ex-  
23      pense by a disinterested party who is ap-  
24      proved by such agency, and

1 “(iii) a written explanation is available  
2 to the general public for any allocation of  
3 a housing credit dollar amount which is  
4 not made in accordance with established  
5 priorities and selection criteria of the hous-  
6 ing credit agency.

7 “(B) QUALIFIED ALLOCATION PLAN.—For  
8 purposes of this paragraph, the term ‘qualified  
9 allocation plan’ means any plan—

10 “(i) which sets forth selection criteria  
11 to be used to determine housing priorities  
12 of the housing credit agency which are ap-  
13 propriate to local conditions,

14 “(ii) which also gives preference in al-  
15 locating housing credit dollar amounts  
16 among selected projects to—

17 “(I) projects obligated to serve  
18 qualified tenants for the longest peri-  
19 ods,

20 “(II) projects in areas with insuf-  
21 ficient supply of housing affordable to  
22 median income households,

23 “(III) projects which target hous-  
24 ing to tenants at a range of incomes

1                   between 60 and 100 percent of area  
2                   median gross income, and

3                   “(IV) projects located near tran-  
4                   sit hubs, and

5                   “(iii) which provides a procedure that  
6                   the agency (or an agent or other private  
7                   contractor of such agency) will follow in  
8                   monitoring for noncompliance with the  
9                   provisions of this section and in notifying  
10                  the Internal Revenue Service of such non-  
11                  compliance which such agency becomes  
12                  aware of and in monitoring for noncompli-  
13                  ance with habitability standards through  
14                  regular site visits.

15                  “(C) CERTAIN SELECTION CRITERIA MUST  
16                  BE USED.—The selection criteria set forth in a  
17                  qualified allocation plan must include—

18                         “(i) project location,

19                         “(ii) housing needs characteristics,

20                         “(iii) project characteristics, including  
21                         whether the project includes the use of ex-  
22                         isting housing as part of a community revi-  
23                         talization plan,

24                         “(iv) sponsor characteristics,

1 “(v) tenant populations with special  
2 housing needs,

3 “(vi) tenant populations of individuals  
4 with children,

5 “(vii) projects intended for eventual  
6 tenant ownership,

7 “(viii) the energy efficiency of the  
8 project, and

9 “(ix) the historic nature of the  
10 project.

11 “(D) CERTAIN SELECTION CRITERIA PRO-  
12 HIBITED.—The selection criteria set forth in a  
13 qualified allocation plan shall not include a re-  
14 quirement of local approval or local contribu-  
15 tions, either as a threshold qualification re-  
16 quirement or as part of a point system to be  
17 considered for allocations of housing credit dol-  
18 lar amount.

19 “(2) CREDIT ALLOCATED TO BUILDING NOT TO  
20 EXCEED AMOUNT NECESSARY TO ASSURE PROJECT  
21 FEASIBILITY.—

22 “(A) IN GENERAL.—The housing credit  
23 dollar amount allocated to a project shall not  
24 exceed the amount the housing credit agency  
25 determines is necessary for the financial feasi-

1 bility of the project and its viability as a quali-  
2 fied working families housing project through-  
3 out the credit period.

4 “(B) AGENCY EVALUATION.—In making  
5 the determination under subparagraph (A), the  
6 housing credit agency shall consider—

7 “(i) the sources and uses of funds and  
8 the total financing planned for the project,

9 “(ii) any proceeds or receipts expected  
10 to be generated by reason of tax benefits,

11 “(iii) the percentage of the housing  
12 credit dollar amount used for project costs  
13 other than the cost of intermediaries, and

14 “(iv) the reasonableness of the devel-  
15 opmental and operational costs of the  
16 project.

17 Clause (iii) shall not be applied so as to impede  
18 the development of projects in hard-to-develop  
19 areas. Such a determination shall not be con-  
20 strued to be a representation or warranty as to  
21 the feasibility or viability of the project.

22 “(C) DETERMINATION MADE WHEN CRED-  
23 IT AMOUNT APPLIED FOR AND WHEN BUILDING  
24 PLACED IN SERVICE.—

1           “(i) IN GENERAL.—A determination  
2           under subparagraph (A) shall be made as  
3           of each of the following times:

4                   “(I) The application for the  
5                   housing credit dollar amount.

6                   “(II) The allocation of the hous-  
7                   ing credit dollar amount.

8                   “(III) The date the building is  
9                   placed in service.

10           “(ii) CERTIFICATION AS TO AMOUNT  
11           OF OTHER SUBSIDIES.—Prior to each de-  
12           termination under clause (i), the taxpayer  
13           shall certify to the housing credit agency  
14           the full extent of all Federal, State, and  
15           local subsidies which apply (or which the  
16           taxpayer expects to apply) with respect to  
17           the building.

18           “(m) REGULATIONS.—The Secretary shall prescribe  
19           such regulations as may be necessary or appropriate to  
20           carry out the purposes of this section, including—

21                   “(1) regulations dealing with—

22                           “(A) projects which include more than 1  
23                           building or only a portion of a building, or

24                           “(B) buildings which are placed in service  
25                           in portions,



1           “(2) regulations providing for the application of  
2           this section to short taxable years,

3           “(3) regulations preventing the avoidance of the  
4           rules of this section,

5           “(4) regulations providing the opportunity for  
6           housing credit agencies to correct administrative er-  
7           rors and omissions with respect to allocations and  
8           record keeping within a reasonable period after their  
9           discovery, taking into account the availability of reg-  
10          ulations and other administrative guidance from the  
11          Secretary, and

12          “(5) in consultation with the Secretary of  
13          Housing and Urban Development, regulations or  
14          guidance to promote uniform definitions and to  
15          streamline requirements for with respect to qualified  
16          working families buildings which receive funding  
17          from programs administrated by the Department of  
18          Housing and Urban Development, including pro-  
19          grams authorized by Native American Housing As-  
20          sistance and Self-Determination Act of 1996.”.

21          (b) TREATMENT AS PART OF GENERAL BUSINESS  
22          CREDIT.—Section 38(b) of the Internal Revenue Code of  
23          1986 is amended by striking “plus” at the end of para-  
24          graph (40), by striking the period at the end of paragraph

1 (41) and inserting “, plus”, and by adding at the end the  
2 following new paragraph:

3 “(42) the working families housing credit deter-  
4 mined under section 42A(a).”.

5 (c) REDUCTION IN BASIS.—Section 1016(a) of the  
6 Internal Revenue Code of 1986 is amended—

7 (1) by striking “and” at the end of paragraph  
8 (37);

9 (2) by redesignating paragraph (38) as para-  
10 graph (39); and

11 (3) by inserting after paragraph (37) the fol-  
12 lowing new paragraph:

13 “(38) to the extent provided in section  
14 42A(i)(8), and”.

15 (d) TREATMENT UNDER BASE EROSION MINIMUM  
16 TAX.—Section 59A(b)(4) of the Internal Revenue Code of  
17 1986 is amended by redesignating subparagraphs (B) and  
18 (C) as subparagraphs (C) and (D), respectively, and by  
19 inserting after subparagraphs (A) the following new sub-  
20 paragraph:

21 “(B) the working families housing credit  
22 determined under section 42A(a).”.

23 (e) CONFORMING AMENDMENTS RELATING TO LOW-  
24 INCOME HOUSING TAX CREDIT.—Section 42(n) of the In-  
25 ternal Revenue Code of 1986 is amended—

1           (1) by striking “regulations” in the matter pre-  
2       ceding paragraph (1),

3           (2) by inserting “regulations” before “dealing  
4       with” in paragraph (1),

5           (3) by inserting “regulations” before “pro-  
6       viding” in paragraphs (2) and (4),

7           (4) by inserting “regulations” before “pre-  
8       venting” in paragraph (3),

9           (5) by striking “and” at the end of paragraph  
10      (3),

11          (6) by striking the period at the end of para-  
12      graph (4) and inserting “, and”, and

13          (7) by adding at the end the following new  
14      paragraph:

15          “(5) in consultation with the Secretary of  
16      Housing and Urban Development, regulations or  
17      guidance to promote uniform definitions and to  
18      streamline requirements with respect to qualified  
19      low-income buildings which receive funding from  
20      programs administrated by the Department of Hous-  
21      ing and Urban Development, including programs au-  
22      thorized by Native American Housing Assistance  
23      and Self-Determination Act of 1996.”.

24      (f) CONFORMING AMENDMENTS.—

1           (1) Section 45L(e) of the Internal Revenue  
2       Code of 1986 is amended by inserting “or 42A”  
3       after “42”.

4           (2) Section 50(c)(3)(C) of such Code is amend-  
5       ed by inserting “or 42A” after “42”.

6           (3) Section 55(c)(1) of such Code is amended  
7       by inserting “42A(j),” before “45(e)(11)(C)”.

8           (4) Subsections (i)(3)(C), (i)(6)(B)(i), and  
9       (k)(1) of section 469 of such Code are each amended  
10      by inserting “or 42A” after “42”.

11          (5) The table of sections for subpart D of part  
12      IV of subchapter A of chapter 1 of such Code is  
13      amended by inserting after the item relating to sec-  
14      tion 42 the following new item:

“Sec. 42A. Working families housing credit.”.

15          (g) EFFECTIVE DATE.—The amendments made by  
16      this section shall apply to buildings placed in service after  
17      December 31, 2024, in taxable years ending after such  
18      date.

19      **SEC. 4. LOANS AND GRANTS FOR INFRASTRUCTURE**  
20                              **PROJECTS IN CONNECTION WITH QUALIFIED**  
21                              **WORKING FAMILIES HOUSING PROJECTS.**

22          (a) IN GENERAL.—The Secretary shall make grants  
23      and below-market-rate loans (as the Secretary determines  
24      appropriate) to local governments in rural and exurban  
25      areas for covered infrastructure projects carried out in

1 connection with the development of qualified working fam-  
2 ilies housing projects.

3 (b) COVERED INFRASTRUCTURE PROJECTS.—For  
4 purposes of this section—

5 (1) IN GENERAL.—The term “covered infra-  
6 structure project” means projects for electricity,  
7 waters, sewers, local access roads, and such other  
8 projects as the Secretary determines appropriate.

9 (2) CLEAN ENERGY PRIORITIZATION.—With re-  
10 spect to any infrastructure project for electricity, the  
11 Secretary shall give priority to clean energy projects.

12 (c) OTHER DEFINITIONS AND SPECIAL RULES.—  
13 Terms used in this section which are also used in section  
14 42A of the Internal Revenue Code of 1986 shall have the  
15 same meaning when used in this section as when used in  
16 such section of such Code. Requirements similar to the  
17 requirements of section 45(b)(7) of such Code shall apply  
18 with respect to infrastructure projects with respect to  
19 which grants or loans are made under this section.

20 (d) AUTHORIZATION OF APPROPRIATIONS.—There  
21 are authorized to be appropriated \$100,000,000 to carry  
22 out the purposes of this section.

○