

118TH CONGRESS
1ST SESSION

S. _____

To provide rental vouchers for the homeless, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. WYDEN introduced the following bill; which was read twice and referred
to the Committee on _____

A BILL

To provide rental vouchers for the homeless, 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; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Decent, Affordable, Safe Housing for All Act” or the
6 “DASH Act”.

7 (b) **TABLE OF CONTENTS.**—The table of contents for
8 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—HOUSING ASSISTANCE

Subtitle A—General Housing Assistance

Sec. 111. Rental vouchers for the homeless.

- Sec. 112. Land acquisition and construction.
- Sec. 113. Modular construction pilot program.
- Sec. 114. Supporting pro-housing development.
- Sec. 115. Permanent authorization of appropriations for McKinney-Vento Homeless Assistance Act grants.

Subtitle B—Rural Housing Assistance

- Sec. 121. Rural housing reinvestment.
- Sec. 122. Permanent establishment of housing preservation and revitalization program.
- Sec. 123. Eligibility for rural housing vouchers.
- Sec. 124. Amount of voucher assistance.
- Sec. 125. Use of available rental assistance.
- Sec. 126. Funding for multifamily technical improvements.
- Sec. 127. Plan for preserving affordability of rental projects.

TITLE II—REVENUE PROVISIONS

- Sec. 201. Tax-exempt bond financing requirement.
- Sec. 202. Increases in State allocations.
- Sec. 203. Buildings designated to serve extremely low-income households.
- Sec. 204. Inclusion of Indian areas as difficult development areas for purposes of certain buildings.
- Sec. 205. Inclusion of rural areas as difficult development areas.
- Sec. 206. Increase in credit for bond-financed projects designated by housing credit agency.
- Sec. 207. Repeal of qualified contract option.
- Sec. 208. Modification and clarification of rights relating to building purchase.
- Sec. 209. Prohibition of local approval and contribution requirements.
- Sec. 210. Increase in credit for low-income housing supportive services.
- Sec. 211. Study of tax incentives for the conversion of commercial property to affordable housing.
- Sec. 212. Renters credit.
- Sec. 213. Middle-income housing tax credit.
- Sec. 214. Neighborhood homes credit.
- Sec. 215. First-time homebuyer refundable credit.

1 **TITLE I—HOUSING ASSISTANCE**

2 **Subtitle A—General Housing** 3 **Assistance**

4 **SEC. 111. RENTAL VOUCHERS FOR THE HOMELESS.**

5 (a) IN GENERAL.—Section 8(o) of the United States
6 Housing Act of 1937 (42 U.S.C. 1437f(o)) is amended
7 by adding at the end the following:

1 “(22) RENTAL VOUCHERS FOR THE HOME-
2 LESS.—

3 “(A) DEFINITIONS.—In this paragraph:

4 “(i) AT RISK OF HOMELESSNESS.—

5 The term ‘at risk of homelessness’ has the
6 meaning given the term in section 401(1)
7 of the McKinney-Vento Homeless Assist-
8 ance Act (42 U.S.C. 11360), except that
9 ‘50 percent’ shall be substituted for ‘30
10 percent’ in subparagraph (A) of that sec-
11 tion.

12 “(ii) CAPACITY-BUILDING PERIOD.—

13 The term ‘capacity-building period’ means
14 the 2-year period beginning on the date on
15 which the formula is established under
16 subparagraph (E)(ii).

17 “(iii) CONTINUUM OF CARE.—The

18 term ‘continuum of care’ has the meaning
19 given the term in section 578.3 of title 24,
20 Code of Federal Regulations, or any suc-
21 cessor regulation.

22 “(iv) ELIGIBLE PUBLIC HOUSING

23 AGENCY.—The term ‘eligible public hous-
24 ing agency’ means a public housing agency
25 that—

1 “(I) administers assistance under
2 this subsection through a contract for
3 annual contributions entered into with
4 the Secretary;

5 “(II) has a partnership with a
6 public child welfare agency and a con-
7 tinuum of care that—

8 “(aa) has a system for iden-
9 tifying and referring eligible re-
10 cipients for assistance under this
11 paragraph from the public hous-
12 ing agency, including by pro-
13 viding a written certification that
14 the eligible recipient is eligible to
15 receive the assistance; and

16 “(bb) will, to the greatest
17 extent practicable, provide or fa-
18 cilitate the provision of sup-
19 portive services to those eligible
20 recipients; and

21 “(III) submits to the Secretary a
22 statement describing—

23 “(aa) how the public hous-
24 ing agency will connect eligible
25 recipients with local community

1 resources, to the extent available;
2 and

3 “(bb) the plan for use of ca-
4 pacity-building funding under
5 subparagraph (E), including—

6 “(AA) a timeline for
7 the use of that funding with-
8 in the capacity-building pe-
9 riod;

10 “(BB) hiring and per-
11 sonnel needs;

12 “(CC) physical infra-
13 structure needs; and

14 “(DD) technological in-
15 frastructure needs, including
16 upgrades to the HMIS, and
17 any other capacity-related
18 investments that are nec-
19 essary to administer assist-
20 ance under this paragraph.

21 “(v) ELIGIBLE RECIPIENT.—The term
22 ‘eligible recipient’ means any individual or
23 family experiencing homelessness or at risk
24 of homelessness with an income that is less

1 than 50 percent of the area median in-
2 come.

3 “(vi) EXPERIENCING HOMELESSNESS;
4 HOMELESS.—The terms ‘experiencing
5 homelessness’ and ‘homeless’ means an in-
6 dividual or family who is—

7 “(I) living in a place not meant
8 for human habitation or in an emer-
9 gency shelter;

10 “(II) living in transitional hous-
11 ing for homeless persons and was
12 homeless before entering transitional
13 housing or an emergency shelter;

14 “(III) fleeing domestic violence;
15 or

16 “(IV) at risk of homelessness.

17 “(vii) HMIS.—The term ‘HMIS’
18 means the community-wide homeless man-
19 agement information system described in
20 section 402(f)(3)(D) of the McKinney-
21 Vento Homeless Assistance Act (42 U.S.C.
22 11360a(f)(3)(D)).

23 “(viii) PUBLIC HOUSING AGENCY.—
24 The term ‘public housing agency’ includes
25 a tribally designated housing entity.

1 “(ix) REFERRAL.—The term ‘referral’
2 means an affirmative connection between
3 the voucher recipient and the organization
4 providing services to the voucher recipient.

5 “(x) SERVICE COORDINATOR.—The
6 term ‘service coordinator’ means an indi-
7 vidual employed directly by a public hous-
8 ing agency who provides general case man-
9 agement and referral services to each
10 voucher recipient served by the public
11 housing agency, which shall include—

12 “(I) an individual intake screen-
13 ing of each voucher recipient to evalu-
14 ate the voucher recipient’s need for
15 supportive services; and

16 “(II) referral to outside services,
17 including cooperation and collabora-
18 tion with a continuum of care.

19 “(xi) SOURCE OF INCOME.—The term
20 ‘source of income’ means income from any
21 lawful source, including—

22 “(I) income from any legal em-
23 ployment; and

24 “(II) any assistance, benefit, or
25 subsidy through any Federal, State,

1 or local program, whether the pro-
2 gram is administered by a govern-
3 mental or nongovernmental entity.

4 “(xii) TRIBALLY DESIGNATED HOUS-
5 ING ENTITY.—The term ‘tribally des-
6 ignated housing entity’ has the meaning
7 given the term in section 4 of the Native
8 American Housing Assistance and Self-De-
9 termination Act of 1996 (25 U.S.C. 4103).

10 “(xiii) VOUCHER RECIPIENT.—The
11 term ‘voucher recipient’ means an indi-
12 vidual or family receiving a voucher under
13 this paragraph.

14 “(xiv) YOUTH.—The term ‘youth’
15 means an individual under the age of 25.

16 “(B) VOUCHERS.—

17 “(i) PROVISION OF VOUCHERS.—

18 “(I) IN GENERAL.—The Sec-
19 retary shall provide vouchers for rent-
20 al assistance on behalf of each eligible
21 recipient in accordance with this para-
22 graph.

23 “(II) DIRECT APPROPRIATION.—
24 Subject to subclause (III), there is ap-
25 propriated, out of any money in the

1 Treasury not otherwise appropriated,
2 for providing rental voucher assistance
3 under this paragraph for fiscal year
4 2023 and each fiscal year thereafter—

5 “(aa) the amount necessary
6 to fund the provision of a vouch-
7 er for rental assistance under
8 this paragraph on behalf of each
9 eligible recipient;

10 “(bb) the amount necessary
11 to provide administrative fees
12 under clause (ii) in connection to
13 each voucher for rental assistance
14 provided under this paragraph;
15 and

16 “(cc) the amount necessary
17 to fund annual renewals of the
18 vouchers provided under this
19 paragraph.

20 “(III) NUMBER OF VOUCHERS.—

21 The Secretary shall provide—

22 “(aa) 250,000 vouchers
23 under this paragraph in fiscal
24 year 2023; and

1 “(bb) 400,000 vouchers
2 under this paragraph in each fis-
3 cal year thereafter until the Sec-
4 retary determines that a smaller
5 number of vouchers is sufficient
6 to provide all eligible recipients
7 with vouchers.

8 “(ii) ADMINISTRATIVE FEE FOR AN-
9 CILLARY COSTS.—The Secretary shall pro-
10 vide a public housing agency that requests
11 a voucher under this paragraph an admin-
12 istrative fee sufficient to provide assistance
13 to the voucher recipient for security depos-
14 its, moving costs, first or last month’s
15 rent, or other significant barriers to estab-
16 lishing use of the voucher and a lease, in
17 an amount that is not more than 3
18 months’ rent for the voucher recipient.

19 “(iii) PAYMENT STANDARD.—The
20 payment standard for a voucher provided
21 under this paragraph may not exceed 125
22 percent of the fair market rental in the ju-
23 risdiction in which the voucher is adminis-
24 tered.

1 “(iv) SUPPLEMENTAL VOUCHER PAY-
2 MENT.—

3 “(I) IN GENERAL.—An eligible
4 public housing agency may supple-
5 ment the amount of a voucher pro-
6 vided under this paragraph in any
7 case in which—

8 “(aa) the amount of the
9 voucher is insufficient to cover
10 the cost of a dwelling unit within
11 the jurisdiction of the eligible
12 public housing agency and that
13 insufficiency may result in a
14 voucher recipient losing housing
15 and becoming homeless or dou-
16 bled up; or

17 “(bb) the eligible public
18 housing agency submits to the
19 Secretary a waiver request for re-
20 calculation of the small area fair
21 market rent applicable to the
22 dwelling unit, which the Sec-
23 retary shall approve or deny
24 within 45 days of submission of
25 the request.

1 “(II) PAYMENT UPON DENIAL.—

2 An eligible public housing agency may
3 supplement the amount of a voucher
4 under subclause (I) even if the Sec-
5 retary denies the request submitted
6 under subclause (I)(aa), provided that
7 the supplementation of the voucher
8 amount is necessary to maintain hous-
9 ing for the voucher recipient.

10 “(v) CONDITIONS ON ASSISTANCE.—

11 Notwithstanding any other provision of
12 law, the Secretary—

13 “(I) may not condition receipt of
14 a voucher under this paragraph on—

15 “(aa) participation in any
16 service or program; or

17 “(bb) the sobriety or lack
18 thereof of an eligible recipient;

19 “(II) except as provided in sub-
20 clause (III), may not prohibit receipt
21 of a voucher under this paragraph by
22 an otherwise eligible recipient due to
23 any criminal conviction or history of
24 interaction with the criminal justice
25 system; and

1 “(III) shall prohibit receipt of a
2 voucher under this paragraph by indi-
3 viduals subject to a lifetime registra-
4 tion requirement under any State sex
5 offender registration program.

6 “(vi) VERIFICATION OF STATEMENT
7 MADE BY ELIGIBLE PUBLIC HOUSING
8 AGENCIES.—

9 “(I) IN GENERAL.—Not later
10 than 30 days after the date on which
11 an eligible public housing agency sub-
12 mits the statement required under
13 subparagraph (A)(iv)(III), the Sec-
14 retary shall verify the statement.

15 “(II) UNSATISFACTORY STATE-
16 MENT.—If, upon verification of a
17 statement under subclause (I), the
18 Secretary determines that the state-
19 ment is unsatisfactory, the Secretary
20 shall inform the eligible public hous-
21 ing agency of that determination and
22 the manner in which the eligible pub-
23 lic housing agency may re-submit the
24 statement.

1 “(vii) IDENTIFICATION OF ELIGIBLE
2 RECIPIENTS.—A public housing agency
3 shall partner with continuums of care,
4 public child welfare agencies, street out-
5 reach providers, health care providers, and
6 other similar organizations in the State in
7 which the public housing agency operates
8 to identify eligible recipients.

9 “(viii) REQUIREMENTS FOR ELIGIBLE
10 PUBLIC HOUSING AGENCIES.—

11 “(I) IN GENERAL.—Each eligible
12 public housing agency providing as-
13 sistance under this paragraph shall—

14 “(aa) on an annual basis
15 and in conjunction with income
16 reviews for purposes of deter-
17 mining income eligibility for as-
18 sistance under this paragraph,
19 verify the compliance of the eligi-
20 ble public housing agency with
21 the eligibility requirements under
22 this paragraph;

23 “(bb) to the greatest extent
24 possible—

1 “(AA) work with con-
2 tinuums of care to ensure
3 continuity of data collection
4 under this paragraph; and

5 “(BB) utilize the HMIS
6 to collect and main the in-
7 formation required to be col-
8 lected under this paragraph.

9 “(II) PRIORITY.—In providing
10 vouchers under this paragraph, an eli-
11 gible public housing agency—

12 “(aa) shall prioritize the
13 first vouchers made available
14 under this section for eligible re-
15 cipients who are—

16 “(AA) unaccompanied
17 homeless youth;

18 “(BB) homeless youth
19 with minor children; or

20 “(CC) families with
21 minor children experiencing
22 homelessness;

23 “(bb) to the extent possible
24 considering when the Secretary
25 disburses funds under this para-

1 graph, shall provide vouchers to
2 the eligible recipients described in
3 item (aa) not later than 1 year
4 after the end of the capacity-
5 building period; and

6 “(cc) may not issue vouchers
7 to eligible recipients not de-
8 scribed in item (aa) until the eli-
9 gible public housing agency has
10 issued vouchers to all eligible re-
11 cipients described in that item.

12 “(ix) USE OF VOUCHER UPON EXIT.—
13 An eligible public housing agency that
14 issued a voucher to an eligible recipient
15 that is no longer in use by the eligible re-
16 cipient may provide the voucher to any
17 other tenant eligible for tenant-based as-
18 sistance under this subsection.

19 “(C) DATA COLLECTION.—

20 “(i) IN GENERAL.—The Secretary
21 shall submit to Congress an annual report
22 on assistance providing under this para-
23 graph, which shall include—

24 “(I) an assessment of the
25 progress of States toward housing—

1 “(aa) eligible recipients in
2 the State; and

3 “(bb) the total population of
4 people experiencing homelessness
5 in the State; and

6 “(II) the information provided
7 under clause (ii).

8 “(ii) INFORMATION FROM PUBLIC
9 HOUSING AGENCIES.—Each eligible public
10 housing agency administering assistance
11 under this paragraph shall submit to the
12 Secretary and to the State in which the
13 public housing agency is located an annual
14 report for each fiscal year that includes—

15 “(I) the number of voucher re-
16 cipients, including aggregated demo-
17 graphic information on the age, sex,
18 gender identity, sexual orientation,
19 race, ethnicity, and disability status of
20 each such recipient in a manner that
21 does not reveal the personally identifi-
22 able information of each such recipi-
23 ent;

24 “(II) the number of eligible re-
25 cipients who applied during the fiscal

1 year for assistance under this para-
2 graph, but were not provided assist-
3 ance;

4 “(III) a brief identification in
5 each instance described in subclause
6 (II) of the reason why the eligible
7 public housing agency was unable to
8 provide the assistance; and

9 “(IV) a description of how the el-
10 igible public housing agency commu-
11 nicated or collaborated with public
12 child welfare agencies and continuums
13 of care to collect the data described in
14 subclauses (I) and (II).

15 “(D) SUPPORTIVE SERVICES.—

16 “(i) ADMINISTRATIVE FEE.—

17 “(I) IN GENERAL.—The Sec-
18 retary shall establish a fee under sub-
19 section (q) for the costs incurred by
20 public housing agencies in admin-
21 istering vouchers under this para-
22 graph.

23 “(II) COSTS.—In establishing the
24 fee described in subclause (I), the Sec-
25 retary shall include the costs to public

1 housing agencies of employing full-
2 time or full-time-equivalent service co-
3 ordinators.

4 “(III) AUTHORIZATION OF AP-
5 PROPRIATIONS.—There is authorized
6 to be appropriated \$300,000,000 for
7 each of fiscal years 2023 through
8 2028 for the fee described in sub-
9 clause (I).

10 “(ii) HIRING OF SERVICE COORDINA-
11 TORS.—

12 “(I) IN GENERAL.—An eligible
13 public housing agency shall hire the
14 appropriate number of service coordi-
15 nators to administer supportive serv-
16 ices under this paragraph in partner-
17 ship with the public child welfare
18 agency or continuum of care in a ju-
19 risdiction.

20 “(II) INSUFFICIENT FUNDS.—If
21 an eligible public housing agency is
22 unable to hire an appropriate number
23 of service coordinators under sub-
24 clause (I) using the fee described in
25 clause (i)(I)—

1 “(aa) the public housing
2 agency may request an increased
3 administrative fee from the Sec-
4 retary; and

5 “(bb) the Secretary shall ap-
6 prove or deny a request received
7 under item (aa) within 45 days.

8 “(III) REPORT TO CONGRESS.—
9 Beginning in the first full fiscal year
10 after the date of enactment of this
11 paragraph, the Secretary shall submit
12 an annual report to Congress on re-
13 quests for increased administrative
14 fees received from public housing
15 agencies under subclause (II).

16 “(IV) APPROPRIATE NUMBER
17 DEFINED.—For purposes of this
18 clause, the term ‘appropriate number’,
19 with respect to service coordinators,
20 means enough service coordinators so
21 that each household provided a vouch-
22 er by a public housing agency under
23 this paragraph is able to access a
24 service coordinator for not less than
25 30 minutes each week.

1 grams, relapse prevention, or
2 medication-assisted treatment;

3 “(dd) assistance relating to
4 enrollment in the Medicare or
5 Medicaid programs under titles
6 XVIII and XIX of the Social Se-
7 curity Act (42 U.S.C. 1395 et
8 seq., 1396 et seq.), respectively,
9 and referrals to other services,
10 including—

11 “(AA) the supplemental
12 nutrition assistance program
13 under the Food and Nutri-
14 tion Act of 2008 (7 U.S.C.
15 2011 et seq.) (commonly
16 known as the ‘SNAP Pro-
17 gram’); and

18 “(BB) the program of
19 block grants for States for
20 temporary assistance for
21 needy families established
22 under part A of title IV of
23 the Social Security Act (42
24 U.S.C. 601 et seq.) (com-

1 monly known as the ‘TANF
2 Program’);

3 “(ee) advising on eligibility
4 for the family self-sufficiency
5 program established, credit coun-
6 seling, and housing counseling
7 programs;

8 “(ff) referrals to education
9 services, including general edu-
10 cational development (commonly
11 known as ‘GED’) preparation
12 and testing, enrollment in post-
13 secondary education programs,
14 and credit recovery; and

15 “(gg) facilitation of trans-
16 portation assistance to any of the
17 supportive services described in
18 this subparagraph.

19 “(iv) ELIGIBILITY OF PRIVATE NON-
20 PROFIT ORGANIZATIONS AND FAITH-BASED
21 ORGANIZATIONS.—

22 “(I) DEFINITIONS.—In this
23 clause, the terms ‘eligible entity’ and
24 ‘private nonprofit organization’ have
25 the meanings given those terms in

1 section 401 of the McKinney-Vento
2 Homeless Assistance Act (42 U.S.C.
3 11360).

4 “(II) ELIGIBILITY.—Notwith-
5 standing any other provision of law—

6 “(aa) the Secretary shall
7 provide that private nonprofit or-
8 ganizations that are eligible enti-
9 ties, including faith-based private
10 nonprofit organizations that are
11 eligible entities, shall be eligible
12 to—

13 “(AA) provide services
14 described in clause (iii); and

15 “(BB) receive amounts
16 made available to carry out
17 clause (iii); and

18 “(bb) in determining eligi-
19 bility for amounts made available
20 to carry out clause (iii), the sta-
21 tus of an entity as faith-based or
22 the possibility that an entity may
23 be faith-based may not be a basis
24 for any discrimination against

1 such entity in any manner or for
2 any purpose.

3 “(v) ACCESS.—Services provided
4 under this subparagraph shall be available
5 to voucher recipients with low-to-no barrier
6 access.

7 “(vi) EVALUATION.—An eligible pub-
8 lic housing agency, public child welfare
9 agency, or continuum of care described in
10 clause (iii) shall evaluate each voucher re-
11 cipient for individual case management
12 needs under this subparagraph.

13 “(E) CAPACITY BUILDING.—

14 “(i) AUTHORIZATION OF APPROPRIA-
15 TIONS.—There is authorized to be appro-
16 priated to the Secretary \$500,000,000 for
17 each of fiscal years 2023 and 2024 to pro-
18 vide funding for capacity building to eligi-
19 ble public housing agencies.

20 “(ii) FUNDING FORMULA.—Not later
21 than 45 days after the date of enactment
22 of this paragraph, the Secretary shall es-
23 tablish a formula for allocating the funding
24 authorized under clause (i) that takes into
25 account—

1 “(I) the ratio of individuals in
2 the State in which the eligible public
3 housing agency operates who are
4 homeless to the overall population of
5 the State;

6 “(II) the proportion of families in
7 each State with children experiencing
8 unsheltered homelessness, as reported
9 in the State’s most recent point-in-
10 time count, to the total number of
11 unsheltered homeless families in the
12 State as reported in the same point-
13 in-time count; and

14 “(III) the rate of unsheltered
15 homelessness in each State compared
16 to each other State, as reported in
17 each State’s most recent point-in-time
18 count.

19 “(iii) DISBURSEMENT.—Not later
20 than 30 days after an eligible public hous-
21 ing agency submits an acceptable state-
22 ment under subparagraph (A)(iv)(III), the
23 Secretary shall disburse amounts author-
24 ized under clause (i) of this subparagraph

1 in accordance with the formula established
2 under clause (ii) of this subparagraph.

3 “(iv) MINIMUM AND MAXIMUM ALLO-
4 CATION.—The Secretary shall ensure
5 that—

6 “(I) each eligible public housing
7 agency does not receive more than 10
8 percent of the amount authorized
9 under clause (i); and

10 “(II) each State in which an eli-
11 gible public housing agency receives
12 funds under clause (i) does not receive
13 more than 25 percent of the total
14 amount authorized under that clause.

15 “(v) ELIGIBLE ACTIVITIES.—A recipi-
16 ent of funds authorized under clause (i)
17 may only use the funds for—

18 “(I) hiring and personnel needs,
19 such as case managers and housing
20 placement advisory;

21 “(II) physical infrastructure—

22 “(aa) including increased of-
23 fice space or facilities for the pro-
24 vision of supportive services; and

1 “(bb) not including residen-
2 tial housing;

3 “(III) technological infrastruc-
4 ture needs, including upgrades to the
5 HMIS; and

6 “(IV) any other capacity-related
7 investments that are necessary for the
8 public housing agency to—

9 “(aa) develop, acquire, or re-
10 habilitate housing that is afford-
11 able to extremely low-income
12 families, to be made available to
13 people experiencing homelessness;
14 or

15 “(bb) support the successful
16 administration of the vouchers
17 under this paragraph.

18 “(vi) REQUIREMENT FOR EXPENDI-
19 TURE OF FUNDS.—Each eligible public
20 housing agency that receives funds under
21 clause (i) shall expend not less than 60
22 percent of the funding during the 2-year
23 period following receipt of the funding.

24 “(F) STATE ACCOUNTABILITY.—

1 “(i) IN GENERAL.—Each eligible pub-
2 lic housing agency providing assistance
3 under this paragraph shall—

4 “ (I) on a monthly basis, report
5 caseload and voucher administration
6 statistics to the State in which the
7 agency operates; and

8 “ (II) twice annually, submit to
9 the State in which the agency oper-
10 ates a report on the progress toward
11 issuing a voucher under this para-
12 graph to all eligible recipients, based
13 on—

14 “(aa) the percentage reduc-
15 tion in the number of families
16 with children and youth that are
17 experiencing homelessness in the
18 area in which the agency care op-
19 erates, as determined by com-
20 paring the most recent point-in-
21 time count with the point-in-time
22 count conducted 1 year prior;
23 and

24 “(bb) the percentage reduc-
25 tion in the number of children

1 experiencing homelessness in the
2 State, as documented under the
3 requirements of the program au-
4 thorized under subtitle B of title
5 VII of the McKinney-Vento
6 Homeless Assistance Act (42
7 U.S.C. 11431 et seq.).

8 “(ii) BENCHMARKS.—Each year, each
9 State shall meet the benchmarks described
10 in this clause, based equally on the per-
11 centage reduction in reported population of
12 children and families experiencing home-
13 lessness in the following year’s point-in-
14 time count and the percentage reduction in
15 population of students experiencing home-
16 lessness:

17 “(I) ANNUAL REPORT.—Each
18 State shall submit an annual report to
19 the Secretary that contains—

20 “(aa) data collected from
21 schools pursuant to the program
22 authorized under subtitle B of
23 title VII of the McKinney-Vento
24 Homeless Assistance Act (42

1 U.S.C. 11431 et seq.), including
2 the number of students—

3 “(AA) experiencing
4 unsheltered homelessness;

5 “(BB) living in shel-
6 ters;

7 “(CC) living in motels,
8 hotels, or campgrounds;

9 “(DD) living in a car or
10 other motor vehicle; or

11 “(EE) sharing the
12 housing of other persons due
13 to loss of housing, economic
14 hardship, or similar rea-
15 soning; and

16 “(bb) the information re-
17 ceived from each public housing
18 agency in the State under clause
19 (i)(II).

20 “(II) ISSUANCE OF VOUCHERS
21 FOR SMALLER STATES.—Each State
22 with a rate of homelessness that is
23 not higher than 10 people per 10,000
24 shall—

1 “(aa) not later than 2 years
2 after the end of the capacity-
3 building period—

4 “(AA) issue vouchers
5 under this paragraph to not
6 less than 50 percent of the
7 population of people experi-
8 encing homelessness in the
9 State, using data from the
10 most recent point-in-time
11 count; and

12 “(BB) to the greatest
13 extent possible, prioritize the
14 issuance of those vouchers
15 to eligible youth and fami-
16 lies;

17 “(bb) not later than 3 years
18 after the end of the capacity-
19 building period—

20 “(AA) issue vouchers
21 under this paragraph to not
22 less than 70 percent of the
23 population of people experi-
24 encing homelessness in the
25 State, using data from the

1 most recent point-in-time
2 count; and

3 “(BB) to the greatest
4 extent possible, prioritize the
5 issuance of those vouchers
6 to eligible youth and fami-
7 lies; and

8 “(cc) not later than 4 years
9 after the end of the capacity-
10 building period, issue vouchers
11 under this paragraph to all peo-
12 ple experiencing homelessness in
13 the State.

14 “(III) ISSUANCE OF VOUCHERS
15 FOR LARGER STATES.—Each State
16 with a rate of homelessness that is
17 higher than 10 people per 10,000
18 shall—

19 “(aa) not later than 2 years
20 after the end of the capacity-
21 building period—

22 “(AA) issue vouchers
23 under this paragraph to not
24 less than 40 percent of the
25 population of people experi-

1 encing homelessness in the
2 State, using data from the
3 most recent point-in-time
4 count; and

5 “(BB) to the greatest
6 extent possible, prioritize the
7 issuance of those vouchers
8 to eligible youth and fami-
9 lies;

10 “(bb) not later than 3 years
11 after the end of the capacity-
12 building period—

13 “(AA) issue vouchers
14 under this paragraph to not
15 less than 60 percent of the
16 population of people experi-
17 encing homelessness in the
18 State, using data from the
19 most recent point-in-time
20 count; and

21 “(BB) to the greatest
22 extent possible, prioritize the
23 issuance of those vouchers
24 to eligible youth and fami-
25 lies; and

1 “(cc) not later than 4 years
2 after the end of the capacity-
3 building period, issue vouchers
4 under this paragraph to all peo-
5 ple experiencing homelessness in
6 the State.

7 “(iii) PENALTIES.—

8 “(I) WARNING.—Except as pro-
9 vided in clause (v), if a State does not
10 meet the applicable benchmarks de-
11 scribed in clause (ii), the Secretary
12 shall publicly warn the State of the
13 failure of the State to meet the bench-
14 mark and remind the State of the ap-
15 plicable penalties.

16 “(II) REDUCTION IN FEDERAL
17 HIGHWAY FUNDS.—If a State does
18 not meet the applicable benchmarks
19 described in clause (ii)—

20 “(aa) by the date that is
21 180 days after the warning by
22 the Secretary under subclause (I)
23 of this clause, the Federal share
24 payable for Federal-aid highway
25 projects under section 120 of

1 title 23, United States Code,
2 shall be reduced by 5 percent; or
3 “(bb) by the date that is
4 180 days after a reduction made
5 under item (aa) of this subclause,
6 the Federal share payable for
7 Federal-aid highway projects
8 under section 120 of title 23,
9 United States Code, shall be fur-
10 ther reduced by 5 percent.

11 “(iv) CONDITION ON COMPLIANCE.—
12 Beginning in the first Notice of Funding
13 Availability cycle beginning after the date
14 of enactment of this paragraph, and every
15 Notice of Funding Availability cycle there-
16 after, the Secretary shall condition the
17 awarding of all funding for vouchers under
18 this paragraph by the Secretary to a public
19 housing authority in a State on that
20 State’s compliance with the benchmarks
21 described in clause (ii).

22 “(v) UNEMPLOYMENT RATE.—If the
23 quarterly unemployment rate of the popu-
24 lation of a State is not less than 6 per-
25 cent—

1 “(I) the State shall not be penal-
2 ized under clause (iii) for failure to
3 meet the benchmarks described in
4 clause (ii); and

5 “(II) the State shall be required
6 to meet the benchmarks described in
7 clause (ii) not later than 180 days
8 after the date on which the quarterly
9 unemployment rate descends beneath
10 6 percent.

11 “(G) ADMINISTRATIVE NEEDS OF HUD.—

12 “(i) AUTHORIZATION OF APPROPRIA-
13 TIONS.—There is authorized to be appro-
14 priated \$15,000,000 for each of fiscal
15 years 2023 through 2027 to the Secretary
16 for the administrative needs of the Depart-
17 ment of Housing and Urban Development
18 and regional offices of the Department in
19 carrying out the voucher program under
20 this paragraph.

21 “(ii) PROHIBITION.—None of the
22 funds made available under this subpara-
23 graph may be used to provide raises or bo-
24 nuses to any employee of the Department
25 of Housing and Urban Development in an

1 amount that is more than 10 percent of
2 the annual gross salary of the employee.”.

3 (b) TECHNICAL AND CONFORMING AMENDMENT.—
4 Effective on December 29, 2024, paragraph (22) of sec-
5 tion 8(o) of the United States Housing Act of 1937 (42
6 U.S.C. 1437f(o)), as added by subsection (a), is redesign-
7 nated as paragraph (23) and shall appear after paragraph
8 (22), as added by section 601(a)(2)(B) of division AA of
9 Consolidated Appropriations Act, 2023 (Public Law 117–
10 328).

11 **SEC. 112. LAND ACQUISITION AND CONSTRUCTION.**

12 (a) DEFINITIONS.—In this section—

13 (1) the term “at risk of homelessness” has the
14 meaning given the term in section 401(1) of the
15 McKinney-Vento Homeless Assistance Act (42
16 U.S.C. 11360), except that “50 percent” shall be
17 substituted for “30 percent” in subparagraph (A) of
18 that section;

19 (2) the terms “extremely low-income” and
20 “very low-income” have the meanings given those
21 terms in section 1303 of the Federal Housing Enter-
22 prises Financial Safety and Soundness Act of 1992
23 (12 U.S.C. 4502);

24 (3) the term “homeless” means an individual or
25 family who is—

1 (A) living in a place not meant for human
2 habitation or in an emergency shelter;

3 (B) living in transitional housing for home-
4 less persons and was homeless before entering
5 transitional housing or an emergency shelter;

6 (C) fleeing domestic violence; or

7 (D) at risk of homelessness; and

8 (4) the term “Secretary” means the Secretary
9 of Housing and Urban Development.

10 (b) AUTHORIZATIONS OF APPROPRIATIONS.—

11 (1) IN GENERAL.—There is authorized to be
12 appropriated to the Housing Trust Fund established
13 under section 1338 of the Federal Housing Enter-
14 prises Financial Safety and Soundness Act of 1992
15 (12 U.S.C. 4568) \$10,000,000,000 for each of fiscal
16 years 2023 through 2033 for allocation to States in
17 accordance with subsection (c) of such section 1338,
18 subject to subsections (c) through (f) of this section.

19 (2) ADMINISTRATIVE NEEDS OF STATES.—

20 (A) AUTHORIZATION OF APPROPRIA-
21 TIONS.—There is authorized to be appropriated
22 to the Secretary \$65,000,000 for each of fiscal
23 years 2023 through 2028 for the administrative
24 needs of States under this section, in accord-
25 ance with subparagraph (C).

1 (B) ALLOCATION.—Of amounts authorized
2 to be appropriated under subparagraph (A) for
3 each fiscal year—

4 (i) \$15,000,000 shall be allocated to
5 the Commonwealth of the Northern Mar-
6 iana Islands, Guam, American Samoa, and
7 the Virgin Islands; and

8 (ii) the remainder shall be allocated to
9 States pursuant to the formula established
10 under paragraph (22)(E)(ii) of section 8(o)
11 of the United States Housing Act of 1937
12 (42 U.S.C. 1437f(o)), as added by section
13 111 of this Act.

14 (C) ELIGIBLE ACTIVITIES.—A State that
15 receives funds authorized to be appropriated
16 under subparagraph (A) may only use the funds
17 for capacity-related investments that are nec-
18 essary for the State to successfully allocate
19 funds made available under paragraph (1) of
20 this subsection.

21 (D) PROHIBITION.—None of the funds
22 made available under this paragraph may be
23 used to provide raises or bonuses to any official
24 of the executive branch of a State.

25 (c) REVISION OF FUNDING FORMULA.—

1 (1) IN GENERAL.—Not later than 1 year after
2 the date of enactment of this Act, the Secretary
3 shall report to Congress proposed changes to the
4 funding formula under section 1338(c)(3) of the
5 Federal Housing Enterprises Financial Safety and
6 Soundness Act of 1992 (12 U.S.C. 4568(c)(3)) in
7 order to ensure that the funding formula takes into
8 account the economic status of the people of the
9 United States, including the economic impact of the
10 COVID–19 pandemic.

11 (2) CONTENTS.—The revised formula proposed
12 under paragraph (1) shall address the following con-
13 cerns:

14 (A) The COVID–19 pandemic and its im-
15 pacts on the economic security and housing sta-
16 bility of very low-income and extremely low-in-
17 come people of the United States.

18 (B) The impacts of differing vacancy rates
19 across various housing markets in the United
20 States.

21 (C) The rate of unsheltered homelessness
22 in various housing markets across the United
23 States.

24 (D) The impact of differing rates of pov-
25 erty and extreme poverty across various States.

1 (E) The gap between demand for and sup-
2 ply of rental units that are affordable and avail-
3 able to very low-income and extremely low-in-
4 come renters in a State.

5 (d) ELIGIBLE HOUSEHOLDS.—Housing that is as-
6 sisted using amounts made available under subsection (b)
7 may only be used for the benefit of very low-income or
8 extremely low-income households.

9 (e) ELIGIBLE ACTIVITIES.—A recipient of funds au-
10 thorized under subsection (b)—

11 (1) may only use the funds for land acquisition
12 and the acquisition, rehabilitation, or development of
13 rental housing that is affordable for very low-income
14 or extremely low-income households; and

15 (2) shall take all possible measures to expedite
16 construction of housing described in paragraph (1).

17 (f) PRIORITY FOR OCCUPANCY IN DWELLING
18 UNITS.—

19 (1) FIRST 2 FISCAL YEARS.—During the first 2
20 fiscal years for which amounts are made available to
21 carry out this section, the Secretary shall ensure
22 that priority for occupancy in a dwelling unit that
23 receives assistance under this section is given to a
24 homeless family or homeless youth.

1 (2) SUBSEQUENT 3 FISCAL YEARS.—During the
2 third, fourth, and fifth fiscal years for which
3 amounts are made available to carry out this section,
4 the Secretary shall ensure that priority for occu-
5 pancy in a dwelling unit that receives assistance
6 under this section is given to a homeless family or
7 homeless individual.

8 **SEC. 113. MODULAR CONSTRUCTION PILOT PROGRAM.**

9 (a) DEFINITIONS.—In this section:

10 (1) ELIGIBLE ENTITY.—The term “eligible enti-
11 ty” means a public housing agency, a tribally des-
12 ignated housing entity (as defined in section 4 of the
13 Native American Housing Assistance and Self De-
14 termination Act of 1996 (25 U.S.C. 4103)), a non-
15 profit entity, a company, a religious entity, or a unit
16 of local or Tribal government.

17 (2) MODULAR CONSTRUCTION.—The term
18 “modular construction” means the method of resi-
19 dential construction by which building modules are
20 constructed off of the future site of a building, then
21 brought together on the building site to form a larg-
22 er residential building, in an effort to reduce con-
23 struction costs.

24 (3) SECRETARY.—The term “Secretary” means
25 the Secretary of Housing and Urban Development.

1 (b) ESTABLISHMENT OF PROGRAM.—

2 (1) IN GENERAL.—The Secretary shall establish
3 a pilot program to provide grants to eligible entities
4 to promote the construction of affordable housing
5 using modular construction.

6 (2) AFFORDABILITY REQUIREMENT.—To be eli-
7 gible to receive a grant under paragraph (1), an eli-
8 gible entity shall be required to guarantee afford-
9 ability for a period of more than 20 years.

10 (3) PRIORITY.—In awarding grants under para-
11 graph (1), the Secretary shall give priority to an eli-
12 gible entity that fulfills not fewer than two of the
13 following requirements:

14 (A) The eligible entity—

15 (i) will construct the housing in
16 groups of more than 50 units; or

17 (ii) provides confirmation from the ju-
18 risdiction with land use control over the
19 site proposed by the eligible entity that—

20 (I) construction will be completed
21 within 18 months; and

22 (II) the housing will be con-
23 structed in groups of more than 30
24 units.

1 (B) The eligible entity partners with a
2 public housing agency or unit of local govern-
3 ment that will issue rental assistance to resi-
4 dents of the affordable housing through vouch-
5 ers or grants.

6 (C) The eligible entity will provide sup-
7 portive services (as described in paragraph
8 (21)(D)(iii)(II) of section 8(o) of the United
9 States Housing Act of 1937 (42 U.S.C.
10 1437f(o)), as added by section 3 of this Act) to
11 residents at no charge, or has secured the pro-
12 vision of publicly or privately administered sup-
13 portive services (as so defined) to residents at
14 no charge.

15 (c) **MATCHING REQUIREMENT.**—The Federal share
16 of a project funded under this section shall be not more
17 than 75 percent of the cost of the project.

18 (d) **AUTHORIZATION OF APPROPRIATIONS.**—There is
19 authorized to be appropriated to the Secretary \$2,000,000
20 for each of fiscal years 2023 through 2028 to carry out
21 this section.

22 **SEC. 114. SUPPORTING PRO-HOUSING DEVELOPMENT.**

23 (a) **DEFINITIONS.**—In this section:

1 (1) DUPLEX.—The term “duplex” means a res-
2 idential building divided into 2 units, each of which
3 has a separate entrance.

4 (2) ELIGIBLE ACTIVITY.—The term “eligible
5 activity” means an activity authorized under section
6 105(a) of the Housing and Community Development
7 Act of 1974 (42 U.S.C. 5305(a)).

8 (3) ELIGIBLE ENTITY.—The term “eligible enti-
9 ty” means a jurisdiction that adopts a zoning and
10 community planning method described in subsection
11 (d)(4) after the date of enactment of this Act.

12 (4) FLOOR AREA RATIO.—The term “floor area
13 ratio” means the measurement of the floor area of
14 a building in relation to the size of the unit of land
15 on which the building is located.

16 (5) JURISDICTION.—The term “jurisdiction”
17 has the meaning given the term in section 91.5 of
18 title 24, Code of Federal Regulations, or any suc-
19 cessor regulation.

20 (6) LOW-INCOME.—The term “low-income” has
21 the meaning given the term in section 1303 of the
22 Federal Housing Enterprises Financial Safety and
23 Soundness Act of 1992 (12 U.S.C. 4502).

24 (7) MIXED-USE HOUSING.—The term “mixed
25 use housing” means a building with—

1 (A) retail or other business, public service,
2 or nonprofit establishments at the ground level
3 or a lower level; and

4 (B) not less than 1 story of residential
5 units above the establishments described in sub-
6 paragraph (A).

7 (8) QUADPLEX.—The term “quadplex” means a
8 residential building divided into 4 units, each of
9 which has a separate entrance.

10 (9) SECRETARY.—The term “Secretary” means
11 the Secretary of Housing and Urban Development.

12 (10) TRIPLEX.—The term “triplex” means a
13 residential building divided into 3 units, each of
14 which has a separate entrance.

15 (11) MULTIFAMILY HOUSING.—The term “mul-
16 tifamily housing”—

17 (A) means housing accommodations that—

18 (i) are designed principally for resi-
19 dential use;

20 (ii) conform to standards satisfactory
21 to the Secretary; and

22 (iii) consist of not less than 5 rental
23 units on a site; and

1 (B) includes units that are detached,
2 semidetached, row house, or multifamily struc-
3 tures.

4 (b) ZONING INFORMATION REPORTING REQUIRE-
5 MENT.—

6 (1) IN GENERAL.—The Secretary shall require
7 a jurisdiction that receives, directly or indirectly, any
8 funding from the Secretary to submit to the Sec-
9 retary a report containing information about the
10 zoning and community planning methods of the ju-
11 risdiction, unless the jurisdiction already reports
12 such information.

13 (2) ADDITIONAL INFORMATION.—Upon receiv-
14 ing a report described in paragraph (1) from a juris-
15 diction, the Secretary may request additional infor-
16 mation, at the discretion of the Secretary.

17 (c) PROHIBITED ZONING METHODS.—

18 (1) IN GENERAL.—On and after the date that
19 is 180 days after the date of enactment of this Act,
20 a jurisdiction that uses a zoning and community
21 planning method described in paragraph (2) may not
22 receive, directly or indirectly, amounts from a grant
23 awarded under subsection (d).

24 (2) PROHIBITED METHODS.—The methods re-
25 ferred to in paragraph (1) are the following:

1 (A) Prohibiting or discouraging duplexes in
2 areas zoned for single-family homes.

3 (B) Prohibiting or discouraging single-
4 room occupancy development in areas zoned for
5 multifamily homes.

6 (C) In areas within one half-mile of a
7 multimodal transit stop, maintaining require-
8 ments of more than 1 parking spot for a resi-
9 dent's car per residential unit.

10 (D) Prohibiting or discouraging accessory
11 dwelling units (commonly known as an "ADU"
12 or "granny flat") on the premises of single-fam-
13 ily homes.

14 (E) Prohibiting or discouraging the conver-
15 sion of commercial property into residential
16 property.

17 (F) Prohibiting or discouraging the devel-
18 opment of multifamily housing or mixed-use
19 housing in commercial areas.

20 (3) EXCEPTION.—A jurisdiction shall not be pe-
21 nalized under paragraph (1) based on the use of a
22 zoning and community planning method described in
23 paragraph (2) over which the jurisdiction does not
24 have control.

25 (d) GRANT PROGRAM.—

1 (iii) \$40,000,000 for an eligible entity
2 with a population of less than 500,000;

3 (iv) \$100,000,000 for an eligible enti-
4 ty with a population of less than
5 1,000,000; and

6 (v) \$125,000,000 for an eligible entity
7 with a population of not less than
8 1,000,000.

9 (B) POPULATION CALCULATION.—The
10 Secretary shall calculate the population of an
11 eligible entity for purposes of subparagraph (A)
12 using the most recently available data from the
13 Bureau of the Census.

14 (4) ENCOURAGED ZONING AND COMMUNITY
15 PLANNING METHODS.—The zoning and community
16 planning methods described in this paragraph are
17 the following:

18 (A) Allowing—

19 (i) duplexes, triplexes, and quadplexes,
20 or other multifamily housing, in areas
21 zoned for single-family homes;

22 (ii) the subdivision of existing single-
23 family homes into multiple units; and

1 (iii) waivers to permitting or zoning
2 requirements to incentivize the construc-
3 tion of—

4 (I) accessory dwelling units;

5 (II) additions to existing single-
6 family homes to create duplexes,
7 triplexes, or quadplexes; or

8 (III) other additions that do not
9 require demolition of an existing home
10 on a given unit of land.

11 (B) Incentivizing the development of sin-
12 gle-room occupancy multifamily housing and ac-
13 cessory dwelling units through expedited per-
14 mitting, reduced fees, or other incentives.

15 (C) Not imposing a minimum lot size or
16 minimum unit square-foot requirements.

17 (D) Incentivizing the development of com-
18 mercial property into residential housing.

19 (E) Eliminating or lowering requirements
20 for per-unit parking spots.

21 (F) Allowing increased floor area ratios.

22 (G) Eliminating or raising height limits on
23 development to encourage building vertically
24 rather than horizontally.

1 (H) Waiving or eliminating fees or permits
2 for development in exchange for the develop-
3 ment of a larger number of units that are af-
4 fordable to low-income people.

5 (5) REGULATIONS.—The Secretary may pro-
6 mulgate any regulations necessary to carry out this
7 subsection.

8 (6) AUTHORIZATION OF APPROPRIATIONS.—
9 There are authorized to be appropriated to carry out
10 this subsection \$4,000,000,000 for each of fiscal
11 years 2023 through 2028.

12 **SEC. 115. PERMANENT AUTHORIZATION OF APPROPRIA-**
13 **TIONS FOR MCKINNEY-VENTO HOMELESS AS-**
14 **SISTANCE ACT GRANTS.**

15 Section 408 of the McKinney-Vento Homeless Assist-
16 ance Act (42 U.S.C. 11364) is amended to read as follows:

17 **“SEC. 408. AUTHORIZATION OF APPROPRIATIONS.**

18 “There are authorized to be appropriated to carry out
19 this title such sums as may be necessary for each fiscal
20 year.”.

21 **Subtitle B—Rural Housing**
22 **Assistance**

23 **SEC. 121. RURAL HOUSING REINVESTMENT.**

24 (a) DEFINITIONS.—In this section:

1 (1) BROAD-BASED NONPROFIT ORGANIZA-
2 TION.—The term “broad-based nonprofit organiza-
3 tion” means a nonprofit organization that has a
4 membership that reflects a variety of interests in the
5 area in which housing assisted under this section
6 will be located.

7 (2) COVERED PROGRAM.—The term “covered
8 program” means—

9 (A) the Very Low-Income Housing Repair
10 Loans and Grants Program under section 504
11 of the Housing Act of 1949 (42 U.S.C. 1474);

12 (B) the Farm Labor Housing loan pro-
13 gram under section 514 of the Housing Act of
14 1949 (42 U.S.C. 1484);

15 (C) the Rural Rental Housing Loan pro-
16 gram under section 515 of the Housing Act of
17 1949 (42 U.S.C. 1485);

18 (D) the Farm Labor Housing grant pro-
19 gram under section 516 of the Housing Act of
20 1949 (42 U.S.C. 1486); and

21 (E) the Rural Rental Assistance program
22 under section 521 of the Housing Act of 1949
23 (42 U.S.C. 1490a).

24 (3) DOMESTIC FARM LABORER.—The term “do-
25 mestic farm laborer” means an individual who re-

1 ceives a substantial portion of the individual’s in-
2 come from the primary production of processed or
3 unprocessed agricultural or aquacultural commod-
4 ities or other farm labor employment.

5 (4) ELIGIBLE ENTITY.—The term “eligible enti-
6 ty” means—

7 (A) a broad-based nonprofit organization;

8 (B) a nonprofit organization with experi-
9 ence in developing affordable housing, rural
10 housing, or housing for domestic farm laborers;

11 (C) a nonprofit organization of domestic
12 farm laborers;

13 (D) a federally recognized Indian Tribe;

14 (E) a community organization;

15 (F) an agency of a State or of a political
16 subdivision of a State; or

17 (G) a limited partnership with a nonprofit
18 general partner.

19 (5) GREEN BUILDING CERTIFICATION.—The
20 term “green building certification” means—

21 (A) a certification from the Residential
22 New Construction Program of the Energy Star
23 program established by section 324A of the En-
24 ergy Policy and Conservation Act (42 U.S.C.
25 6294a);

1 (B) a certification from the Zero Energy
2 Ready Home program of the Department of
3 Energy; and

4 (C) a certification or accreditation that is
5 substantially similar to a certification described
6 in subparagraph (A) or (B) that requires the
7 housing project to be at least 10 percent more
8 efficient than homes built to the building code
9 standards of the applicable State.

10 (6) LOW-INCOME.—The term “low-income” has
11 the meaning given the term in section 1303 of the
12 Federal Housing Enterprises Financial Safety and
13 Soundness Act of 1992 (12 U.S.C. 4502).

14 (7) SECRETARY.—The term “Secretary” means
15 the Secretary of Agriculture.

16 (b) ASSISTANCE.—

17 (1) LOANS AND GRANTS.—

18 (A) IN GENERAL.—The Secretary shall
19 award additional loans and grants, including
20 zero-percent interest loans, under the covered
21 programs to eligible entities that construct or
22 preserve off-farm affordable housing, including
23 multifamily housing, for domestic farm laborers
24 or multifamily housing for low-income individ-
25 uals living in rural areas to increase and pre-

1 serve the supply of available and affordable
2 rental housing for—

3 (i) low-income individuals living in
4 rural areas; and

5 (ii) domestic farm laborers.

6 (B) TIMELINE.—

7 (i) NOTICE OF FUNDING AVAIL-
8 ABILITY.—Not later than 180 days after
9 the date of enactment of this Act, the Sec-
10 retary shall publish a notice of funding
11 availability to solicit applications for loans
12 and grants to be awarded under subpara-
13 graph (A).

14 (ii) AWARDS.—Not later than 1 year
15 after the date of enactment of this Act, the
16 Secretary shall award loans and grants, in-
17 cluding zero-percent interest loans, to eligi-
18 ble entities under subparagraph (A).

19 (C) LOCAL CONTRIBUTION FOR GRANTS.—

20 (i) IN GENERAL.—An eligible entity
21 that receives a grant under this section
22 shall contribute not less than 10 percent of
23 the total project cost from sources other
24 than the grant.

1 (ii) TIMING OF AVAILABILITY.—An el-
2 igible entity may not receive a grant under
3 this section unless the funds required
4 under clause (i) are available to the eligible
5 entity as of the date on which the grant is
6 awarded.

7 (iii) SOURCES.—An eligible entity may
8 use amounts from a loan financed by the
9 Rural Housing Service or the Federal
10 Housing Administration to satisfy the re-
11 quirement under clause (i).

12 (2) RENTAL ASSISTANCE FOR OFF-FARM AF-
13 FORDABLE HOUSING AND MULTIFAMILY HOUSING.—

14 (A) IN GENERAL.—In addition to loans
15 and grants under paragraph (1), the Secretary,
16 acting through the Under Secretary for Rural
17 Development, shall provide rental assistance
18 to—

19 (i) owners of off-farm affordable hous-
20 ing for domestic farm laborers that is as-
21 sisted by a loan or grant under paragraph
22 (1); and

23 (ii) owners of affordable multifamily
24 housing for low-income individuals living in

1 rural areas that is assisted by a loan or
2 grant under paragraph (1).

3 (B) AMOUNT OF RENT.—In providing rent-
4 al assistance under subparagraph (A), the Sec-
5 retary shall make assistance payments to the
6 owners of housing described in that subpara-
7 graph in order to make available to low-income
8 occupants of such housing rentals at rates com-
9 mensurate to income and not exceeding the
10 highest of—

11 (i) 30 percent of adjusted income (as
12 defined in section 3(b)(5) of the United
13 States Housing Act of 1937 (42 U.S.C.
14 1437a(b)(5)), except that the amount shall
15 be calculated on a monthly basis);

16 (ii) 10 percent of monthly income; or

17 (iii) if the person or family is receiv-
18 ing payments for welfare assistance from a
19 public agency, the portion (if any) of the
20 payments that is specifically designated by
21 the agency to meet the housing costs of the
22 person or family.

23 (C) CAP ON RENT INCREASES.—The rent
24 or contribution to rent paid by any recipient of
25 assistance under this paragraph shall not in-

1 crease as a result of this section or any other
2 provision of Federal law or regulation by more
3 than 10 percent during any 12-month period,
4 unless the increase above 10 percent is attrib-
5 utable to increases in income that are unrelated
6 to this subsection or the other provision of Fed-
7 eral law or regulation.

8 (D) AMOUNT OF ASSISTANCE.—The
9 amount of an assistance payment made on be-
10 half of a tenant under this paragraph shall be
11 equal to the difference between—

12 (i) the monthly contribution of the
13 tenant, which shall be the applicable
14 amount under subparagraph (B); and

15 (ii) the fair market rental for the ju-
16 risdiction in which the property is located,
17 as established by the Secretary under sec-
18 tion 8(c) of the United States Housing Act
19 of 1937 (42 U.S.C. 1437a(c)).

20 (E) REGULATIONS.—The Secretary may
21 promulgate any regulation that is necessary and
22 proper to carry out this paragraph.

23 (3) PRIORITY.—In awarding assistance for
24 farm labor housing and multi-family housing under
25 paragraphs (1) and (2), the Secretary shall give pri-

1 ority to an applicant seeking assistance for a hous-
2 ing project that—

3 (A) as determined by the Secretary, is en-
4 ergy efficient and generates energy, such as
5 through geo-exchange systems, ground-source
6 heat pumps, wind turbines, and solar energy
7 systems; or

8 (B) has a green building certification.

9 (c) FUNDING.—

10 (1) FARM LABOR HOUSING LOANS AND GRANTS
11 PROGRAMS.—There is authorized to be appropriated
12 to the Secretary \$78,000,000 for each of fiscal years
13 2023 through 2033 to award loans and grants under
14 subsection (b)(1)(A) through the Farm Labor Hous-
15 ing loan program and Farm Labor Housing grant
16 program under sections 514 and 516, respectively,
17 of the Housing Act of 1949 (42 U.S.C. 1484, 1486).

18 (2) RURAL RENTAL HOUSING LOAN PRO-
19 GRAM.—There is authorized to be appropriated to
20 the Secretary \$100,000,000 for each of fiscal years
21 2023 through 2033 to award loans under subsection
22 (b)(1)(A) through the Rural Rental Housing Loan
23 program under section 515 of the Housing Act of
24 1949 (42 U.S.C. 1485).

1 (3) RURAL RENTAL ASSISTANCE PROGRAM.—
2 There is authorized to be appropriated to the Sec-
3 retary \$2,500,000,000 for each of fiscal years 2023
4 through 2033 to award loans under subsection
5 (b)(1)(A) through the Rural Rental Assistance pro-
6 gram under section 521 of the Housing Act of 1949
7 (42 U.S.C. 1490a).

8 (4) RENTAL ASSISTANCE UNDER (b)(2) OF THIS
9 SECTION.—There is authorized to be appropriated to
10 the Secretary \$250,000,000 for each of fiscal years
11 2023 through 2033 for rental assistance payments
12 under subsection (b)(2).

13 **SEC. 122. PERMANENT ESTABLISHMENT OF HOUSING PRES-**
14 **ERVATION AND REVITALIZATION PROGRAM.**

15 Title V of the Housing Act of 1949 (42 U.S.C. 1471
16 et seq.) is amended by adding at the end the following:

17 **“SEC. 545. HOUSING PRESERVATION AND REVITALIZATION**
18 **PROGRAM.**

19 “(a) ESTABLISHMENT.—The Secretary shall carry
20 out a program under this section for the preservation and
21 revitalization of multifamily rental housing projects fi-
22 nanced under section 515 or both sections 514 and 516.

23 “(b) NOTICE OF MATURING LOANS.—

24 “(1) TO OWNERS.—On an annual basis, the
25 Secretary shall provide written notice to each owner

1 of a property financed under section 515 or both
2 sections 514 and 516 that will mature within the 4-
3 year period beginning upon the provision of such no-
4 tice, setting forth the options and financial incen-
5 tives that are available to facilitate the extension of
6 the loan term or the option to decouple a rental as-
7 sistance contract pursuant to subsection (f).

8 “(2) TO TENANTS.—

9 “(A) IN GENERAL.—For each property fi-
10 nanced under section 515 or both sections 514
11 and 516, not later than the date that is 2 years
12 before the date that such loan will mature, the
13 Secretary shall provide written notice to each
14 household residing in such property that in-
15 forms them of the date of the loan maturity,
16 the possible actions that may happen with re-
17 spect to the property upon such maturity, and
18 how to protect their right to reside in federally
19 assisted housing after such maturity.

20 “(B) LANGUAGE.—Notice under this para-
21 graph shall be provided in plain English and
22 shall be translated into other languages in the
23 case of any property located in an area in which
24 a significant number of residents speak such
25 other languages.

1 “(c) LOAN RESTRUCTURING.—Under the program
2 under this section, the Secretary may restructure such ex-
3 isting housing loans, as the Secretary considers appro-
4 priate, for the purpose of ensuring that such projects have
5 sufficient resources to preserve the projects to provide safe
6 and affordable housing for low-income residents and farm
7 laborers, by—

8 “(1) reducing or eliminating interest;

9 “(2) deferring loan payments;

10 “(3) subordinating, reducing, or reamortizing
11 loan debt; and

12 “(4) providing other financial assistance, in-
13 cluding advances, payments, and incentives (includ-
14 ing the ability of owners to obtain reasonable re-
15 turns on investment) required by the Secretary.

16 “(d) RENEWAL OF RENTAL ASSISTANCE.—When the
17 Secretary offers to restructure a loan pursuant to sub-
18 section (c), the Secretary shall offer to renew the rental
19 assistance contract under section 521(a)(2) for a 20-year
20 term that is subject to annual appropriations, provided
21 that the owner agrees to bring the property up to such
22 standards that will ensure its maintenance as decent, safe,
23 and sanitary housing for the full term of the rental assist-
24 ance contract.

25 “(e) RESTRICTIVE USE AGREEMENTS.—

1 “(1) REQUIREMENT.—As part of the preserva-
2 tion and revitalization agreement for a project, the
3 Secretary shall obtain a restrictive use agreement
4 that obligates the owner to operate the project in ac-
5 cordance with this title.

6 “(2) TERM.—

7 “(A) NO EXTENSION OF RENTAL ASSIST-
8 ANCE CONTRACT.—Except when the Secretary
9 enters into a 20-year extension of the rental as-
10 sistance contract for the project, the term of
11 the restrictive use agreement for the project
12 shall be consistent with the term of the restruc-
13 tured loan for the project.

14 “(B) EXTENSION OF RENTAL ASSISTANCE
15 CONTRACT.—If the Secretary enters into a 20-
16 year extension of the rental assistance contract
17 for a project, the term of the restrictive use
18 agreement for the project shall be for 20 years.

19 “(C) TERMINATION.—The Secretary may
20 terminate the 20-year use restrictive use agree-
21 ment for a project prior to the end of its term
22 if the 20-year rental assistance contract for the
23 project with the owner is terminated at any
24 time for reasons outside the owner’s control.

25 “(f) DECOUPLING OF RENTAL ASSISTANCE.—

1 “(1) RENEWAL OF RENTAL ASSISTANCE CON-
2 TRACT.—If the Secretary determines that a matur-
3 ing loan for a project cannot reasonably be restruc-
4 tured in accordance with subsection (c) and the
5 project was operating with rental assistance under
6 section 521, the Secretary may renew the rental as-
7 sistance contract, notwithstanding any provision of
8 section 521, for a term, subject to annual appropria-
9 tions, of at least 10 years but not more than 20
10 years.

11 “(2) RENTS.—Any agreement to extend the
12 term of the rental assistance contract under section
13 521 for a project shall obligate the owner to con-
14 tinue to maintain the project as decent, safe, and
15 sanitary housing and to operate the development in
16 accordance with this title, except that rents shall be
17 based on the lesser of—

18 “(A) the budget-based needs of the project;

19 or

20 “(B) the operating cost adjustment factor
21 as a payment standard as provided under sec-
22 tion 524 of the Multifamily Assisted Housing
23 Reform and Affordability Act of 1997 (42
24 U.S.C. 1437 note).

1 “(g) MULTIFAMILY HOUSING TRANSFER TECHNICAL
2 ASSISTANCE.—Under the program under this section, the
3 Secretary may provide grants to qualified nonprofit orga-
4 nizations and public housing agencies to provide technical
5 assistance, including financial and legal services, to bor-
6 rowers under loans under this title for multifamily housing
7 to facilitate the acquisition of such multifamily housing
8 properties in areas where the Secretary determines there
9 is a risk of loss of affordable housing.

10 “(h) TRANSFER OF RENTAL ASSISTANCE.—After the
11 loan or loans for a rental project originally financed under
12 section 515 or both sections 514 and 516 have matured
13 or have been prepaid and the owner has chosen not to
14 restructure the loan pursuant to subsection (c), a tenant
15 residing in such project shall have 18 months prior to loan
16 maturation or prepayment to transfer the rental assist-
17 ance assigned to the tenant’s unit to another rental project
18 originally financed under section 515 or both sections 514
19 and 516, and the owner of the initial project may rent
20 the tenant’s previous unit to a new tenant without income
21 restrictions.

22 “(i) ADMINISTRATIVE EXPENSES.—Of any amounts
23 made available for the program under this section for any
24 fiscal year, the Secretary may use not more than

1 \$1,000,000 for administrative expenses for carrying out
2 such program.

3 “(j) AUTHORIZATION OF APPROPRIATIONS.—There
4 is authorized to be appropriated for the program under
5 this section \$200,000,000 for each of fiscal years 2023
6 through 2028.”.

7 **SEC. 123. ELIGIBILITY FOR RURAL HOUSING VOUCHERS.**

8 Section 542 of the Housing Act of 1949 (42 U.S.C.
9 1490r) is amended by adding at the end the following:

10 “(c) ELIGIBILITY OF HOUSEHOLDS IN SECTION 514,
11 515, AND 516 PROJECTS.—The Secretary may provide
12 rural housing vouchers under this section for any low-in-
13 come household (including those not receiving rental as-
14 sistance) residing in a property financed with a loan made
15 or insured under section 514 or 515 (42 U.S.C. 1484,
16 1485) which has been prepaid, has been foreclosed, or has
17 matured after September 30, 2005, or residing in a prop-
18 erty assisted under section 514 or 516 that is owned by
19 a nonprofit organization or public agency.”.

20 **SEC. 124. AMOUNT OF VOUCHER ASSISTANCE.**

21 Notwithstanding any other provision of law, in the
22 case of any rural housing voucher provided pursuant to
23 section 542 of the Housing Act of 1949 (42 U.S.C.
24 1490r), the amount of the monthly assistance payment for
25 the household on whose behalf such assistance is provided

1 shall be determined as provided in subsection (a) of such
2 section 542.

3 **SEC. 125. USE OF AVAILABLE RENTAL ASSISTANCE.**

4 Section 521(d) of the Housing Act of 1949 (42
5 U.S.C. 1490a(d)) is amended by adding at the end the
6 following:

7 “(3) In the case of any rental assistance contract au-
8 thority that becomes available because of the termination
9 of assistance on behalf of an assisted family—

10 “(A) at the option of the owner of the rental
11 project, the Secretary shall provide the owner a pe-
12 riod of 6 months before such assistance is made
13 available pursuant to subparagraph (B) during
14 which the owner may use such assistance authority
15 to provide assistance on behalf of an eligible unas-
16 sisted family that—

17 “(i) is residing in the same rental project
18 that the assisted family resided in prior to such
19 termination; or

20 “(ii) newly occupies a dwelling unit in such
21 rental project during such period; and

22 “(B) except for assistance used as provided in
23 subparagraph (A), the Secretary shall use such re-
24 maining authority to provide such assistance on be-
25 half of eligible families residing in other rental

1 projects originally financed under section 515 or
2 both sections 514 and 516.”.

3 **SEC. 126. FUNDING FOR MULTIFAMILY TECHNICAL IM-**
4 **PROVEMENTS.**

5 There is authorized to be appropriated to the Sec-
6 retary of Agriculture \$50,000,000 for fiscal year 2023 for
7 improving the technology of the Department of Agri-
8 culture used to process loans for multifamily housing and
9 otherwise managing such housing. Such improvements
10 shall be made within the 5-year period beginning upon the
11 appropriation of such amounts and such amount shall re-
12 main available until the expiration of such 5-year period.

13 **SEC. 127. PLAN FOR PRESERVING AFFORDABILITY OF**
14 **RENTAL PROJECTS.**

15 (a) PLAN.—Not later than 180 days after the date
16 of enactment of this Act, the Secretary of Agriculture (in
17 this section referred to as the “Secretary”) shall submit
18 a written plan to Congress for preserving the affordability
19 for low-income families of rental projects for which loans
20 were made under section 515 of the Housing Act of 1949
21 (42 U.S.C. 1485) or made to nonprofit or public agencies
22 under section 514 of that Act (42 U.S.C. 1484) and avoid-
23 ing the displacement of tenant households, which shall—

24 (1) set forth specific performance goals and
25 measures;

1 (2) set forth the specific actions and mecha-
2 nisms by which such goals will be achieved;

3 (3) set forth specific measurements by which
4 progress towards achievement of each goal can be
5 measured;

6 (4) provide for detailed reporting on outcomes;
7 and

8 (5) include any legislative recommendations to
9 assist in achievement of the goals under the plan.

10 (b) ADVISORY COMMITTEE.—

11 (1) ESTABLISHMENT; PURPOSE.—The Sec-
12 retary shall establish an advisory committee whose
13 purpose shall be to assist the Secretary—

14 (A) in preserving properties assisted under
15 section 514 or 515 of the Housing Act of 1949
16 (42 U.S.C. 1484, 1485) that are owned by non-
17 profit or public agencies through the multi-
18 family housing preservation and revitalization
19 program under section 545 of that Act (as
20 added by this subtitle); and

21 (B) implementing the plan required under
22 subsection (a) of this section.

23 (2) MEMBER.—The advisory committee shall
24 consist of 14 members, appointed by the Secretary,
25 as follows:

1 (A) A State Director of Rural Develop-
2 ment for the Department of Agriculture.

3 (B) The Administrator for Rural Housing
4 Service of the Department of Agriculture.

5 (C) Two representatives of for-profit devel-
6 opers or owners of multifamily rural rental
7 housing.

8 (D) Two representatives of nonprofit devel-
9 opers or owners of multifamily rural rental
10 housing.

11 (E) Two representatives of State housing
12 finance agencies.

13 (F) Two representatives of tenants of mul-
14 tifamily rural rental housing.

15 (G) One representative of a community de-
16 velopment financial institution that is involved
17 in preserving the affordability of housing as-
18 sisted under sections 514, 515, and 516 of the
19 Housing Act of 1949 (42 U.S.C. 1484, 1485,
20 1486).

21 (H) One representative of a nonprofit or-
22 ganization that operates nationally and has ac-
23 tively participated in the preservation of hous-
24 ing assisted by the Rural Housing Service by
25 conducting research regarding, and providing fi-

1 nancing and technical assistance for, preserving
2 the affordability of such housing.

3 (I) One representative of low-income hous-
4 ing tax credit investors.

5 (J) One representative of regulated finan-
6 cial institutions that finance affordable multi-
7 family rural rental housing developments.

8 (3) MEETINGS.—The advisory committee shall
9 meet not less often than once each calendar quarter.

10 (4) FUNCTIONS.—In providing assistance to the
11 Secretary to carry out its purpose, the advisory com-
12 mittee shall carry out the following functions:

13 (A) Assisting the Rural Housing Service of
14 the Department of Agriculture to improve esti-
15 mates of the size, scope, and condition of rental
16 housing portfolio of the Service, including the
17 time frames for maturity of mortgages and
18 costs for preserving the portfolio as affordable
19 housing.

20 (B) Reviewing current policies and proce-
21 dures of the Rural Housing Service regarding
22 preservation of affordable rental housing fi-
23 nanced under sections 514, 515, 516, and 538
24 of the Housing Act of 1949 (42 U.S.C. 1484,
25 1485, 1486, 1490p–2), the Multifamily Preser-

1 vation and Revitalization Demonstration pro-
2 gram (commonly known as the “MPR”), and
3 the Rural Rental Assistance program under sec-
4 tion 521 of the Housing Act of 1949 (42
5 U.S.C. 1490a) and making recommendations
6 regarding improvements and modifications to
7 such policies and procedures.

8 (C) Providing ongoing review of Rural
9 Housing Service program results.

10 (D) Providing reports to Congress and the
11 public on meetings, recommendations, and other
12 findings of the advisory committee.

13 **TITLE II—REVENUE PROVISIONS**

14 **SEC. 201. TAX-EXEMPT BOND FINANCING REQUIREMENT.**

15 (a) IN GENERAL.—Section 42(h)(4)(B) of the Inter-
16 nal Revenue Code of 1986 is amended to read as follows:

17 “(B) SPECIAL RULE WHERE A REQUIRED
18 PERCENT OF BUILDINGS IS FINANCED WITH
19 TAX-EXEMPT BONDS SUBJECT TO VOLUME
20 CAP.—For purposes of subparagraph (A), para-
21 graph (1) shall not apply to any portion of the
22 credit allowable under subsection (a) with re-
23 spect to a building if—

24 “(i) 50 percent or more of the aggre-
25 gate basis of any such building and the

1 land on which the building is located is fi-
2 nanced by any obligation described in sub-
3 paragraph (A), or

4 “(ii) 25 percent or more of the aggre-
5 gate basis of such building and the land on
6 which the building is located is financed by
7 any obligation which is described in sub-
8 paragraph (A) and issued in calendar year
9 2024, 2025, 2026, 2027, or 2028.”.

10 (b) **EFFECTIVE DATE.**—The amendment made by
11 this section shall apply to any building some portion of
12 which, or of the land on which the building is located, is
13 financed by an obligation which is described in section
14 42(h)(4)(A) and which is part of an issue the issue date
15 of which is after December 31, 2023.

16 **SEC. 202. INCREASES IN STATE ALLOCATIONS.**

17 (a) **IN GENERAL.**—Clause (ii) of section 42(h)(3)(C)
18 of the Internal Revenue Code is amended—

19 (1) by striking “\$1.75” in subclause (I) and in-
20 serting “the per capita amount”, and

21 (2) by striking “\$2,000,000” in subclause (II)
22 and inserting “the minimum amount”.

23 (b) **PER CAPITA AMOUNT; MINIMUM AMOUNT.**—Sec-
24 tion 42(h)(3) of the Internal Revenue Code of 1986 is

1 amended by striking subparagraphs (H) and (I) and in-
2 serting the following:

3 “(H) PER CAPITA AMOUNT.—For purposes
4 of subparagraph (C)(ii)(I), the per capita
5 amount shall be determined as follows:

6 “(i) CALENDAR YEAR 2023.—For cal-
7 endar year, 2023, the per capita amount is
8 \$3.90.

9 “(ii) CALENDAR YEAR 2024.—For cal-
10 endar year 2024, the per capita amount is
11 the product of—

12 “(I) 1.25, and

13 “(II) the dollar amount under
14 clause (i) increased by an amount
15 equal to—

16 “(aa) such dollar amount,
17 multiplied by

18 “(bb) the cost-of-living ad-
19 justment determined under sec-
20 tion 1(f)(3) for such calendar
21 year, determined by substituting
22 ‘calendar year 2022’ for ‘cal-
23 endar year 2016’ in subpara-
24 graph (A)(ii) thereof.

1 If the amount determined after application of
2 the preceding sentence is not a multiple of
3 \$5,000, such amount shall be rounded to the
4 next lowest multiple of \$5,000.

5 “(iii) CALENDAR YEARS AFTER
6 2024.—In the case of any calendar year
7 after 2024, the per capita amount is the
8 dollar amount determined under clause (ii)
9 increased by an amount equal to—

10 “(I) such dollar amount, multi-
11 plied by

12 “(II) the cost-of-living adjust-
13 ment determined under section 1(f)(3)
14 for such calendar year, determined by
15 substituting ‘calendar year 2023’ for
16 ‘calendar year 2016’ in subparagraph
17 (A)(ii) thereof.

18 Any amount increased under the preceding
19 sentence which is not a multiple of 5 cents
20 shall be rounded to the next lowest mul-
21 tiple of 5 cents.

22 “(I) MINIMUM AMOUNT.—For purposes of
23 subparagraph (C)(ii)(II), the minimum amount
24 shall be determined as follows:

1 “(i) CALENDAR YEAR 2023.—For cal-
2 endar year, 2023, the minimum amount is
3 \$4,495,000.

4 “(ii) CALENDAR YEAR 2024.—For cal-
5 endar year 2024, the minimum amount is
6 the product of—

7 “(I) 1.25, and

8 “(II) the dollar amount under
9 clause (i) increased by an amount
10 equal to—

11 “(aa) such dollar amount,
12 multiplied by

13 “(bb) the cost-of-living ad-
14 justment determined under sec-
15 tion 1(f)(3) for such calendar
16 year, determined by substituting
17 ‘calendar year 2022’ for ‘cal-
18 endar year 2016’ in subpara-
19 graph (A)(ii) thereof.

20 If the amount determined after application
21 of the preceding sentence is not a multiple
22 of 5 cents, such amount shall be rounded
23 to the next lowest multiple of 5 cents.

24 “(iii) CALENDAR YEARS AFTER
25 2024.—In the case of any calendar year

1 after 2024, the minimum amount is the
2 dollar amount determined under clause (ii)
3 increased by an amount equal to—

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

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

12 Any amount increased under the preceding
13 sentence which is not a multiple of \$5,000
14 shall be rounded to the next lowest mul-
15 tiple of \$5,000.”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to calendar years beginning after
18 December 31, 2022.

19 **SEC. 203. BUILDINGS DESIGNATED TO SERVE EXTREMELY**
20 **LOW-INCOME HOUSEHOLDS.**

21 (a) RESERVED STATE ALLOCATION.—

22 (1) IN GENERAL.—Section 42(h) of the Internal
23 Revenue Code of 1986 is amended—

1 (A) by redesignating paragraphs (6), (7),
2 and (8) as paragraphs (7), (8), and (9), respec-
3 tively, and

4 (B) by inserting after paragraph (5) the
5 following new paragraph:

6 “(6) PORTION OF STATE CEILING SET-ASIDE
7 FOR PROJECTS DESIGNATED TO SERVE EXTREMELY
8 LOW-INCOME HOUSEHOLDS.—

9 “(A) IN GENERAL.—Not more than 92
10 percent of the portion of the State housing
11 credit ceiling amount described in paragraph
12 (3)(C)(ii) for any State for any calendar year
13 shall be allocated to buildings other than build-
14 ings described in subparagraph (B).

15 “(B) BUILDINGS DESCRIBED.—A building
16 is described in this subparagraph if 20 percent
17 or more of the residential units in such building
18 are rent-restricted (determined as if the im-
19 puted income limitation applicable to such units
20 were 30 percent of area median gross income)
21 and are designated by the taxpayer for occu-
22 pancy by households the aggregate household
23 income of which does not exceed the greater
24 of—

1 “(i) 30 percent of area median gross
2 income, or

3 “(ii) 100 percent of an amount equal
4 to the Federal poverty line (within the
5 meaning of section 36B(d)(3)).

6 “(C) EXCEPTION.—A building shall not be
7 treated as described in subparagraph (B) if
8 such building is a part of a qualified low-income
9 housing project with respect to which the tax-
10 payer elects the requirements of subsection
11 (g)(1)(C).”.

12 (2) CONFORMING AMENDMENT.—Section
13 42(b)(4)(C) of such Code is amended by striking
14 “(h)(7)” and inserting “(h)(8)”.

15 (b) INCREASE IN CREDIT.—Paragraph (5) of section
16 42(d) of the Internal Revenue Code of 1986 is amended
17 by adding at the end the following new subparagraph:

18 “(C) INCREASE IN CREDIT FOR BUILDINGS
19 DESIGNATED TO SERVE EXTREMELY LOW-IN-
20 COME HOUSEHOLDS.—

21 “(i) IN GENERAL.—In the case of any
22 building—

23 “(I) which is described in sub-
24 section (h)(6)(B), and

1 “(II) which is designated by the
2 housing credit agency as requiring the
3 increase in credit under this subpara-
4 graph in order for such building to be
5 financially feasible as part of a quali-
6 fied low-income housing project,
7 subparagraph (B) shall not apply to the
8 portion of such building which is comprised
9 of residential units described in subsection
10 (h)(6)(B) (determined in a manner similar
11 to the unit fraction under subsection
12 (c)(1)(C)), and the eligible basis of such
13 portion of the building shall be 150 per-
14 cent of such basis determined without re-
15 gard to this subparagraph.

16 “(ii) ALLOCATION RULES APPLICABLE
17 TO PROJECTS TO WHICH CLAUSE (i) AP-
18 PLIES.—

19 “(I) STATE HOUSING CREDIT
20 CEILING.—For any calendar year, no
21 more than 13 percent of the portion
22 of the State housing credit ceiling de-
23 scribed in subsection (h)(3)(C)(ii)
24 shall be allocated to buildings to
25 which clause (i) applies.

1 “(II) APPLICATION TO PROJECTS
2 FINANCED WITH TAX-EXEMPT
3 BONDS.—In the case of any building
4 which is financed by an obligation de-
5 scribed in subsection (h)(4), clause (i)
6 shall not apply unless—

7 “(aa) the State in which the
8 issuing authority issuing such ob-
9 ligation is located designates
10 such obligation as an obligation
11 to which this subparagraph ap-
12 plies, and

13 “(bb) the aggregate face
14 amount of obligations designated
15 under item (aa) by such State in
16 the calendar year during which
17 such obligation is issued does not
18 exceed 8 percent of the State
19 ceiling of such State under sec-
20 tion 146(d)(1) for such year.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to allocations of housing credit dol-
23 lar amount after December 31, 2023, and to buildings
24 that are described in section 42(h)(4)(B) taking into ac-

1 count only obligations that are part of an issue the issue
2 date of which is after December 31, 2023.

3 **SEC. 204. INCLUSION OF INDIAN AREAS AS DIFFICULT DE-**
4 **VELOPMENT AREAS FOR PURPOSES OF CER-**
5 **TAIN BUILDINGS.**

6 (a) IN GENERAL.—Subclause (I) of section
7 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986 is
8 amended by inserting before the period the following: “,
9 and any Indian area”.

10 (b) INDIAN AREA.—Clause (iii) of section
11 42(d)(5)(B) of the Internal Revenue Code of 1986 is
12 amended by redesignating subclause (II) as subclause (IV)
13 and by inserting after subclause (I) the following new sub-
14 clauses:

15 “(II) INDIAN AREA.—For pur-
16 poses of subclause (I), the term ‘In-
17 dian area’ means any Indian area (as
18 defined in section 4(11) of the Native
19 American Housing Assistance and
20 Self Determination Act of 1996 (25
21 U.S.C. 4103(11))).

22 “(III) SPECIAL RULE FOR
23 BUILDINGS IN INDIAN AREAS.—In the
24 case of an area which is a difficult de-
25 velopment area solely because it is an

1 Indian area, a building shall not be
2 treated as located in such area unless
3 such building is assisted or financed
4 under the Native American Housing
5 Assistance and Self Determination
6 Act of 1996 (25 U.S.C. 4101 et seq.)
7 or the project sponsor is an Indian
8 tribe (as defined in section
9 45A(c)(6)), a tribally designated hous-
10 ing entity (as defined in section 4(22)
11 of such Act (25 U.S.C. 4103(22))), or
12 wholly owned or controlled by such an
13 Indian tribe or tribally designated
14 housing entity.”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to buildings placed in service after
17 December 31, 2023.

18 **SEC. 205. INCLUSION OF RURAL AREAS AS DIFFICULT DE-**
19 **VELOPMENT AREAS.**

20 (a) IN GENERAL.—Subclause (I) of section
21 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986, as
22 amended by section 204, is further amended by inserting
23 “, any rural area” after “median gross income”.

24 (b) RURAL AREA.—Clause (iii) of section
25 42(d)(5)(B) of the Internal Revenue Code of 1986, as

1 amended by section 204, is further amended by redesi-
2 nating subclause (IV) as subclause (V) and by inserting
3 after subclause (III) the following new subclause:

4 “(IV) RURAL AREA.—For pur-
5 poses of subclause (I), the term ‘rural
6 area’ means any non-metropolitan
7 area, or any rural area as defined by
8 section 520 of the Housing Act of
9 1949, which is identified by the quali-
10 fied allocation plan under subsection
11 (m)(1)(B).”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to buildings placed in service after
14 December 31, 2023.

15 **SEC. 206. INCREASE IN CREDIT FOR BOND-FINANCED**
16 **PROJECTS DESIGNATED BY HOUSING CREDIT**
17 **AGENCY.**

18 (a) IN GENERAL.—Clause (v) of section 42(d)(5)(B)
19 of the Internal Revenue Code of 1986 is amended by strik-
20 ing the second sentence.

21 (b) TECHNICAL AMENDMENTS.—Clause (v) of sec-
22 tion 42(d)(5)(B) of the Internal Revenue Code of 1986,
23 as amended by subsection (a), is further amended—

24 (1) by striking “STATE” in the heading; and

1 (2) by striking “State housing credit agency”
2 and inserting “housing credit agency”.

3 (c) EFFECTIVE DATE.—

4 (1) IN GENERAL.—The amendment made by
5 subsection (a) shall apply to a building if—

6 (A) any portion of such building is fi-
7 nanced by an obligation described in paragraph
8 (2), or

9 (B) the land on which the building is lo-
10 cated is financed by an obligation described in
11 paragraph (2).

12 (2) OBLIGATION DESCRIBED.—An obligation is
13 described in this paragraph if such obligation—

14 (A) is described in section 42(h)(4)(A) of
15 the Internal Revenue Code of 1986, and

16 (B) is issued after December 31, 2023.

17 **SEC. 207. REPEAL OF QUALIFIED CONTRACT OPTION.**

18 (a) TERMINATION OF OPTION FOR CERTAIN BUILD-
19 INGS.—

20 (1) IN GENERAL.—Subclause (II) of section
21 42(h)(7)(E)(i) of the Internal Revenue Code of
22 1986, as redesignated by section 203, is amended by
23 inserting “in the case of a building described in
24 clause (iii),” before “on the last day”.

1 (2) BUILDINGS DESCRIBED.—Subparagraph
2 (E) of section 42(h)(7) of such Code, as so redesign-
3 nated, is amended by adding at the end the following
4 new clause:

5 “(iii) BUILDINGS DESCRIBED.—A
6 building described in this clause is a build-
7 ing—

8 “(I) which received its allocation
9 of housing credit dollar amount before
10 January 1, 2024, or

11 “(II) in the case of a building
12 any portion of which is financed as
13 described in paragraph (4), and which
14 received before January 1, 2024,
15 under the rules of paragraphs (1) and
16 (2) of subsection (m), a determination
17 from the issuer of the tax-exempt
18 bonds or the housing credit agency
19 that the building would be eligible
20 under the qualified allocation plan to
21 receive an allocation of housing credit
22 dollar amount or that the credits to be
23 earned are necessary for financial fea-
24 sibility of the project and its viability

1 as a qualified low-income housing
2 project throughout the credit period.”.

3 (b) RULES RELATING TO EXISTING PROJECTS.—

4 Subparagraph (F) of section 42(h)(7) of the Internal Rev-
5 enue Code of 1986, as redesignated by section 203, is
6 amended by striking “the nonlow-income portion” and all
7 that follows and inserting “the nonlow-income portion and
8 the low-income portion of the building for fair market
9 value (determined by the housing credit agency by taking
10 into account the rent restrictions required for the low-in-
11 come portion of the building to continue to meet the stand-
12 ards of paragraphs (1) and (2) of subsection (g)). The
13 Secretary shall prescribe such regulations as may be nec-
14 essary or appropriate to carry out this paragraph.”.

15 (c) CONFORMING AMENDMENTS.—

16 (1) Paragraph (7) of section 42(h) of the Inter-
17 nal Revenue Code of 1986, as redesignated by sec-
18 tion 203, is amended by striking subparagraph (G)
19 and by redesignating subparagraphs (H), (I), (J),
20 and (K) as subparagraphs (G), (H), (I), and (J), re-
21 spectively.

22 (2) Subclause (II) of section 42(h)(7)(E)(i) of
23 such Code, as so redesignated and as amended by
24 subsection (a), is further amended by striking “sub-
25 paragraph (I)” and inserting “subparagraph (H)”.

1 (d) TECHNICAL AMENDMENT.—Subparagraph (I) of
2 section 42(h)(7) of the Internal Revenue Code of 1986,
3 as redesignated by section 203 and subsection (c), is
4 amended by striking “agreement” and inserting “commit-
5 ment”.

6 (e) EFFECTIVE DATES.—

7 (1) IN GENERAL.—Except as provided in para-
8 graph (2), the amendments made by this section
9 shall take effect on the date of the enactment of this
10 Act.

11 (2) SUBSECTION (b).—The amendments made
12 by subsection (b) shall apply to buildings with re-
13 spect to which a written request described in section
14 42(h)(7)(H) of the Internal Revenue Code of 1986,
15 as redesignated by section 203 and subsection (c), is
16 submitted after the date of the enactment of this
17 Act.

18 **SEC. 208. MODIFICATION AND CLARIFICATION OF RIGHTS**

19 **RELATING TO BUILDING PURCHASE.**

20 (a) MODIFICATION OF RIGHT OF FIRST REFUSAL.—

21 (1) IN GENERAL.—Subparagraph (A) of section
22 42(i)(7) of the Internal Revenue Code of 1986 is
23 amended by striking “a right of 1st refusal” and in-
24 serting “an option”.

1 (2) CONFORMING AMENDMENT.—The heading
2 of paragraph (7) of section 42(i) of such Code is
3 amended by striking “RIGHT OF 1ST REFUSAL” and
4 inserting “OPTION”.

5 (b) CLARIFICATION WITH RESPECT TO RIGHT OF
6 FIRST REFUSAL AND PURCHASE OPTIONS.—

7 (1) PURCHASE OF PARTNERSHIP INTEREST.—

8 (A) IN GENERAL.—Subparagraph (A) of
9 section 42(i)(7) of the Internal Revenue Code of
10 1986, as amended by subsection (a), is amend-
11 ed by striking “the property” and inserting
12 “the property or all of the partnership interests
13 (other than interests of the person exercising
14 such option or a related party thereto (within
15 the meaning of section 267(b) or 707(b)(1)))
16 relating to the property”.

17 (B) APPLICATION TO S CORPORATIONS
18 AND OTHER PASS-THROUGH ENTITIES.—Sub-
19 paragraph (A) of section 42(i)(7) of such Code
20 is amended by adding at the end the following:
21 “Except as provided by the Secretary, the rules
22 of this paragraph shall apply to S corporations
23 and other pass-through entities in the same
24 manner as such rules apply to partnerships.”.

1 (C) CONFORMING AMENDMENT.—Subpara-
2 graph (B) of section 42(i)(7) of such Code is
3 amended by adding at the end the following:
4 “In the case of a purchase of all of the partner-
5 ship interests, the minimum purchase price
6 under this subparagraph shall be an amount
7 not less than the sum of the interests’ shares
8 of the amount which would be determined with
9 respect to the property under this subparagraph
10 without regard to this sentence.”.

11 (2) PROPERTY INCLUDES ASSETS RELATING TO
12 THE BUILDING.—Paragraph (7) of section 42(i) of
13 such Code is amended by adding at the end the fol-
14 lowing new subparagraph:

15 “(C) PROPERTY.—For purposes of sub-
16 paragraph (A), the term ‘property’ may include
17 all or any of the assets held for the develop-
18 ment, operation, or maintenance of a build-
19 ing.”.

20 (3) EXERCISE OF RIGHT OF FIRST REFUSAL
21 AND PURCHASE OPTIONS.—Subparagraph (A) of
22 section 42(i)(7) of such Code, as amended by sub-
23 section (a) and paragraph (1)(A), is amended by
24 adding at the end the following: “For purposes of
25 determining whether an option, including a right of

1 first refusal, to purchase property or all of the part-
2 nership interests holding (directly or indirectly) such
3 property is described in the preceding sentence—

4 “(i) such option or right of first re-
5 fusal shall be exercisable with or without
6 the approval of any owner of the project
7 (including any partner, member, or affili-
8 ated organization of such an owner), and

9 “(ii) a right of first refusal shall be
10 exercisable in response to any offer to pur-
11 chase the property or all of the partnership
12 interests, including an offer by a related
13 party.”.

14 (c) OTHER CONFORMING AMENDMENT.—Subpara-
15 graph (B) of section 42(i)(7) of the Internal Revenue Code
16 of 1986, as amended by subsection (b), is amended by
17 striking “the sum of” and all that follows through “appli-
18 cation of clause (ii).” and inserting the following: “the
19 principal amount of outstanding indebtedness secured by
20 the building (other than indebtedness incurred within the
21 5-year period ending on the date of the sale to the ten-
22 ants).”.

23 (d) EFFECTIVE DATES.—

24 (1) MODIFICATION OF RIGHT OF FIRST RE-
25 FUSAL.—The amendments made by subsections (a)

1 and (c) shall apply to agreements entered into or
2 amended after the date of the enactment of this Act.

3 (2) CLARIFICATION.—The amendments made
4 by subsection (b) shall apply to agreements among
5 the owners of the project (including partners, mem-
6 bers, and their affiliated organizations) and persons
7 described in section 42(i)(7)(A) of the Internal Rev-
8 enue Code of 1986 entered into before, on, or after
9 the date of the enactment of this Act.

10 (3) NO EFFECT ON AGREEMENTS.—None of the
11 amendments made by this section is intended to su-
12 percede express language in any agreement with re-
13 spect to the terms of a right of first refusal or op-
14 tion permitted by section 42(i)(7) of the Internal
15 Revenue Code of 1986 in effect on the date of the
16 enactment of this Act.

17 **SEC. 209. PROHIBITION OF LOCAL APPROVAL AND CON-**
18 **TRIBUTION REQUIREMENTS.**

19 (a) IN GENERAL.—Paragraph (1) of section 42(m)
20 of the Internal Revenue Code of 1986 is amended—

21 (1) by striking clause (ii) of subparagraph (A)
22 and by redesignating clauses (iii) and (iv) thereof as
23 clauses (ii) and (iii), respectively; and

24 (2) by adding at the end the following new sub-
25 paragraph:

1 “(i) IN GENERAL.—In the case of any
2 building which includes common areas, or
3 property used therein, dedicated to the
4 provision of on-site qualified supportive
5 services, except as provided in subpara-
6 graphs (E) and (F), the eligible basis of
7 the portion of the building which is com-
8 prised of such areas or property (after the
9 application of subparagraphs (A) and (B))
10 shall be increased by an amount equal to
11 50 percent of such basis determined with-
12 out regard to this subparagraph and sub-
13 paragraphs (B) and (C).

14 “(ii) QUALIFIED SUPPORTIVE SERV-
15 ICES.—For purposes of clause (i), the term
16 ‘qualified supportive services’ means serv-
17 ices—

18 “(I) provided by the owner of a
19 building (directly or through contracts
20 with third-party service providers) pri-
21 marily to tenants of the building,

22 “(II) which are intended to pro-
23 mote economic self-sufficiency and
24 physical and mental health and well-
25 being in pursuit of retaining perma-

1 nent housing, including childcare or
2 eldercare services, health services, co-
3 ordination of tenant benefits, job
4 training, financial counseling, resident
5 engagement services, or such other
6 similar services as may be defined by
7 the allocating agency in the qualified
8 allocation plan,

9 “(III) which are provided to ten-
10 ants and other beneficiaries as may be
11 specified by the housing credit agency,
12 including specifications as to which
13 services may be provided to non-ten-
14 ants,

15 “(IV) which are provided at no
16 cost to beneficiaries other than any
17 fee, copay, or coinsurance customarily
18 charged by service providers for simi-
19 lar services, and

20 “(V) usage of or participation in
21 which is not a condition of tenancy in
22 the building.

23 Such term includes reasonable and nec-
24 essary measures for the provision of such
25 services, including measures to engage ten-

1 ants and other beneficiaries in and coordi-
2 nate such services, and measures required
3 to obtain the certification described in sub-
4 paragraph (E)(ii)(III).

5 “(E) EXTENDED SUPPORTIVE SERVICES
6 COMMITMENT.—

7 “(i) IN GENERAL.—Subparagraph
8 (D)(i) shall not apply to a building for any
9 taxable year unless an extended supportive
10 services commitment is in effect for such
11 taxable year.

12 “(ii) EXTENDED SUPPORTIVE SERV-
13 ICES COMMITMENT.—The term ‘extended
14 supportive services commitment’ means
15 any agreement between the owner of a
16 building and the housing credit agency
17 which—

18 “(I) provides estimates of the
19 amounts to be spent, updated at least
20 once every 5 years, on the provision of
21 qualified supportive services to ten-
22 ants of such building and other bene-
23 ficiaries for each taxable year remain-
24 ing in the credit period,

1 “(II) requires the designation of
2 one or more individuals to engage ten-
3 ants regarding, and coordinate deliv-
4 ery of, qualified supportive services,

5 “(III) requires the maintenance
6 of an appropriate certification, as de-
7 termined by the Secretary in consulta-
8 tion with the housing credit agencies,
9 for qualified supportive services, sub-
10 ject to recertification at least once
11 every 5 years,

12 “(IV) requires appropriate an-
13 nual reporting to the housing credit
14 agency on expenditures and outcomes,
15 as determined by such agency, and

16 “(V) is binding on all successors
17 in ownership of such building.

18 “(iii) EXCEPTIONS IF FORECLOSURE
19 OR IF NO BUYER WILLING TO MAINTAIN
20 SERVICES.—The requirement of clause
21 (ii)(V) for any building shall terminate on
22 the date the building is acquired by fore-
23 closure (or instrument in lieu of fore-
24 closure) unless the housing credit agency
25 determines that such acquisition is part of

1 an arrangement with the taxpayer a pur-
2 pose of which is to terminate such require-
3 ment.

4 “(iv) EFFECT OF NONCOMPLIANCE.—
5 If, during a taxable year, there is a deter-
6 mination by the housing credit agency that
7 an extended supportive services commit-
8 ment was not in effect as of the beginning
9 of such year or that there is evidence of
10 other noncompliance as determined by the
11 housing credit agency (including failure to
12 provide qualified supportive services)—

13 “(I) such determination shall not
14 apply to any period before such year
15 and subparagraph (D)(i) shall apply
16 to such taxable year without regard to
17 such determination if the failure is
18 corrected within 1 year from the date
19 of the determination, and

20 “(II) in the case of any year to
21 which such determination does apply,
22 if the failure is not corrected within 1
23 year from the date of the determina-
24 tion, the credit recapture amount
25 under subsection (j)(1) for the year in

1 which such 1 year period expires shall
2 be increased by the amount of any in-
3 crease in the credit under this section
4 by reason of subparagraph (D)(i) for
5 the year to which the determination
6 applies.

7 “(v) PROJECTS WHICH CONSIST OF
8 MORE THAN 1 BUILDING.—Rules similar to
9 the rules of subsection (h)(7)(J) shall
10 apply.

11 “(F) RESPONSIBILITIES OF HOUSING
12 CREDIT AGENCY.—Subparagraph (D)(i) shall
13 not apply to a building for any taxable year un-
14 less—

15 “(i) the housing credit agency sets
16 forth criteria—

17 “(I) to determine appropriate,
18 evidence-based supportive services,

19 “(II) for the selection of appro-
20 priate and competent service pro-
21 viders, and

22 “(III) which common areas or
23 property described in subparagraph
24 (D)(i) shall meet in order to qualify

1 for the increase in credit under sub-
2 paragraph (D),

3 “(ii) the housing credit agency pro-
4 vides a procedure that the agency (or an
5 agent or other private contractor of such
6 agency) shall follow in monitoring for non-
7 compliance with the provisions of this sub-
8 paragraph and subparagraphs (D) and (E)
9 and in reporting such noncompliance to the
10 Secretary, and

11 “(iii) appropriate books and records
12 for expenditures with respect to the quali-
13 fied supportive services are maintained on
14 an annual basis, and are available for in-
15 spection upon request by the housing cred-
16 it agency.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to buildings which receive alloca-
19 tions of housing credit dollar amount or, in the case of
20 projects financed by tax-exempt obligations as described
21 in section 42(h)(4) of the Internal Revenue Code of 1986,
22 which are first taken into account under section 146 of
23 such Code, after the date of the enactment of this Act.

1 **SEC. 211. STUDY OF TAX INCENTIVES FOR THE CONVER-**
2 **SION OF COMMERCIAL PROPERTY TO AF-**
3 **FORDABLE HOUSING.**

4 Within 6 months of the date of the enactment of this
5 Act, the Secretary of the Treasury, the Secretary of Hous-
6 ing and Urban Development, the Deputy Under Secretary
7 for Rural Development of the Department of Agriculture,
8 and the Director of the Office of Management and Budget
9 shall collaborate to produce a cost-benefit analysis of pro-
10 viding tax incentives, including the non-recognition of cap-
11 ital gains, to the owners of vacant or under-utilized com-
12 mercial real estate in exchange for selling these properties
13 to State, local, or tribal housing finance agencies for con-
14 version to affordable rental housing for low-income resi-
15 dents, including shelters for the homeless.

16 **SEC. 212. RENTERS CREDIT.**

17 (a) IN GENERAL.—Subpart C of part IV of sub-
18 chapter A of chapter 1 of the Internal Revenue Code of
19 1986 is amended by inserting after section 36B the fol-
20 lowing new section:

21 **“SEC. 36C. RENTERS CREDIT.**

22 “(a) ALLOWANCE OF CREDIT.—

23 “(1) IN GENERAL.—There shall be allowed as a
24 credit against the tax imposed by this subtitle for
25 any taxable year an amount equal to the sum of the
26 amounts determined under paragraph (2) for all

1 qualified buildings with a credit period which in-
2 cludes months occurring during the taxable year.

3 “(2) QUALIFIED BUILDING AMOUNT.—The
4 amount determined under this paragraph with re-
5 spect to any qualified building for any taxable year
6 shall be an amount equal to the lesser of—

7 “(A) the aggregate qualified rental reduc-
8 tion amounts for all eligible units within such
9 building for months occurring during the tax-
10 able year which are within the credit period for
11 such building, or

12 “(B) the rental reduction credit amount al-
13 located to such building for such months.

14 “(3) QUALIFIED BUILDING.—For purposes of
15 this section—

16 “(A) IN GENERAL.—The term ‘qualified
17 building’ means any building which is residen-
18 tial rental property (as defined in section
19 168(e)(2)(A)) of the taxpayer with respect to
20 which—

21 “(i) a rental reduction credit amount
22 has been allocated by a rental reduction
23 credit agency of a State, and

24 “(ii) a qualified rental reduction
25 agreement is in effect.

1 “(B) BUILDING NOT DISQUALIFIED BY
2 OTHER ASSISTANCE.—A building shall not fail
3 to be treated as a qualified building merely be-
4 cause—

5 “(i) a credit was allowed under section
6 42 with respect to such building or there
7 was any other Federal assistance in the
8 construction or rehabilitation of such
9 building,

10 “(ii) the rehabilitation credit deter-
11 mined under section 47 was allowed under
12 section 38 with respect to such building, or

13 “(iii) Federal rental assistance was
14 provided for such building during any pe-
15 riod preceding the credit period.

16 “(b) QUALIFIED RENTAL REDUCTION AMOUNT.—
17 For purposes of this section—

18 “(1) IN GENERAL.—The term ‘qualified rental
19 reduction amount’ means, with respect to any eligi-
20 ble unit for any month, an amount equal to the ap-
21 plicable percentage (as determined under subsection
22 (e)(1)) of the excess of—

23 “(A) the applicable rent for such unit, over

24 “(B) the family rental payment required
25 for such unit.

1 “(2) APPLICABLE RENT.—

2 “(A) IN GENERAL.—The term ‘applicable
3 rent’ means, with respect to any eligible unit
4 for any month, the lesser of—

5 “(i) the amount of rent which would
6 be charged for a substantially similar unit
7 with the same number of bedrooms in the
8 same building which is not an eligible unit,
9 or

10 “(ii) an amount equal to the market
11 rent standard for such unit.

12 “(B) MARKET RENT STANDARD.—

13 “(i) IN GENERAL.—The market rent
14 standard with respect to any eligible unit
15 is—

16 “(I) the small area fair market
17 rent determined by the Secretary of
18 Housing and Urban Development for
19 units with the same number of bed-
20 rooms in the same zip code tabulation
21 area, or

22 “(II) if there is no rent described
23 in subclause (I) for such area, the fair
24 market rent determined by such Sec-

1 retary for units with the same number
2 of bedrooms in the same county.

3 “(ii) STATE OPTION.—A State may in
4 its rental reduction allocation plan provide
5 that the market rent standard for all (or
6 any part) of a zip code tabulation area or
7 county within the State shall be equal to a
8 percentage (not less than 75 nor more
9 than 125) of the amount determined under
10 clause (i) (after application of clause (iii))
11 for such area or county.

12 “(iii) MINIMUM AMOUNT.—Notwith-
13 standing clause (i), the market rent stand-
14 ard with respect to any eligible unit for
15 any year in the credit period after the first
16 year in the credit period for such unit shall
17 not be less than the market rent standard
18 determined for such first year.

19 “(3) FAMILY RENTAL PAYMENT REQUIRE-
20 MENTS.—

21 “(A) IN GENERAL.—Each qualified rental
22 reduction agreement with respect to any quali-
23 fied building shall require that the family rental
24 payment for an eligible unit within such build-

1 ing for any month shall be equal to the lesser
2 of—

3 “(i) 30 percent of the monthly family
4 income of the residents of the unit (as de-
5 termined under subsection (e)(5)), or

6 “(ii) the applicable rent for such unit.

7 “(B) UTILITY COSTS.—Any utility allow-
8 ance (determined by the Secretary in the same
9 manner as under section 42(g)(2)(B)(ii)) paid
10 by residents of an eligible unit shall be taken
11 into account as rent in determining the family
12 rental payment for such unit for purposes of
13 this paragraph.

14 “(c) RENTAL REDUCTION CREDIT AMOUNT.—For
15 purposes of this section—

16 “(1) DETERMINATION OF AMOUNT.—

17 “(A) IN GENERAL.—The term ‘rental re-
18 duction credit amount’ means, with respect to
19 any qualified building, the dollar amount which
20 is allocated to such building (and to eligible
21 units within such building) under this sub-
22 section. Such dollar amount shall be allocated
23 to months in the credit period with respect to
24 such building (and such units) on the basis of
25 the estimates described in paragraph (2)(B).

1 “(B) ALLOCATION ON PROJECT BASIS.—In
2 the case of a project which includes (or will in-
3 clude) more than 1 building, the rental reduc-
4 tion credit amount shall be the dollar amount
5 which is allocated to such project for all build-
6 ings included in such project. Subject to the
7 limitation under subsection (e)(3)(B), such
8 amount shall be allocated among such buildings
9 in the manner specified by the taxpayer unless
10 the qualified rental reduction agreement with
11 respect to such project provides for such alloca-
12 tion.

13 “(2) STATE ALLOCATION.—

14 “(A) IN GENERAL.—Except as provided in
15 subparagraph (C), each rental reduction credit
16 agency of a State shall each calendar year allo-
17 cate its portion of the State rental reduction
18 credit ceiling to qualified buildings (and to eligi-
19 ble units within each such building) in accord-
20 ance with the State rental reduction allocation
21 plan.

22 “(B) ALLOCATIONS TO EACH BUILDING.—
23 The rental reduction credit amount allocated to
24 any qualified building shall not exceed the ag-
25 gregate qualified rental reduction amounts

1 which such agency estimates will occur over the
2 credit period for eligible units within such
3 building, based on reasonable estimates of
4 rents, family incomes, and vacancies in accord-
5 ance with procedures established by the State
6 as part of its State rental reduction allocation
7 plan.

8 “(C) SPECIFIC ALLOCATIONS.—

9 “(i) NONPROFIT ORGANIZATIONS.—At
10 least 25 percent of the State rental reduc-
11 tion credit ceiling for any State for any
12 calendar year shall be allocated to qualified
13 buildings in which a qualified nonprofit or-
14 ganization (as defined in section
15 42(h)(5)(C)) owns (directly or through 1
16 or more partnerships) an interest and ma-
17 terially participates (within the meaning of
18 section 469(h)) in the operation of the
19 building throughout the credit period. A
20 State may waive or lower the requirement
21 under this clause for any calendar year if
22 it determines that meeting such require-
23 ment is not feasible.

24 “(ii) RURAL AREAS.—

1 “(I) IN GENERAL.—The State
2 rental reduction credit ceiling for any
3 State for any calendar year shall be
4 allocated to buildings in rural areas
5 (as defined in section 520 of the
6 Housing Act of 1949) in an amount
7 which, as determined by the Secretary
8 of Housing and Urban Development,
9 bears the same ratio to such ceiling as
10 the number of extremely low-income
11 households with severe rent burdens
12 in such rural areas bears to the total
13 number of such households in the
14 State.

15 “(II) ALTERNATIVE 5-YEAR
16 TESTING PERIOD.—In the case of the
17 5-calendar year period beginning in
18 2023, a State shall not be treated as
19 failing to meet the requirements of
20 subclause (I) for any calendar year in
21 such period if, as determined by the
22 Secretary, the average annual amount
23 allocated to such rural areas during
24 such period meets such requirements.

1 “(3) APPLICATION OF ALLOCATED CREDIT
2 AMOUNT.—

3 “(A) AMOUNT AVAILABLE TO TAXPAYER
4 FOR ALL MONTHS IN CREDIT PERIOD.—Any
5 rental reduction credit amount allocated to any
6 qualified building out of the State rental reduc-
7 tion credit ceiling for any calendar year shall
8 apply to such building for all months in the
9 credit period ending during or after such cal-
10 endar year.

11 “(B) CEILING FOR ALLOCATION YEAR RE-
12 DUCED BY ENTIRE CREDIT AMOUNT.—Any
13 rental reduction credit amount allocated to any
14 qualified building out of an allocating agency’s
15 State rental reduction credit ceiling for any cal-
16 endar year shall reduce such ceiling for such
17 calendar year by the entire amount so allocated
18 for all months in the credit period (as deter-
19 mined on the basis of the estimates under para-
20 graph (2)(B)) and no reduction shall be made
21 in such agency’s State rental reduction credit
22 ceiling for any subsequent calendar year by rea-
23 son of such allocation.

24 “(4) STATE RENTAL REDUCTION CREDIT CEIL-
25 ING.—

1 “(A) IN GENERAL.—The State rental re-
2 duction credit ceiling applicable to any State for
3 any calendar year shall be an amount equal to
4 the sum of—

5 “(i) the greater of—

6 “(I) the per capita dollar amount
7 multiplied by the State population, or

8 “(II) the minimum ceiling
9 amount, plus

10 “(ii) the amount of the State rental
11 reduction credit ceiling returned in the cal-
12 endar year.

13 “(B) RETURN OF STATE CEILING
14 AMOUNTS.—For purposes of subparagraph
15 (A)(ii), except as provided in subsection (d)(2),
16 the amount of the State rental reduction credit
17 ceiling returned in a calendar year equals the
18 amount of the rental reduction credit amount
19 allocated to any building which, after the close
20 of the calendar year for which the allocation is
21 made—

22 “(i) is canceled by mutual consent of
23 the rental reduction credit agency and the
24 taxpayer because the estimates made under

1 paragraph (2)(B) were substantially incor-
2 rect, or

3 “(ii) is canceled by the rental reduc-
4 tion credit agency because the taxpayer
5 violates the qualified rental reduction
6 agreement and, under the terms of the
7 agreement, the rental reduction credit
8 agency is authorized to cancel all (or any
9 portion) of the allocation by reason of the
10 violation.

11 “(C) PER CAPITA DOLLAR AMOUNT; MIN-
12 IMUM CEILING AMOUNT.—For purposes of this
13 paragraph—

14 “(i) PER CAPITA DOLLAR AMOUNT.—

15 The per capita dollar amount is—

16 “(I) for calendar year 2023,
17 \$12.30,

18 “(II) for calendar year 2024,
19 \$24.50, and

20 “(III) for calendar years 2025
21 and thereafter, \$36.75.

22 “(ii) MINIMUM CEILING AMOUNT.—

23 The minimum ceiling amount is—

24 “(I) for calendar year 2023,
25 \$14,000,000,

1 “(II) for calendar year 2024,
2 \$28,000,000, and

3 “(III) for calendar years 2025
4 and thereafter, \$42,000,000.

5 “(iii) COST-OF-LIVING ADJUST-
6 MENT.—In the case of a calendar year be-
7 ginning after 2025, the \$36.75 and
8 \$42,000,000 amounts in clauses (i)(III)
9 and (ii)(III) shall each be increased by an
10 amount equal to—

11 “(I) such dollar amount, multi-
12 plied by

13 “(II) the cost-of-living adjust-
14 ment determined under section 1(f)(3)
15 for such calendar year by substituting
16 ‘calendar year 2024’ for ‘calendar
17 year 2016’ in subparagraph (A)(ii)
18 thereof.

19 In the case of the \$42,000,000 amount,
20 any increase under this clause which is not
21 a multiple of \$5,000 shall be rounded to
22 the next lowest multiple of \$5,000 and in
23 the case of the \$36.75 amount, any in-
24 crease under this clause which is not a

1 multiple of 5 cents shall be rounded to the
2 next lowest multiple of 5 cents.

3 “(D) POPULATION.—For purposes of this
4 paragraph, population shall be determined in
5 accordance with section 146(j).

6 “(E) UNUSED RENTAL REDUCTION CREDIT
7 ALLOCATED AMONG CERTAIN STATES.—

8 “(i) IN GENERAL.—The unused rental
9 reduction credit of a State for any cal-
10 endar year shall be assigned to the Sec-
11 retary for allocation among qualified
12 States for the succeeding calendar year.

13 “(ii) UNUSED RENTAL REDUCTION
14 CREDIT.—For purposes of this subpara-
15 graph, the unused rental reduction credit
16 of a State for any calendar year is the ex-
17 cess (if any) of—

18 “(I) the State rental reduction
19 credit ceiling for the year preceding
20 such year, over

21 “(II) the aggregate rental reduc-
22 tion credit amounts allocated for such
23 year.

24 “(iii) FORMULA FOR ALLOCATION OF
25 UNUSED CREDIT AMONG QUALIFIED

1 STATES.—The amount allocated under this
2 subparagraph to a qualified State for any
3 calendar year shall be the amount deter-
4 mined by the Secretary to bear the same
5 ratio to the aggregate unused rental reduc-
6 tion credits of all States for the preceding
7 calendar year as such State’s population
8 for the calendar year bears to the popu-
9 lation of all qualified States for the cal-
10 endar year. For purposes of the preceding
11 sentence, population shall be determined in
12 accordance with section 146(j).

13 “(iv) QUALIFIED STATE.—For pur-
14 poses of this subparagraph, the term
15 ‘qualified State’ means, with respect to a
16 calendar year, any State—

17 “(I) which allocated its entire
18 State rental reduction credit ceiling
19 for the preceding calendar year, and

20 “(II) for which a request is made
21 (at such time and in such manner as
22 the Secretary may prescribe) to re-
23 ceive an allocation under clause (iii).

24 “(5) OTHER DEFINITIONS.—For purposes of
25 this section—

1 “(A) RENTAL REDUCTION CREDIT AGEN-
2 CY.—The term ‘rental reduction credit agency’
3 means any agency authorized by a State to
4 carry out this section. Such authorization shall
5 include the jurisdictions within the State where
6 the agency may allocate rental reduction credit
7 amounts.

8 “(B) POSSESSIONS TREATED AS STATES.—
9 The term ‘State’ includes a possession of the
10 United States.

11 “(C) FAMILY.—The term ‘family’ has the
12 same meaning as when used in the United
13 States Housing Act of 1937.

14 “(d) MODIFICATIONS TO CORRECT INACCURATE
15 AMOUNTS DUE TO INCORRECT ESTIMATES.—

16 “(1) ESTABLISHMENT OF RESERVES.—

17 “(A) IN GENERAL.—Each rental reduction
18 credit agency of a State shall establish a reserve
19 for the transfer and reallocation of amounts
20 pursuant to this paragraph, and notwith-
21 standing any other provision of this section, the
22 rental reduction credit amount allocated to any
23 building by such agency shall be zero unless
24 such agency has in effect such a reserve at the
25 time of the allocation of such credit amount.

1 “(B) TRANSFERS TO RESERVE.—

2 “(i) IN GENERAL.—If, for any taxable
3 year, a taxpayer would (but for this sub-
4 paragraph) not be able to use the entire
5 rental reduction credit amount allocated to
6 a qualified building by a rental reduction
7 credit agency of a State for the taxable
8 year because of a rental reduction short-
9 fall, then the taxpayer shall for the taxable
10 year transfer to the reserve established by
11 such agency under subparagraph (A) an
12 amount equal to such rental reduction
13 shortfall.

14 “(ii) RENTAL REDUCTION SHORT-
15 FALL.—For purposes of this subpara-
16 graph, the rental reduction shortfall for
17 any qualified building for any taxable year
18 is the amount by which the aggregate
19 amount of the excesses determined under
20 subsection (b)(1) for all eligible units with-
21 in such building are less than such aggre-
22 gate amount estimated under subsection
23 (c)(2)(B) for the taxable year.

24 “(iii) TREATMENT OF TRANSFERRED
25 AMOUNT.—For purposes of subsection

1 (a)(2)(A), the aggregate qualified rental
2 reduction amounts for all eligible units
3 within a qualified building with respect to
4 which clause (i) applies for any taxable
5 year shall be increased by an amount equal
6 to the applicable percentage (determined
7 under subsection (e)(1) for the building) of
8 the amount of the transfer to the reserve
9 under clause (i) with respect to such build-
10 ing for such taxable year.

11 “(C) REALLOCATION OF AMOUNTS TRANS-
12 FERRED.—

13 “(i) IN GENERAL.—If, for any taxable
14 year—

15 “(I) the aggregate qualified rental
16 reduction amounts for all eligible
17 units within a qualified building for
18 the taxable year, exceed

19 “(II) the rental reduction credit
20 amount allocated to such building by
21 a rental reduction credit agency of a
22 State for the taxable year (determined
23 after any increase under paragraph
24 (2)),

1 the rental reduction credit agency shall,
2 upon application of the taxpayer, pay to
3 the taxpayer from the reserve established
4 by such agency under subparagraph (A)
5 the amount which, when multiplied by the
6 applicable percentage (determined under
7 subsection (e)(1) for the building), equals
8 such excess. If the amount in the reserve
9 is less than the amounts requested by all
10 taxpayers for taxable years ending within
11 the same calendar year, the agency shall
12 ratably reduce the amount of each pay-
13 ment otherwise required to be made.

14 “(ii) EXCESS RESERVE AMOUNTS.—If
15 a rental reduction credit agency of a State
16 determines that the balance in its reserve
17 is in excess of the amounts reasonably
18 needed over the following 5 calendar years
19 to make payments under clause (i), the
20 agency may withdraw such excess but only
21 to—

22 “(I) reduce the rental payments
23 of eligible tenants in a qualified build-
24 ing in units other than eligible units,
25 or of eligible tenants in units in a

1 building other than a qualified build-
2 ing, to amounts no higher than the
3 sum of rental payments required for
4 eligible tenants in qualified buildings
5 under subsection (b)(3) and any rent-
6 al charges to such tenants in excess of
7 the market rent standard; or

8 “(II) address maintenance and
9 repair needs in qualified buildings
10 that cannot reasonably be met using
11 other resources available to the own-
12 ers of such buildings.

13 “(D) ADMINISTRATION.—Each rental re-
14 duction credit agency of a State shall establish
15 procedures for the timing and manner of trans-
16 fers and payments made under this paragraph.

17 “(E) SPECIAL RULE FOR PROJECTS.—In
18 the case of a rental reduction credit allocated to
19 a project consisting of more than 1 qualified
20 building, a taxpayer may elect to have this
21 paragraph apply as if all such buildings were 1
22 qualified building if the applicable percentage
23 for each such building is the same.

24 “(F) ALTERNATIVE METHODS OF TRANS-
25 FER AND REALLOCATION.—Upon request to,

1 and approval by, the Secretary, a State may es-
2 tablish an alternative method for the transfer
3 and reallocation of amounts otherwise required
4 to be transferred to, and allocated from, a re-
5 serve under this paragraph. Any State adopting
6 an alternative method under this subparagraph
7 shall, at such time and in such manner as the
8 Secretary prescribes, provide to the Secretary
9 and the Secretary of Housing and Urban Devel-
10 opment detailed reports on the operation of
11 such method, including providing such informa-
12 tion as such Secretaries may require.

13 “(2) ALLOCATION OF RETURNED STATE CEIL-
14 ING AMOUNTS.—In the case of any rental reduction
15 credit amount allocated to a qualified building which
16 is canceled as provided in subsection (c)(4)(B)(i),
17 the rental reduction credit agency may, in lieu of
18 treating such allocation as a returned credit amount
19 under subsection (c)(4)(A)(ii), elect to allocate, upon
20 the request of the taxpayer, such amount to any
21 other qualified building for which the credit amount
22 allocated in any preceding calendar year was too
23 small because the estimates made under subsection
24 (c)(2)(B) were substantially incorrect.

1 “(3) RENTING TO NONELIGIBLE TENANTS.—If,
2 after the application of paragraphs (1)(C) (or any
3 similar reallocation under paragraph (1)(F)) and
4 (2), a rental reduction credit agency of a State de-
5 termines that, because of the incorrect estimates
6 under subsection (c)(2)(B), the aggregate qualified
7 rental reduction amounts for all eligible units within
8 a qualified building will (on an ongoing basis) exceed
9 the rental reduction credit amount allocated to such
10 building, a taxpayer may elect, subject to subsection
11 (g)(2) and only to the extent necessary to eliminate
12 such excess, rent vacant eligible units without regard
13 to the requirements that such units be rented only
14 to eligible tenants and at the rental rate determined
15 under subsection (b)(3).

16 “(e) TERMS RELATING TO RENTAL REDUCTION
17 CREDIT AND REQUIREMENTS.—For purposes of this sec-
18 tion—

19 “(1) APPLICABLE PERCENTAGE.—

20 “(A) IN GENERAL.—The term ‘applicable
21 percentage’ means, with respect to any qualified
22 building, the percentage (not greater than 110
23 percent) set by the rental reduction credit agen-
24 cy at the time it allocates the rental reduction
25 dollar amount to such building.

1 “(B) HIGHER PERCENTAGE FOR HIGH-OP-
2 PORTUNITY AREAS.—The rental reduction cred-
3 it agency may set a percentage under subpara-
4 graph (A) up to 120 percent for any qualified
5 building which—

6 “(i) targets its eligible units for rental
7 to families with children, and

8 “(ii) is located in a neighborhood
9 which has a poverty rate of no more than
10 10 percent.

11 “(2) CREDIT PERIOD.—

12 “(A) IN GENERAL.—The term ‘credit pe-
13 riod’ means, with respect to any qualified build-
14 ing, the 15-year period beginning with the first
15 month for which the qualified rental reduction
16 agreement is in effect with respect to such
17 building.

18 “(B) STATE OPTION TO REDUCE PE-
19 RIOD.—A rental reduction credit agency may
20 provide a credit period for any qualified build-
21 ing which is less than 15 years.

22 “(3) ELIGIBLE UNIT.—

23 “(A) IN GENERAL.—The term ‘eligible
24 unit’ means, with respect to any qualified build-
25 ing, a unit—

1 “(i) which is occupied by an eligible
2 tenant,

3 “(ii) the rent of which for any month
4 equals 30 percent of the monthly family in-
5 come of the residents of such unit (as de-
6 termined under paragraph (5)),

7 “(iii) with respect to which the tenant
8 is not concurrently receiving rental assist-
9 ance under any other Federal program,
10 and

11 “(iv) which is certified to the rental
12 reduction credit agency as an eligible unit
13 for purposes of this section and the quali-
14 fied rental reduction agreement.

15 Notwithstanding clause (iii), a State may pro-
16 vide in its State rental reduction allocation plan
17 that an eligible unit shall also not include a unit
18 with respect to which any resident is receiving
19 rental assistance under a State or local pro-
20 gram.

21 “(B) LIMITATION ON NUMBER OF
22 UNITS.—

23 “(i) IN GENERAL.—The number of
24 units which may be certified as eligible
25 units with respect to any qualified building

1 under subparagraph (A)(iv) at any time
2 shall not exceed the greater of—

3 “(I) 40 percent of the total units
4 in such building, or

5 “(II) 25 units.

6 In the case of an allocation to a project
7 under subsection (c)(1)(B), the limitation
8 under the preceding sentence shall be ap-
9 plied on a project basis and the certifi-
10 cation of such eligible units shall be allo-
11 cated to each building in the project, ex-
12 cept that if buildings in such project are
13 on non-contiguous tracts of land, buildings
14 on each such tract shall be treated as a
15 separate project for purposes of applying
16 this sentence.

17 “(ii) BUILDINGS RECEIVING PREVIOUS
18 FEDERAL RENTAL ASSISTANCE.—If, at any
19 time prior to the entering into of a quali-
20 fied rental reduction agreement with re-
21 spect to a qualified building, tenants in
22 units within such building had been receiv-
23 ing project-based rental assistance under
24 any other Federal program, then, notwith-
25 standing clause (i), the maximum number

1 of units which may be certified as eligible
2 units with respect to the building under
3 subparagraph (A)(iv) shall not be less than
4 the sum of—

5 “(I) the maximum number of
6 units in the building previously receiv-
7 ing such assistance at any time before
8 the agreement takes effect, plus

9 “(II) the amount determined
10 under clause (i) without taking into
11 account the units described in sub-
12 clause (I).

13 “(4) ELIGIBLE TENANT.—

14 “(A) IN GENERAL.—The term ‘eligible ten-
15 ant’ means any individual if the individual’s
16 family income does not exceed the greater of—

17 “(i) 30 percent of the area median
18 gross income (as determined under section
19 42(g)(1)), or

20 “(ii) the applicable poverty line for a
21 family of the size involved.

22 “(B) TREATMENT OF INDIVIDUALS WHOSE
23 INCOMES RISE ABOVE LIMIT.—

24 “(i) IN GENERAL.—Notwithstanding
25 an increase in the family income of resi-

1 dents of a unit above the income limitation
2 applicable under subparagraph (A), such
3 residents shall continue to be treated as el-
4 igible tenants if the family income of such
5 residents initially met such income limita-
6 tion and such unit continues to be certified
7 as an eligible unit under this section.

8 “(ii) NO RENTAL REDUCTION FOR AT
9 LEAST 2 YEARS.—A qualified rental reduc-
10 tion agreement with respect to a qualified
11 building shall provide that if, by reason of
12 an increase in family income described in
13 clause (i), there is no qualified rental re-
14 duction amount with respect to the dwell-
15 ing unit for 2 consecutive years, the tax-
16 payer shall rent the next available unit to
17 an eligible tenant (without regard to
18 whether such unit is an eligible unit under
19 this section).

20 “(C) APPLICABLE POVERTY LINE.—The
21 term ‘applicable poverty line’ means the most
22 recently published poverty line (within the
23 meaning of section 2110(c)(5) of the Social Se-
24 curity Act (42 U.S.C. 1397jj(c)(5))) as of the

1 time of the determination as to whether an in-
2 dividual is an eligible tenant.

3 “(5) FAMILY INCOME.—

4 “(A) IN GENERAL.—Family income shall
5 be determined in the same manner as under
6 section 8 of the United States Housing Act of
7 1937.

8 “(B) TIME FOR DETERMINING INCOME.—

9 “(i) IN GENERAL.—Except as pro-
10 vided in this subparagraph, family income
11 shall be determined at least annually on
12 the basis of income for the preceding cal-
13 endar year.

14 “(ii) FAMILIES ON FIXED INCOME.—If
15 at least 90 percent of the family income of
16 the residents of a unit at the time of any
17 determination under clause (i) is derived
18 from payments under title II or XVI of the
19 Social Security Act (or any similar fixed
20 income amounts specified by the Sec-
21 retary), the taxpayer may elect to treat
22 such payments (or amounts) as the family
23 income of such residents for the year of
24 the determination and the 2 succeeding
25 years, except that the taxpayer shall, in

1 such manner as the Secretary may pre-
2 scribe, adjust such amount for increases in
3 the cost of living.

4 “(iii) INITIAL INCOME.—The Sec-
5 retary may allow a State to provide that
6 the family income of residents at the time
7 such residents first rent a unit in a quali-
8 fied building may be determined on the
9 basis of current or anticipated income.

10 “(iv) SPECIAL RULES WHERE FAMILY
11 INCOME IS REDUCED.—If residents of a
12 unit establish (in such manner as the rent-
13 al reduction credit agency provides) that
14 their family income has been reduced by at
15 least 10 percent below such income for the
16 determination year—

17 “(I) such residents may elect, at
18 such time and in such manner as such
19 agency may prescribe, to have their
20 family income redetermined, and

21 “(II) clause (ii) shall not apply to
22 any of the 2 succeeding years de-
23 scribed in such clause which are speci-
24 fied in the election.

1 “(f) STATE RENTAL REDUCTION ALLOCATION
2 PLAN.—

3 “(1) ADOPTION OF PLAN REQUIRED.—

4 “(A) IN GENERAL.—For purposes of this
5 section—

6 “(i) each State shall, before the allo-
7 cation of its State rental reduction credit
8 ceiling, establish and have in effect a State
9 rental reduction allocation plan, and

10 “(ii) notwithstanding any other provi-
11 sion of this section, the rental reduction
12 credit amount allocated to any building
13 shall be zero unless such amount was allo-
14 cated pursuant to a State rental reduction
15 allocation plan.

16 Such plan shall only be adopted after such plan
17 is made public and at least 60 days has been
18 allowed for public comment.

19 “(B) STATE RENTAL REDUCTION ALLOCA-
20 TION PLAN.—For purposes of this section, the
21 term ‘State rental reduction allocation plan’
22 means, with respect to any State, any plan of
23 the State meeting the requirements of para-
24 graphs (2) and (3).

1 “(2) GENERAL PLAN REQUIREMENTS.—A plan
2 shall meet the requirements of this paragraph only
3 if—

4 “(A) the plan sets forth the criteria and
5 priorities which a rental reduction credit agency
6 of the State shall use in allocating the State
7 rental reduction credit ceiling to eligible units
8 within a building,

9 “(B) the plan provides that no credit allo-
10 cation shall be made which is not in accordance
11 with the criteria and priorities set forth under
12 subparagraph (A) unless such agency provides
13 a written explanation to the general public for
14 any credit allocation which is not so made and
15 the reasons why such allocation is necessary,
16 and

17 “(C) the plan provides that such agency is
18 required to prioritize the renewal of existing
19 credit allocations at the time of the expiration
20 of the qualified rental reduction agreement with
21 respect to the allocation, including, where ap-
22 propriate, a commitment within a qualified
23 rental reduction agreement that the credit allo-
24 cation will be renewed if the terms of the agree-

1 ment have been met and sufficient new credit
2 authority is available.

3 “(3) SPECIFIC REQUIREMENTS.—A plan shall
4 meet the requirements of this paragraph only if—

5 “(A) the plan provides methods for deter-
6 mining—

7 “(i) the amount of rent which would
8 be charged for a substantially similar unit
9 in the same building which is not an eligi-
10 ble unit for purposes of subsection
11 (b)(2)(A)(i), including whether such deter-
12 mination may be made by self-certification
13 or by undertaking rent reasonableness as-
14 sessments similar to assessments required
15 under section 8(o)(10) of the United
16 States Housing Act of 1937 (42 U.S.C.
17 1437f(o)(10)),

18 “(ii) the qualified rental reduction
19 amounts under subsection (c)(2)(B), and

20 “(iii) the applicable percentage under
21 subsection (e)(1),

22 “(B) the plan provides a procedure that
23 the rental reduction credit agency (or an agent
24 or other private contractor of such agency) will
25 follow in monitoring for—

1 “(i) noncompliance with the provisions
2 of this section and the qualified rental re-
3 duction agreement and in notifying the In-
4 ternal Revenue Service of any such non-
5 compliance of which such agency becomes
6 aware, and

7 “(ii) noncompliance with habitability
8 standards through regular site visits,

9 “(C) the plan requires a person receiving a
10 credit allocation to report to the rental reduc-
11 tion credit agency such information as is nec-
12 essary to ensure compliance with the provisions
13 of this section and the qualified rental reduction
14 agreement, and

15 “(D) the plan provides methods by which
16 any excess reserve amounts which become avail-
17 able under subsection (d)(1)(C)(ii) will be used
18 to reduce rental payments of eligible tenants or
19 to address maintenance and repair needs in
20 qualified buildings, including how such assist-
21 ance will be allocated among eligible tenants
22 and qualified buildings.

23 “(g) QUALIFIED RENTAL REDUCTION AGREE-
24 MENT.—For purposes of this section—

1 and sufficient new credit authority is avail-
2 able for such new agreement, and

3 “(ii) the taxpayer is required to accept
4 such new agreement.

5 “(2) TENANT PROTECTIONS.—A qualified rent-
6 al reduction agreement shall provide the following:

7 “(A) NON-DISPLACEMENT OF NON-ELIGI-
8 BLE TENANTS.—A taxpayer receiving a rental
9 reduction credit amount may not refuse to
10 renew the lease of or evict (other than for good
11 cause) a tenant of a unit who is not an eligible
12 tenant at any time during the credit period and
13 such unit shall not be treated as an eligible unit
14 while such tenant resides there.

15 “(B) ONLY GOOD CAUSE EVICTIONS OF
16 ELIGIBLE TENANTS.—A taxpayer receiving a
17 rental reduction credit amount may not refuse
18 to renew the lease of or evict (other than for
19 good cause) an eligible tenant of an eligible
20 unit.

21 “(C) MOBILITY.—A taxpayer receiving a
22 rental reduction credit amount shall—

23 “(i) give priority to rent any available
24 unit of suitable size to tenants who are eli-
25 gible tenants who are moving from another

1 qualified building where such tenants had
2 lived at least 1 year and were in good
3 standing, and

4 “(ii) inform eligible tenants within the
5 building of their right to move after 1 year
6 and provide a list maintained by the State
7 of qualified buildings where such tenants
8 might move.

9 “(iii) FAIR HOUSING AND CIVIL
10 RIGHTS.—If a taxpayer receives a rental
11 reduction credit amount—

12 “(I) such taxpayer shall comply
13 with the Fair Housing Act with re-
14 spect to the building, and

15 “(II) the receipt of such amount
16 shall be treated as the receipt of Fed-
17 eral financial assistance for purposes
18 of applying any Federal civil rights
19 laws.

20 “(iv) ADMISSIONS PREFERENCES.—A
21 taxpayer receiving a rental reduction credit
22 amount shall comply with any admissions
23 preferences established by the State for
24 tenants within particular demographic
25 groups eligible for health or social services.

1 “(3) COMPLIANCE REQUIREMENTS.—A quali-
2 fied rental reduction agreement shall provide that a
3 taxpayer receiving a rental reduction credit amount
4 shall comply with all reporting and other procedures
5 established by the State to ensure compliance with
6 this section and such agreement.

7 “(4) PROJECTS.—In the case of a rental reduc-
8 tion credit allocated to a project consisting of more
9 than 1 building, the rental reduction credit agency
10 may provide for a single qualified rental reduction
11 agreement which applies to all buildings which are
12 part of such project.

13 “(h) CERTIFICATIONS AND OTHER REPORTS TO SEC-
14 RETARY.—

15 “(1) CERTIFICATION WITH RESPECT TO 1ST
16 YEAR OF CREDIT PERIOD.—Following the close of
17 the 1st taxable year in the credit period with respect
18 to any qualified building, the taxpayer shall certify
19 to the Secretary (at such time and in such form and
20 in such manner as the Secretary prescribes)—

21 “(A) the information described in sub-
22 section (g)(1) required to be contained in the
23 qualified rental reduction agreement with re-
24 spect to the building, and

1 “(B) such other information as the Sec-
2 retary may require.

3 In the case of a failure to make the certification re-
4 quired by the preceding sentence on the date pre-
5 scribed therefor, unless it is shown that such failure
6 is due to reasonable cause and not to willful neglect,
7 no credit shall be allowable by reason of subsection
8 (a) with respect to such building for any taxable
9 year ending before such certification is made.

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

11 The Secretary may require taxpayers to submit an
12 information return (at such time and in such form
13 and manner as the Secretary prescribes) for each
14 taxable year setting forth—

15 “(A) the information described in para-
16 graph (1)(A) for the taxable year, and

17 “(B) such other information as the Sec-
18 retary may require.

19 The penalty under section 6652(j) shall apply to any
20 failure to submit the return required by the Sec-
21 retary under the preceding sentence on the date pre-
22 scribed therefor.

23 “(3) ANNUAL REPORTS FROM RENTAL REDUC-
24 TION CREDIT AGENCY.—

1 “(A) REPORTS.—Each rental reduction
2 credit agency which allocates any rental reduc-
3 tion credit amount to 1 or more buildings for
4 any calendar year shall submit to the Secretary
5 (at such time and in such manner as the Sec-
6 retary shall prescribe) an annual report speci-
7 fying—

8 “(i) the amount of rental reduction
9 credit amounts allocated to each such
10 building for such year,

11 “(ii) sufficient information to identify
12 each such building and the taxpayer with
13 respect thereto,

14 “(iii) information as to the demo-
15 graphic and income characteristics of eligi-
16 ble tenants of all such buildings to which
17 such amounts were allocated, and

18 “(iv) such other information as the
19 Secretary may require.

20 “(B) PENALTY.—The penalty under sec-
21 tion 6652(j) shall apply to any failure to submit
22 the report required by subparagraph (A) on the
23 date prescribed therefor.

24 “(C) INFORMATION MADE PUBLIC.—The
25 Secretary shall, in consultation with Secretary

1 of Housing and Urban Development, make in-
2 formation reported under this paragraph for
3 each qualified building available to the public
4 annually to the greatest degree possible without
5 disclosing personal information about individual
6 tenants.

7 “(i) SPECIAL RULE FOR PAYMENTS TO PARTNER-
8 SHIPS AND S CORPORATIONS.—For purposes of this sub-
9 title, in the case of any qualified building directly held by
10 any partnership or S corporation, the payment under sec-
11 tion 6434 shall be made in lieu of the credit determined
12 under this section with respect to such building.

13 “(j) REGULATIONS AND GUIDANCE.—The Secretary
14 shall prescribe such regulations or guidance as may be
15 necessary to carry out the purposes of this section, includ-
16 ing—

17 “(1) providing necessary forms and instruc-
18 tions, and

19 “(2) providing for proper treatment of projects
20 for which a credit is allowed both under this section
21 and section 42.”.

22 (b) PAYMENT TO PARTNERSHIPS AND S CORPORA-
23 TIONS IN LIEU OF CREDIT.—

1 (1) IN GENERAL.—Subchapter B of chapter 65
2 of the Internal Revenue Code of 1986 is amended by
3 adding at the end the following new section:

4 **“SEC. 6434. PAYMENTS IN LIEU OF RENTERS CREDIT FOR**
5 **PARTNERSHIPS AND S CORPORATIONS.**

6 “(a) IN GENERAL.—In the case of any qualified
7 building (as defined in section 36C(a)(3)) directly held by
8 any partnership or S corporation, the Secretary shall pay
9 to such partnership or S corporation for any taxable year
10 an amount equal to the amount of the credit which, but
11 for section 36C(i), would be allowed under section 36C
12 with respect to such building.

13 “(b) REGULATORY AUTHORITY.—The Secretary shall
14 prescribe such regulations, rules, and guidance as may be
15 necessary to carry out section 36C(i), section 92, and this
16 section, including regulations, rules, and guidance pro-
17 viding for—

18 “(1) the application of the rules under section
19 36C with respect to payments under this section in
20 the same manner as such rules apply for purposes
21 of the credit under section 36C,

22 “(2) the time and manner of payments under
23 subsection (a), and

1 (3) CONFORMING AMENDMENT.—The table of
2 sections for part II of subchapter B of chapter 1 of
3 such Code is amended by adding at the end the fol-
4 lowing new item:

“Sec. 92. Inclusion in income of renters credit and payments.”.

5 (d) ADMINISTRATIVE FEES.—No provision of, or
6 amendment made by, this Act shall be construed to pre-
7 vent a rental reduction credit agency of a State from im-
8 posing fees to cover its costs or from levying any such fee
9 on a taxpayer applying for or receiving a rental reduction
10 credit amount.

11 (e) OTHER CONFORMING AMENDMENTS.—

12 (1) Section 6211(b)(4) of the Internal Revenue
13 Code of 1986 is amended by inserting “36C (includ-
14 ing any related payment under section 6434),” after
15 “36B,”.

16 (2) Paragraph (2) of section 1324(b) of title
17 31, United States Code, is amended by inserting
18 “36C (including any related payment under section
19 6434),” after “36B,”.

20 (3) The table of sections for subpart C of part
21 IV of subchapter A of chapter 1 of the Internal Rev-
22 enue Code of 1986 is amended by inserting after the
23 item relating to section 36B the following new item:

“Sec. 36C. Renters credit.”.

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2022.

4 **SEC. 213. MIDDLE-INCOME HOUSING TAX CREDIT.**

5 (a) IN GENERAL.—Subpart D of part IV of sub-
6 chapter A of chapter 1 of the Internal Revenue Code of
7 1986 is amended by inserting after section 42 the fol-
8 lowing new section:

9 **“SEC. 42A. MIDDLE-INCOME HOUSING CREDIT.**

10 “(a) IN GENERAL.—For purposes of section 38, the
11 amount of the middle-income housing credit determined
12 under this section for any taxable year in the credit period
13 shall be an amount equal to—

14 “(1) the applicable percentage, of

15 “(2) the qualified basis of each qualified mid-
16 dle-income building.

17 “(b) APPLICABLE PERCENTAGE.—

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

20 “(A) IN GENERAL.—The term ‘applicable
21 percentage’ means, with respect to any building,
22 the appropriate percentage prescribed by the
23 Secretary for the earlier of—

24 “(i) the month in which such building
25 is placed in service, or

1 “(ii) at the election of the taxpayer,
2 the month in which the taxpayer and the
3 housing credit agency enter into an agree-
4 ment with respect to such building (which
5 is binding on such agency, the taxpayer,
6 and all successors in interest) as to the
7 housing credit dollar amount to be allo-
8 cated to such building.

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

13 “(B) METHOD OF PRESCRIBING PERCENT-
14 AGES.—The percentages prescribed by the Sec-
15 retary for any month shall be percentages which
16 will yield over a 15-year period amounts of
17 credit under subsection (a) which have a
18 present value equal to—

19 “(i) 50 percent of the qualified basis
20 of a new building which is not Federally
21 subsidized for the taxable year, and

22 “(ii) 20 percent of the qualified basis
23 of a building not described in clause (i).

1 “(C) METHOD OF DISCOUNTING.—The
2 present value under subparagraph (B) shall be
3 determined—

4 “(i) as of the last day of the 1st year
5 of the 15-year period referred to in sub-
6 paragraph (B),

7 “(ii) by using a discount rate equal to
8 72 percent of the average of the annual
9 Federal mid-term rate and the annual
10 Federal long-term rate applicable under
11 section 1274(d)(1) to the month applicable
12 under clause (i) or (ii) of subparagraph
13 (A) and compounded annually, and

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

17 “(2) MINIMUM CREDIT RATE.—

18 “(A) IN GENERAL.—The applicable per-
19 centage for any building which is not Federally
20 subsidized for the taxable year shall not be less
21 than 5 percent.

22 “(B) MINIMUM CREDIT RATE FOR FEDER-
23 ALLY SUBSIDIZED BUILDINGS.—In the case of
24 any building to which subparagraph (A) does
25 not apply, except as provided in paragraph (3),

1 the applicable percentage shall not be less than
2 2 percent.

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

7 “(A) a credit is allowed under section 42
8 with respect to such building for the taxable
9 year, and

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

12 “(4) CROSS REFERENCES.—

13 “(A) For treatment of certain rehabilita-
14 tion expenditures as separate new buildings, see
15 subsection (e).

16 “(B) For determination of applicable per-
17 centage for increases in qualified basis after the
18 1st year of the credit period, see subsection
19 (f)(3).

20 “(C) For authority of housing credit agen-
21 cy to limit applicable percentage and qualified
22 basis which may be taken into account under
23 this section with respect to any building, see
24 subsection (h)(6).

1 “(c) QUALIFIED BASIS; QUALIFIED MIDDLE-INCOME
2 BUILDING.—For purposes of this section—

3 “(1) QUALIFIED BASIS.—

4 “(A) DETERMINATION.—The qualified
5 basis of any qualified middle-income building
6 for any taxable year is an amount equal to—

7 “(i) the applicable fraction (deter-
8 mined as of the close of such taxable year)
9 of

10 “(ii) the eligible basis of such building
11 (determined under subsection (d)).

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

16 “(C) UNIT FRACTION.—For purposes of
17 subparagraph (B), the term ‘unit fraction’
18 means the fraction—

19 “(i) the numerator of which is the
20 number of middle-income units in the
21 building, and

22 “(ii) the denominator of which is the
23 number of residential rental units (whether
24 or not occupied) in such building.

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

4 “(i) the numerator of which is the
5 total floor space of the middle-income units
6 in such building, and

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

11 “(2) QUALIFIED MIDDLE-INCOME BUILDING.—
12 The term ‘qualified middle-income building’ means
13 any building which is part of a qualified middle-in-
14 come housing project at all times during the pe-
15 riod—

16 “(A) beginning on the 1st day in the credit
17 period on which such building is part of such a
18 project, and

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

21 “(d) ELIGIBLE BASIS.—For purposes of this sec-
22 tion—

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

1 “(2) EXISTING BUILDINGS.—

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

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

9 “(ii) zero in any other case.

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

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

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

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

23 “(iv) except as provided in subsection
24 (f)(5), a credit is allowable under sub-

1 section (a) by reason of subsection (e) with
2 respect to the building.

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

9 “(D) SPECIAL RULES.—

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

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

24 “(II) by a person whose basis in
25 such building is determined under sec-

1 tion 1014(a) (relating to property ac-
2 quired from a decedent),

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

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

23 “**(V)** of a single-family residence
24 by any individual who owned and used

1 such residence for no other purpose
2 than as his principal residence.

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

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

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

22 “(B) BASIS OF PROPERTY IN COMMON
23 AREAS, ETC., INCLUDED.—

24 “(i) IN GENERAL.—Except as pro-
25 vided in clause (ii), the adjusted basis of

1 any building shall be determined by taking
2 into account the adjusted basis of property
3 (of a character subject to the allowance for
4 depreciation) used in common areas or
5 provided as comparable amenities to all
6 residential rental units in such building.

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

16 “(C) NO REDUCTION FOR DEPRECIATION.—The adjusted basis of any building shall
17 be determined without regard to paragraphs (2)
18 and (3) of section 1016(a).

20 “(4) FEDERAL GRANTS NOT TAKEN INTO AC-
21 COUNT IN DETERMINING ELIGIBLE BASIS.—The eli-
22 gible basis of a building shall not include any costs
23 financed with the proceeds of a Federally funded
24 grant.

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

9 “(6) ACQUISITION OF BUILDING BEFORE END
10 OF PRIOR CREDIT PERIOD.—

11 “(A) IN GENERAL.—Under regulations
12 prescribed by the Secretary, in the case of a
13 building described in subparagraph (B) (or in-
14 terest therein) which is acquired by the tax-
15 payer—

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

18 “(ii) the credit allowable by reason of
19 subsection (a) to the taxpayer for any pe-
20 riod after such acquisition shall be equal to
21 the amount of credit which would have
22 been allowable under subsection (a) for
23 such period to the prior owner referred to
24 in subparagraph (B) had such owner not
25 disposed of the building.

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

3 “ (i) a credit was allowed by reason of
4 subsection (a) to any prior owner of such
5 building, and

6 “ (ii) the taxpayer acquired such build-
7 ing before the end of the credit period for
8 such building with respect to such prior
9 owner (determined without regard to any
10 disposition by such prior owner).

11 “(e) REHABILITATION EXPENDITURES TREATED AS
12 SEPARATE NEW BUILDING.—

13 “(1) IN GENERAL.—Rehabilitation expenditures
14 paid or incurred by the taxpayer with respect to any
15 building shall be treated for purposes of this section
16 as a separate new building.

17 “(2) REHABILITATION EXPENDITURES.—For
18 purposes of paragraph (1)—

19 “(A) IN GENERAL.—The term ‘rehabilita-
20 tion expenditures’ means amounts chargeable to
21 capital account and incurred for property (or
22 additions or improvements to property) of a
23 character subject to the allowance for deprecia-
24 tion in connection with the rehabilitation of a
25 building.

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

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

10 “(i) amounts paid to occupants,

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

13 “(iii) amounts paid for temporary
14 housing for occupants,

15 shall be treated as chargeable to capital account
16 and taken into account as rehabilitation ex-
17 penditures.

18 “(3) MINIMUM EXPENDITURES TO QUALIFY.—

19 “(A) IN GENERAL.—Paragraph (1) shall
20 apply to rehabilitation expenditures with respect
21 to any building only if—

22 “(i) the expenditures are allocable to
23 1 or more middle-income units or substan-
24 tially benefit such units, and

1 “(ii) the amount of such expenditures
2 during any 24-month period meets the re-
3 quirements of whichever of the following
4 subclauses requires the greater amount of
5 such expenditures:

6 “(I) The requirement of this sub-
7 clause is met if such amount is not
8 less than 20 percent of the adjusted
9 basis of the building (determined as of
10 the 1st day of such period and with-
11 out regard to paragraphs (2) and (3)
12 of section 1016(a)).

13 “(II) The requirement of this
14 subclause is met if the qualified basis
15 attributable to such amount, when di-
16 vided by the number of middle-income
17 units in the building, is equal to or
18 greater than the dollar amount in ef-
19 fect under section 42(e)(3)(A)(ii)(II)
20 for the calendar year in which such
21 expenditures are treated as placed in
22 service under paragraph (4).

23 “(B) DATE OF DETERMINATION.—The de-
24 termination under subparagraph (A) shall be
25 made as of the close of the 1st taxable year in

1 the credit period with respect to such expendi-
2 tures.

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

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

10 “(B) the applicable fraction under sub-
11 section (c)(1) shall be the applicable fraction for
12 the building (without regard to paragraph (1))
13 with respect to which the expenditures were in-
14 curred.

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

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

22 “(6) REGULATIONS TO APPLY SUBSECTION
23 WITH RESPECT TO GROUP OF UNITS IN BUILDING.—
24 The Secretary may prescribe regulations, consistent
25 with the purposes of this subsection, treating a

1 group of units with respect to which rehabilitation
2 expenditures are incurred as a separate new build-
3 ing.

4 “(f) DEFINITION AND SPECIAL RULES RELATING TO
5 CREDIT PERIOD.—

6 “(1) CREDIT PERIOD DEFINED.—For purposes
7 of this section, the term ‘credit period’ means, with
8 respect to any building, the period of 15 taxable
9 years beginning with—

10 “(A) the taxable year in which the building
11 is placed in service, or

12 “(B) at the election of the taxpayer, the
13 succeeding taxable year,

14 but only if the building is a qualified middle-income
15 building as of the close of the 1st year of such pe-
16 riod. The election under subparagraph (B), once
17 made, shall be irrevocable.

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

20 “(A) IN GENERAL.—The credit allowable
21 under subsection (a) with respect to any build-
22 ing for the 1st taxable year of the credit period
23 shall be determined by substituting for the ap-
24 plicable fraction under subsection (c)(1) the
25 fraction—

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

6 “(ii) the denominator of which is 12.

7 “(B) DISALLOWED 1ST-YEAR CREDIT AL-
8 LOWED IN 16TH YEAR.—Any reduction by rea-
9 son of subparagraph (A) in the credit allowable
10 (without regard to subparagraph (A)) for the
11 1st taxable year of the credit period shall be al-
12 lowable under subsection (a) for the 1st taxable
13 year following the credit period.

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

17 “(A) IN GENERAL.—In the case of any
18 building which was a qualified middle-income
19 building as of the close of the 1st year of the
20 credit period, if—

21 “(i) as of the close of any taxable year
22 in the credit period (after the 1st year of
23 such period) the qualified basis of such
24 building, exceeds

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

4 the applicable percentage which shall apply
5 under subsection (a) for the taxable year to
6 such excess shall be the percentage equal to $\frac{2}{3}$
7 of the applicable percentage which (after the
8 application of subsection (h)) would but for this
9 paragraph apply to such basis.

10 “(B) 1ST YEAR COMPUTATION APPLIES.—
11 A rule similar to the rule of paragraph (2)(A)
12 shall apply to any increase in qualified basis to
13 which subparagraph (A) applies for the 1st year
14 of such increase.

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

21 “(5) CREDIT PERIOD FOR EXISTING BUILDINGS
22 NOT TO BEGIN BEFORE REHABILITATION CREDIT
23 ALLOWED.—

24 “(A) IN GENERAL.—The credit period for
25 an existing building shall not begin before the

1 1st taxable year of the credit period for reha-
2 bilitation expenditures with respect to the build-
3 ing.

4 “(B) ACQUISITION CREDIT ALLOWED FOR
5 CERTAIN BUILDINGS NOT ALLOWED A REHA-
6 BILITATION CREDIT.—

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

9 “(I) subsection (d)(2)(B)(iv)
10 shall not apply, and

11 “(II) the credit period for such
12 building shall not begin before the
13 taxable year which would be the 1st
14 taxable year of the credit period for
15 rehabilitation expenditures with re-
16 spect to the building under the modi-
17 fications described in clause (ii)(II).

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

20 “(I) a waiver is granted under
21 subsection (d)(4) with respect to the
22 acquisition of the building, and

23 “(II) a credit would be allowed
24 for rehabilitation expenditures with
25 respect to such building if subsection

1 (e)(3)(A)(ii)(I) did not apply and if
2 the dollar amount in effect under sub-
3 section (e)(3)(A)(ii)(II) were two-
4 thirds of such amount.

5 “(g) QUALIFIED MIDDLE-INCOME HOUSING
6 PROJECT.—For purposes of this section—

7 “(1) IN GENERAL.—The term ‘qualified middle-
8 income housing project’ means any project for resi-
9 dential rental property if 60 percent or more of the
10 residential units in such project are both rent-re-
11 stricted and occupied by individuals whose income is
12 100 percent or less of area median gross income.
13 For purposes of the preceding sentence, residential
14 units in a building which is not a qualified middle-
15 income building by reason of subsection (c)(2)(B)
16 shall not be taken into account.

17 “(2) RENT-RESTRICTED UNITS.—

18 “(A) IN GENERAL.—For purposes of para-
19 graph (1), a residential unit is rent-restricted if
20 the gross rent with respect to such unit does
21 not exceed 30 percent of the imputed income
22 limitation applicable to such unit. For purposes
23 of the preceding sentence, the amount of the in-
24 come limitation under paragraph (1) applicable
25 for any period shall not be less than such limi-

1 tation applicable for the earliest period the
2 building (which contains the unit) was included
3 in the determination of whether the project is
4 a qualified middle-income housing project.

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

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

12 “(ii) does not include any fee for a
13 supportive service which is paid to the
14 owner of the unit (on the basis of the mid-
15 dle-income status of the tenant of the unit)
16 by any governmental program of assistance
17 (or by an organization described in section
18 501(e)(3) and exempt from tax under sec-
19 tion 501(a)) if such program (or organiza-
20 tion) provides assistance for rent and the
21 amount of assistance provided for rent is
22 not separable from the amount of assist-
23 ance provided for supportive services, and

24 “(iii) does not include any rental pay-
25 ment to the owner of the unit to the extent

1 such owner pays an equivalent amount to
2 the Farmers' Home Administration under
3 section 515 of the Housing Act of 1949.

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

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

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

21 “(ii) In the case of a unit which has
22 1 or more separate bedrooms, 1.5 individ-
23 uals for each separate bedroom.

24 In the case of a project with respect to which
25 a credit is allowable by reason of this section

1 and for which financing is provided by a bond
2 described in section 142(a)(7), the imputed in-
3 come limitation shall apply in lieu of the other-
4 wise applicable income limitation for purposes
5 of applying section 142(d)(4)(B)(ii).

6 “(D) TREATMENT OF UNITS OCCUPIED BY
7 INDIVIDUALS WHOSE INCOMES RISE ABOVE
8 LIMIT.—

9 “(i) IN GENERAL.—Except as pro-
10 vided in clause (ii), notwithstanding an in-
11 crease in the income of the occupants of a
12 middle-income unit above the income limi-
13 tation applicable under paragraph (1),
14 such unit shall continue to be treated as a
15 middle-income unit if the income of such
16 occupants initially met such income limita-
17 tion and such unit continues to be rent-re-
18 stricted.

19 “(ii) NEXT AVAILABLE UNIT MUST BE
20 RENTED TO MIDDLE-INCOME TENANT IF
21 INCOME RISES ABOVE 140 PERCENT OF IN-
22 COME LIMIT.—If the income of the occu-
23 pants of the unit increases above 140 per-
24 cent of the income limitation applicable
25 under paragraph (1), clause (i) shall cease

1 to apply to such unit if any residential
2 rental unit in the building (of a size com-
3 parable to, or smaller than, such unit) is
4 occupied by a new resident whose income
5 exceeds such income limitation.

6 “(3) DATE FOR MEETING REQUIREMENTS.—

7 “(A) IN GENERAL.—Except as otherwise
8 provided in this paragraph, a building shall be
9 treated as a qualified middle-income building
10 only if the project (of which such building is a
11 part) meets the requirements of paragraph (1)
12 not later than the close of the 1st year of the
13 credit period for such building.

14 “(B) BUILDINGS WHICH RELY ON LATER
15 BUILDINGS FOR QUALIFICATION.—

16 “(i) IN GENERAL.—In determining
17 whether a building (hereinafter in this sub-
18 paragraph referred to as the ‘prior build-
19 ing’) is a qualified middle-income building,
20 the taxpayer may take into account 1 or
21 more additional buildings placed in service
22 during the 12-month period described in
23 subparagraph (A) with respect to the prior
24 building only if the taxpayer elects to apply

1 clause (ii) with respect to each additional
2 building taken into account.

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

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

19 “(C) SPECIAL RULE.—A building—

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

22 “(ii) other than a building which is
23 placed in service during the 12-month pe-
24 riod described in subparagraph (A) with

1 respect to a prior building which becomes
2 a qualified middle-income building,
3 shall in no event be treated as a qualified mid-
4 dle-income building unless the project is a
5 qualified middle-income housing project (with-
6 out regard to such building) on the date such
7 building is placed in service.

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

17 “(4) CERTAIN RULES MADE APPLICABLE.—
18 Paragraphs (2) (other than subparagraph (A) there-
19 of), (3), and (7) of section 142(d), and section
20 6652(j), shall apply for purposes of determining
21 whether any project is a qualified middle-income
22 housing project and whether any unit is a middle-in-
23 come unit; except that, in applying such provisions
24 for such purposes—

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

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

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

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

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

24 “(B) the purchase of the unit is not per-
25 mitted until after the close of the credit period

1 with respect to the building in which the unit
2 is located.

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

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

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

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

23 “(A) with special needs, or

24 “(B) who are members of a specified group
25 under a Federal program or State program or

1 policy that supports housing for such a speci-
2 fied group.

3 “(h) LIMITATION ON AGGREGATE CREDIT ALLOW-
4 ABLE WITH RESPECT TO PROJECTS LOCATED IN A
5 STATE.—

6 “(1) CREDIT MAY NOT EXCEED CREDIT
7 AMOUNT ALLOCATED TO BUILDING.—

8 “(A) IN GENERAL.—The amount of the
9 credit determined under this section for any
10 taxable year with respect to any building shall
11 not exceed the housing credit dollar amount al-
12 located to such building under this subsection.

13 “(B) TIME FOR MAKING ALLOCATION.—
14 Except in the case of an allocation which meets
15 the requirements of subparagraph (C), (D),
16 (E), or (F), an allocation shall be taken into ac-
17 count under subparagraph (A) only if it is
18 made not later than the close of the calendar
19 year in which the building is placed in service.

20 “(C) EXCEPTION WHERE BINDING COM-
21 MITMENT.—An allocation meets the require-
22 ments of this subparagraph if there is a binding
23 commitment (not later than the close of the cal-
24 endar year in which the building is placed in
25 service) by the housing credit agency to allocate

1 a specified housing credit dollar amount to such
2 building beginning in a specified later taxable
3 year.

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

6 “(i) IN GENERAL.—An allocation
7 meets the requirements of this subpara-
8 graph if such allocation is made not later
9 than the close of the calendar year in
10 which ends the taxable year to which it will
11 1st apply but only to the extent the
12 amount of such allocation does not exceed
13 the limitation under clause (ii).

14 “(ii) LIMITATION.—The limitation
15 under this clause is the amount of credit
16 allowable under this section (without re-
17 gard to this subsection) for a taxable year
18 with respect to an increase in the qualified
19 basis of the building equal to the excess
20 of—

21 “(I) the qualified basis of such
22 building as of the close of the 1st tax-
23 able year to which such allocation will
24 apply, over

1 “(II) the qualified basis of such
2 building as of the close of the 1st tax-
3 able year to which the most recent
4 prior housing credit allocation with re-
5 spect to such building applied.

6 “(iii) HOUSING CREDIT DOLLAR
7 AMOUNT REDUCED BY FULL ALLOCA-
8 TION.—Notwithstanding clause (i), the full
9 amount of the allocation shall be taken
10 into account under paragraph (2).

11 “(E) EXCEPTION WHERE 10 PERCENT OF
12 COST INCURRED.—

13 “(i) IN GENERAL.—An allocation
14 meets the requirements of this subpara-
15 graph if such allocation is made with re-
16 spect to a qualified building which is
17 placed in service not later than the close of
18 the second calendar year following the cal-
19 endar year in which the allocation is made.

20 “(ii) QUALIFIED BUILDING.—For pur-
21 poses of clause (i), the term ‘qualified
22 building’ means any building which is part
23 of a project if the taxpayer’s basis in such
24 project (as of the date which is 1 year
25 after the date that the allocation was

1 made) is more than 10 percent of the tax-
2 payer’s reasonably expected basis in such
3 project (as of the close of the second cal-
4 endar year referred to in clause (i)). Such
5 term does not include any existing building
6 unless a credit is allowable under sub-
7 section (e) for rehabilitation expenditures
8 paid or incurred by the taxpayer with re-
9 spect to such building for a taxable year
10 ending during the second calendar year re-
11 ferred to in clause (i) or the prior taxable
12 year.

13 “(F) ALLOCATION OF CREDIT ON A
14 PROJECT BASIS.—

15 “(i) IN GENERAL.—In the case of a
16 project which includes (or will include)
17 more than 1 building, an allocation meets
18 the requirements of this subparagraph if—

19 “(I) the allocation is made to the
20 project for a calendar year during the
21 project period,

22 “(II) the allocation only applies
23 to buildings placed in service during
24 or after the calendar year for which
25 the allocation is made, and

1 “(III) the portion of such alloca-
2 tion which is allocated to any building
3 in such project is specified not later
4 than the close of the calendar year in
5 which the building is placed in service.

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

9 “(I) beginning with the 1st cal-
10 endar year for which an allocation
11 may be made for the 1st building
12 placed in service as part of such
13 project, and

14 “(II) ending with the calendar
15 year the last building is placed in
16 service as part of such project.

17 “(2) ALLOCATED CREDIT AMOUNT TO APPLY
18 TO ALL TAXABLE YEARS ENDING DURING OR AFTER
19 CREDIT ALLOCATION YEAR.—Any housing credit dol-
20 lar amount allocated to any building for any cal-
21 endar year—

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

1 “(B) shall reduce the aggregate housing
2 credit dollar amount of the allocating agency
3 only for such calendar year.

4 “(3) HOUSING CREDIT DOLLAR AMOUNT FOR
5 AGENCIES.—

6 “(A) IN GENERAL.—The aggregate hous-
7 ing credit dollar amount which a housing credit
8 agency may allocate for any calendar year is
9 the portion of the State housing credit ceiling
10 allocated under this paragraph for such cal-
11 endar year to such agency.

12 “(B) STATE CEILING INITIALLY ALLO-
13 CATED TO STATE HOUSING CREDIT AGEN-
14 CIES.—Except as provided in subparagraph
15 (D), the State housing credit ceiling for each
16 calendar year shall be allocated to the housing
17 credit agency of such State. If there is more
18 than 1 housing credit agency of a State, all
19 such agencies shall be treated as a single agen-
20 cy.

21 “(C) STATE HOUSING CREDIT CEILING.—
22 The State housing credit ceiling applicable to
23 any State for any calendar year shall be an
24 amount equal to the sum of—

25 “(i) the greater of—

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

3 “(II) \$1,140,000, plus

4 “(ii) the amount of State housing
5 credit ceiling returned in the calendar year.

6 For purposes of clause (ii), the amount of State
7 housing credit ceiling returned in the calendar
8 year equals the housing credit dollar amount
9 previously allocated within the State to any
10 project which fails to meet the 10 percent test
11 under paragraph (1)(E)(ii) on a date after the
12 close of the calendar year in which the alloca-
13 tion was made or which does not become a
14 qualified middle-income housing project within
15 the period required by this section or the terms
16 of the allocation or to any project with respect
17 to which an allocation is cancelled by mutual
18 consent of the housing credit agency and the al-
19 location recipient.

20 “(D) STATE MAY PROVIDE FOR DIF-
21 FERENT ALLOCATION.—Rules similar to the
22 rules of section 146(e) (other than paragraph
23 (2)(B) thereof) shall apply for purposes of this
24 paragraph.

1 “(E) POPULATION.—For purposes of this
2 paragraph, population shall be determined in
3 accordance with section 146(j).

4 “(F) COST-OF-LIVING ADJUSTMENT.—

5 “(i) IN GENERAL.—In the case of a
6 calendar year after 2024, the \$1,140,000
7 and \$1.00 amounts in subparagraph (C)
8 shall each be increased by an amount equal
9 to—

10 “(I) such dollar amount, multi-
11 plied by

12 “(II) the cost-of-living adjust-
13 ment determined under section 1(f)(3)
14 for such calendar year by substituting
15 ‘calendar year 2023’ for ‘calendar
16 year 2016’ in subparagraph (A)(ii)
17 thereof.

18 “(ii) ROUNDING.—

19 “(I) In the case of the
20 \$1,140,000 amount, any increase
21 under clause (i) which is not a mul-
22 tiple of \$5,000 shall be rounded to the
23 next lowest multiple of \$5,000.

24 “(II) In the case of the \$1.00
25 amount, any increase under clause (i)

1 which is not a multiple of 5 cents
2 shall be rounded to the next lowest
3 multiple of 5 cents.

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

7 “(A) IN GENERAL.—Not more than 90
8 percent of the State housing credit ceiling (de-
9 termined without regard to paragraph (7)) for
10 any State for any calendar year shall be allo-
11 cated to projects other than qualified middle-in-
12 come housing projects described in subpara-
13 graph (B).

14 “(B) PROJECTS INVOLVING QUALIFIED
15 NONPROFIT ORGANIZATIONS.—For purposes of
16 subparagraph (A), a qualified middle-income
17 housing project is described in this subpara-
18 graph if a qualified nonprofit organization is to
19 own an interest in the project (directly or
20 through a partnership) and materially partici-
21 pate (within the meaning of section 469(h)) in
22 the development and operation of the project
23 throughout the credit period.

24 “(C) QUALIFIED NONPROFIT ORGANIZA-
25 TION.—For purposes of this paragraph, the

1 term ‘qualified nonprofit organization’ means
2 any organization if—

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

6 “(ii) such organization is determined
7 by the State housing credit agency not to
8 be affiliated with or controlled by a for-
9 profit organization; and

10 “(iii) one of the exempt purposes of
11 such organization includes the fostering of
12 middle-income housing.

13 “(D) TREATMENT OF CERTAIN SUBSIDI-
14 ARIES.—

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

22 “(ii) QUALIFIED CORPORATION.—For
23 purposes of clause (i), the term ‘qualified
24 corporation’ means any corporation if 100
25 percent of the stock of such corporation is

1 held by 1 or more qualified nonprofit orga-
2 nizations at all times during the period
3 such corporation is in existence.

4 “(E) STATE MAY NOT OVERRIDE SET-
5 ASIDE.—Nothing in subparagraph (E) of para-
6 graph (3) shall be construed to permit a State
7 not to comply with subparagraph (A) of this
8 paragraph.

9 “(5) BUILDINGS ELIGIBLE FOR CREDIT ONLY
10 IF MINIMUM LONG-TERM COMMITMENT TO MIDDLE-
11 INCOME HOUSING.—

12 “(A) IN GENERAL.—No credit shall be al-
13 lowed by reason of this section with respect to
14 any building for the taxable year unless an ex-
15 tended middle-income housing commitment is in
16 effect as of the end of such taxable year.

17 “(B) EXTENDED MIDDLE-INCOME HOUS-
18 ING COMMITMENT.—For purposes of this para-
19 graph, the term ‘extended middle-income hous-
20 ing commitment’ means any agreement between
21 the taxpayer and the housing credit agency—

22 “(i) which requires that the applicable
23 fraction (as defined in subsection (c)(1))
24 for the building for each taxable year in
25 the extended use period will not be less

1 than the applicable fraction specified in
2 such agreement and which prohibits the
3 actions described in subclauses (I) and (II)
4 of subparagraph (E)(ii),

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

12 “(iii) which prohibits the disposition
13 to any person of any portion of the build-
14 ing to which such agreement applies unless
15 all of the building to which such agreement
16 applies is disposed of to such person,

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

23 “(v) which is binding on all successors
24 of the taxpayer, and

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

3 “(E) EXCEPTIONS IF FORECLOSURE OR IF
4 NO BUYER WILLING TO MAINTAIN MIDDLE-IN-
5 COME STATUS.—

6 “(i) IN GENERAL.—The extended use
7 period for any building shall terminate on
8 the date the building is acquired by fore-
9 closure (or instrument in lieu of fore-
10 closure) unless the Secretary determines
11 that such acquisition is part of an arrange-
12 ment with the taxpayer a purpose of which
13 is to terminate such period.

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

20 “(I) the eviction or the termi-
21 nation of tenancy (other than for good
22 cause) of an existing tenant of any
23 middle-income 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 middle-income housing agree-
7 ment was not in effect as of the beginning of
8 such year, such determination shall not apply to
9 any period before such year and subparagraph
10 (A) shall be applied without regard to such de-
11 termination if the failure is corrected within 1
12 year from the date of the determination.

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

18 “(6) SPECIAL RULES.—

19 “(A) BUILDING MUST BE LOCATED WITH-
20 IN JURISDICTION OF CREDIT AGENCY.—A hous-
21 ing credit agency may allocate its aggregate
22 housing credit dollar amount only to buildings
23 located in the jurisdiction of the governmental
24 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 5 percent of the
13 amount determined under paragraph (3)(C)(i).

14 “(B) USE OF INCREASED AMOUNT.—The
15 amount of the increase under subparagraph (A)
16 for any calendar year may only be allocated to
17 buildings located in a rural area (as defined in
18 section 42(d)(5)(B)(iii)(IV)).

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

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

1 “(B) POSSESSIONS TREATED AS STATES.—

2 The term ‘State’ includes a possession of the
3 United States.

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

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

12 “(1) MIDDLE-INCOME UNIT.—

13 “(A) IN GENERAL.—The term ‘middle-in-
14 come 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 middle-income unit if such unit is a low-in-

1 come 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 middle-income
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

1 units, no unit in such building shall be treated
2 as a middle-income unit if the units in such
3 building are owned by—

4 “(i) any individual who occupies a res-
5 idential unit in such building, or

6 “(ii) any person who is related (as de-
7 fined in subsection (d)(2)(D)(ii)) to such
8 individual.

9 “(D) RULES RELATING TO STUDENTS.—

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

12 “(I) have not attained age 24,
13 and

14 “(II) are enrolled in a full-time
15 course of study at an institution of
16 higher education (as defined in section
17 3304(f)),

18 shall not be treated as a middle-income
19 unit.

20 “(ii) EXCEPTIONS.—Clause (i) shall
21 not apply to a unit occupied by an indi-
22 vidual who—

23 “(I) is married, if such individ-
24 ual’s spouse also occupies the unit,

1 “(II) is a person with disabilities
2 (as defined in section 3(b)(3)(E) of
3 the United States Housing Act of
4 1937),

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

8 “(IV) has one or more qualifying
9 children (as defined in section
10 152(c)), if such children also occupy
11 the unit, the individual is not a de-
12 pendent (as defined in section 152,
13 determined without regard to sub-
14 sections (b)(1), (b)(2), and (d)(1)(B)
15 thereof) of another individual, and
16 such children are not claimed as de-
17 pendents (as so defined) of another
18 individual, or

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

21 “(aa) an emancipated minor
22 or in legal guardianship as deter-
23 mined by a court of competent
24 jurisdiction in the individual’s
25 State of legal residence,

1 “(bb) under the care and
2 placement responsibility of the
3 State agency responsible for ad-
4 ministering a plan under part B
5 or part E of title IV of the Social
6 Security Act, or

7 “(cc) was an unaccompanied
8 youth (within the meaning of sec-
9 tion 725(6) of the McKinney-
10 Vento Homeless Assistance Act
11 (42 U.S.C. 11434a(6))) or a
12 homeless child or youth (within
13 the meaning of section 725(2) of
14 such Act (42 U.S.C.
15 11434a(2))).

16 “(E) OWNER-OCCUPIED BUILDINGS HAV-
17 ING 4 OR FEWER UNITS ELIGIBLE FOR CREDIT
18 WHERE DEVELOPMENT PLAN.—

19 “(i) IN GENERAL.—Subparagraph (C)
20 shall not apply to the acquisition or reha-
21 bilitation of a building pursuant to a devel-
22 opment plan of action sponsored by a
23 State or local government or a qualified
24 nonprofit organization.

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

5 “(iii) CERTAIN UNRENTED UNITS
6 TREATED AS OWNER-OCCUPIED.—In the
7 case of a building to which clause (i) ap-
8 plies, any unit which is not rented for 90
9 days or more shall be treated as occupied
10 by the owner of the building as of the 1st
11 day it is not rented.

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

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

18 “(4) APPLICATION TO ESTATES AND TRUSTS.—
19 In the case of an estate or trust, the amount of the
20 credit determined under subsection (a) shall be ap-
21 portioned between the estate or trust and the bene-
22 ficiaries on the basis of the income of the estate or
23 trust allocable to each.

24 “(5) IMPACT OF TENANT’S OPTION TO ACQUIRE
25 PROPERTY.—

1 “(A) IN GENERAL.—No Federal income
2 tax benefit shall fail to be allowable to the tax-
3 payer with respect to any qualified middle-in-
4 come building merely by reason of an option
5 held by the tenants (in cooperative form or oth-
6 erwise) or resident management corporation of
7 such building or by a qualified nonprofit organi-
8 zation or government agency to purchase the
9 property or all of the partnership interests
10 (other than interests of the person exercising
11 such option or a related party thereto (within
12 the meaning of section 267(b) or 707(b)(1)))
13 relating to the property after the close of the
14 credit period for a price which is not less than
15 the minimum purchase price determined under
16 subparagraph (B).

17 “(B) MINIMUM PURCHASE PRICE.—For
18 purposes of subparagraph (A), the minimum
19 purchase price under this subparagraph is an
20 amount equal to the principal amount of out-
21 standing indebtedness secured by the building
22 (other than indebtedness incurred within the 5-
23 year period ending on the date of the sale to
24 the tenants). In the case of a purchase of a
25 partnership interest, the minimum purchase

1 price is an amount equal to such interest's rat-
2 able share of the amount determined under the
3 preceding sentence.

4 “(6) TREATMENT OF RURAL PROJECTS.—For
5 purposes of this section, in the case of any project
6 for residential rental property located in a rural area
7 (as defined in section 520 of the Housing Act of
8 1949), any income limitation measured by reference
9 to area median gross income shall be measured by
10 reference to the greater of area median gross income
11 or national non-metropolitan median income.

12 “(7) DETERMINATION OF WHETHER BUILDING
13 IS FEDERALLY SUBSIDIZED.—

14 “(A) IN GENERAL.—Except as otherwise
15 provided in this paragraph, for purposes of this
16 section, a project shall be treated as Federally
17 subsidized for any taxable year if, at any time
18 during such taxable year or any prior taxable
19 year, there is or was outstanding any obligation
20 the interest on which is exempt from tax under
21 section 103 the proceeds of which are or were
22 used (directly or indirectly) with respect to such
23 project or the operation thereof.

24 “(B) SPECIAL RULE FOR SUBSIDIZED CON-
25 STRUCTION FINANCING.—Subparagraph (A)

1 shall not apply to any tax-exempt obligation
2 used to provide construction financing for any
3 building if—

4 “(i) such obligation (when issued)
5 identified the building for which the pro-
6 ceeds of such obligation would be used,
7 and

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

10 “(8) REDUCTION IN BASIS.—In the case of any
11 building for which a credit is allowable under this
12 section and section 42, the basis of the building shall
13 be reduced by the amount of such credit allowed
14 under subsection (a).

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

17 “(1) IN GENERAL.—Except as otherwise pro-
18 vided in this subsection, rules similar to the rules of
19 section 49(a)(1) (other than subparagraphs
20 (D)(ii)(II) and (D)(iv)(I) thereof), section 49(a)(2),
21 and section 49(b)(1) shall apply in determining the
22 qualified basis of any building in the same manner
23 as such sections apply in determining the credit base
24 of property.

1 holding or insuring the mortgage secured
2 by such building, and

3 “(ii) the proceeds from the financing
4 (if any) are applied to acquire or improve
5 such building.

6 “(C) PORTION OF BUILDING ATTRIB-
7 UTABLE TO FINANCING.—The requirements of
8 this subparagraph are met with respect to any
9 financing for any taxable year in the credit pe-
10 riod if, as of the close of such taxable year, not
11 more than 60 percent of the eligible basis of the
12 qualified middle-income building is attributable
13 to such financing (reduced by the principal and
14 interest of any governmental financing which is
15 part of a wrap-around mortgage involving such
16 financing).

17 “(D) REPAYMENT OF PRINCIPAL AND IN-
18 TEREST.—The requirements of this subpara-
19 graph are met with respect to any financing if
20 such financing is fully repaid on or before the
21 earliest of—

22 “(i) the date on which such financing
23 matures,

1 “(ii) the 90th day after the close of
2 the credit period with respect to the quali-
3 fied middle-income building, or

4 “(iii) the date of its refinancing or the
5 sale of the building to which such financ-
6 ing relates.

7 In the case of a qualified nonprofit organization
8 which is not described in section
9 49(a)(1)(D)(iv)(II) with respect to a building,
10 clause (ii) of this subparagraph shall be applied
11 as if the date described therein were the 90th
12 day after the earlier of the date the building
13 ceases to be a qualified middle-income building
14 or the date which is 15 years after the close of
15 a credit period with respect thereto.

16 “(3) PRESENT VALUE OF FINANCING.—If the
17 rate of interest on any financing described in para-
18 graph (2)(A) is less than the rate which is 1 per-
19 centage point below the applicable Federal rate as of
20 the time such financing is incurred, then the quali-
21 fied basis (to which such financing relates) of the
22 qualified middle-income building shall be the present
23 value of the amount of such financing, using as the
24 discount rate such applicable Federal rate. For pur-
25 poses of the preceding sentence, the rate of interest

1 on any financing shall be determined by treating in-
2 terest to the extent of government subsidies as not
3 payable.

4 “(4) FAILURE TO FULLY REPAY.—

5 “(A) IN GENERAL.—To the extent that the
6 requirements of paragraph (2)(D) are not met,
7 then the taxpayer’s tax under this chapter for
8 the taxable year in which such failure occurs
9 shall be increased by an amount equal to the
10 applicable portion of the credit under this sec-
11 tion with respect to such building, increased by
12 an amount of interest for the period—

13 “(i) beginning with the due date for
14 the filing of the return of tax imposed by
15 chapter 1 for the 1st taxable year for
16 which such credit was allowable, and

17 “(ii) ending with the due date for the
18 taxable year in which such failure occurs,
19 determined by using the underpayment rate and
20 method under section 6621.

21 “(B) APPLICABLE PORTION.—For pur-
22 poses of subparagraph (A), the term ‘applicable
23 portion’ means the aggregate decrease in the
24 credits allowed to a taxpayer under section 38
25 for all prior taxable years which would have re-

1 sulted if the eligible basis of the building were
2 reduced by the amount of financing which does
3 not meet requirements of paragraph (2)(D).

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

8 “(k) CERTIFICATIONS AND OTHER REPORTS TO SEC-
9 RETARY.—

10 “(1) CERTIFICATION WITH RESPECT TO 1ST
11 YEAR OF CREDIT PERIOD.—Following the close of
12 the 1st taxable year in the credit period with respect
13 to any qualified middle-income building, the tax-
14 payer shall certify to the Secretary (at such time
15 and in such form and in such manner as the Sec-
16 retary prescribes)—

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

19 “(B) the adjusted basis and eligible basis
20 of such building as of the close of the 1st year
21 of the credit period,

22 “(C) the maximum applicable percentage
23 and qualified basis permitted to be taken into
24 account by the appropriate housing credit agen-
25 cy under subsection (h), and

1 “(D) such other information as the Sec-
2 retary may require.

3 In the case of a failure to make the certification re-
4 quired by the preceding sentence on the date pre-
5 scribed therefor, unless it is shown that such failure
6 is due to reasonable cause and not to willful neglect,
7 no credit shall be allowable by reason of subsection
8 (a) with respect to such building for any taxable
9 year ending before such certification is made.

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

11 The Secretary may require taxpayers to submit an
12 information return (at such time and in such form
13 and manner as the Secretary prescribes) for each
14 taxable year setting forth—

15 “(A) the qualified basis for the taxable
16 year of each qualified middle-income building of
17 the taxpayer,

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

20 “(C) such other information as the Sec-
21 retary may require.

22 The penalty under section 6652(j) shall apply to any
23 failure to submit the return required by the Sec-
24 retary under the preceding sentence on the date pre-
25 scribed therefor.

1 “(3) ANNUAL REPORTS FROM HOUSING CREDIT
2 AGENCIES.—Each agency which allocates any hous-
3 ing credit amount to any building for any calendar
4 year shall submit to the Secretary (at such time and
5 in such manner as the Secretary shall prescribe) an
6 annual report specifying—

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

9 “(B) sufficient information to identify each
10 such building and the taxpayer with respect
11 thereto, and

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

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

17 “(1) RESPONSIBILITIES OF HOUSING CREDIT AGEN-
18 CIES.—

19 “(1) PLANS FOR ALLOCATION OF CREDIT
20 AMONG PROJECTS.—

21 “(A) IN GENERAL.—Notwithstanding any
22 other provision of this section, the housing cred-
23 it dollar amount with respect to any building
24 shall be zero unless—

1 “(i) such amount was allocated pursu-
2 ant to a qualified allocation plan of the
3 housing credit agency which is approved by
4 the governmental unit (in accordance with
5 rules similar to the rules of section
6 42(m)(1)) of which such agency is a part,

7 “(ii) a comprehensive market study of
8 the housing needs of middle-income indi-
9 viduals in the area to be served by the
10 project is conducted before the credit allo-
11 cation is made and at the developer’s ex-
12 pense by a disinterested party who is ap-
13 proved by such agency, and

14 “(iii) a written explanation is available
15 to the general public for any allocation of
16 a housing credit dollar amount which is
17 not made in accordance with established
18 priorities and selection criteria of the hous-
19 ing credit agency.

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

23 “(i) which sets forth selection criteria
24 to be used to determine housing priorities

1 of the housing credit agency which are ap-
2 propriate to local conditions,

3 “(ii) which also gives preference in al-
4 locating housing credit dollar amounts
5 among selected projects to—

6 “(I) projects obligated to serve
7 qualified tenants for the longest peri-
8 ods,

9 “(II) projects in areas where
10 rents are unaffordable to median in-
11 come households,

12 “(III) projects which target hous-
13 ing to tenants at a range of incomes
14 between 60 and 100 percent of area
15 median gross income, and

16 “(IV) projects located near tran-
17 sit hubs, and

18 “(iii) which provides a procedure that
19 the agency (or an agent or other private
20 contractor of such agency) will follow in
21 monitoring for noncompliance with the
22 provisions of this section and in notifying
23 the Internal Revenue Service of such non-
24 compliance which such agency becomes
25 aware of and in monitoring for noncompli-

1 ance with habitability standards through
2 regular site visits.

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

6 “(i) project location,

7 “(ii) housing needs characteristics,

8 “(iii) project characteristics, including
9 whether the project includes the use of ex-
10 isting housing as part of a community revi-
11 talization plan,

12 “(iv) sponsor characteristics,

13 “(v) tenant populations with special
14 housing needs,

15 “(vi) tenant populations of individuals
16 with children,

17 “(vii) projects intended for eventual
18 tenant ownership,

19 “(viii) the energy efficiency of the
20 project, and

21 “(ix) the historic nature of the
22 project.

23 “(D) CERTAIN SELECTION CRITERIA PRO-
24 HIBITED.—The selection criteria set forth in a
25 qualified allocation plan shall not include a re-

1 requirement of local approval or local contribu-
2 tions, either as a threshold qualification re-
3 quirement or as part of a point system to be
4 considered for allocations of housing credit dol-
5 lar amount.

6 “(2) CREDIT ALLOCATED TO BUILDING NOT TO
7 EXCEED AMOUNT NECESSARY TO ASSURE PROJECT
8 FEASIBILITY.—

9 “(A) IN GENERAL.—The housing credit
10 dollar amount allocated to a project shall not
11 exceed the amount the housing credit agency
12 determines is necessary for the financial feasi-
13 bility of the project and its viability as a quali-
14 fied middle-income housing project throughout
15 the credit period.

16 “(B) AGENCY EVALUATION.—In making
17 the determination under subparagraph (A), the
18 housing credit agency shall consider—

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

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

23 “(iii) the percentage of the housing
24 credit dollar amount used for project costs
25 other than the cost of intermediaries, and

1 “(iv) the reasonableness of the devel-
2 opmental and operational costs of the
3 project.

4 Clause (iii) shall not be applied so as to impede
5 the development of projects in hard-to-develop
6 areas. Such a determination shall not be con-
7 strued to be a representation or warranty as to
8 the feasibility or viability of the project.

9 “(C) DETERMINATION MADE WHEN CRED-
10 IT AMOUNT APPLIED FOR AND WHEN BUILDING
11 PLACED IN SERVICE.—

12 “(i) IN GENERAL.—A determination
13 under subparagraph (A) shall be made as
14 of each of the following times:

15 “(I) The application for the
16 housing credit dollar amount.

17 “(II) The allocation of the hous-
18 ing credit dollar amount.

19 “(III) The date the building is
20 placed in service.

21 “(ii) CERTIFICATION AS TO AMOUNT
22 OF OTHER SUBSIDIES.—Prior to each de-
23 termination under clause (i), the taxpayer
24 shall certify to the housing credit agency
25 the full extent of all Federal, State, and

1 local subsidies which apply (or which the
2 taxpayer expects to apply) with respect to
3 the building.

4 “(m) REGULATIONS.—The Secretary shall prescribe
5 such regulations as may be necessary or appropriate to
6 carry out the purposes of this section, including regula-
7 tions—

8 “(1) dealing with—

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

11 “(B) buildings which are placed in service
12 in portions,

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

15 “(3) preventing the avoidance of the rules of
16 this section, and

17 “(4) providing the opportunity for housing cred-
18 it agencies to correct administrative errors and omis-
19 sions with respect to allocations and record keeping
20 within a reasonable period after their discovery, tak-
21 ing into account the availability of regulations and
22 other administrative guidance from the Secretary.”.

23 (b) TREATMENT AS PART OF GENERAL BUSINESS
24 CREDIT.—Section 38(b) of the Internal Revenue Code of
25 1986 is amended by striking “plus” at the end of para-

1 graph (40), by striking the period at the end of paragraph
2 (41) and inserting “, plus”, and by adding at the end the
3 following new paragraph:

4 “(42) the middle-income housing credit deter-
5 mined under section 42A(a).”.

6 (c) UNUSED ALLOCATIONS CARRIED OVER TO LOW-
7 INCOME HOUSING CREDIT.—

8 (1) IN GENERAL.—Clause (i) of section
9 42(h)(3)(C) of the Internal Revenue Code of 1986
10 is amended—

11 (A) by striking “the unused” and inserting
12 “the sum of—

13 “(I) the unused”,

14 (B) by inserting “plus” after “calendar
15 year,”, and

16 (C) by adding at the end the following new
17 subclause:

18 “(II) the unused middle-income
19 State housing credit (if any) of such
20 State for the preceding calendar
21 year,”.

22 (2) UNUSED MIDDLE-INCOME STATE HOUSING
23 CREDIT.—The second sentence of section
24 42(h)(3)(C) of such Code is amended by inserting “,
25 and the unused middle-income State housing credit

1 for any calendar year is the excess (if any) of the
2 amount described in section 42A(h)(3)(C) (after ap-
3 plication of section 42A(h)(7)) for such State over
4 the aggregate amount of middle-income housing
5 credit dollar amount allocated by such State under
6 section 42A for such year” after “for such year”.

7 (3) UNUSED MIDDLE INCOME STATE HOUSING
8 CREDIT INCLUDED IN CARRYOVER ALLOCATION.—
9 Section 42(h)(3)(D)(ii) of such Code is amended—

10 (A) by inserting “the sum of” after “is the
11 excess (if any) of”; and

12 (B) by inserting “plus the unused middle-
13 income State housing credit (as so defined)”
14 after “as defined in subparagraph (C)(i)”.

15 (d) REDUCTION IN BASIS.—Section 1016(a) of the
16 Internal Revenue Code of 1986 is amended—

17 (1) by striking “and” at the end of paragraph
18 (37);

19 (2) by redesignating paragraph (38) as para-
20 graph (39); and

21 (3) by inserting after paragraph (37) the fol-
22 lowing new paragraph:

23 “(38) to the extent provided in section
24 42A(i)(8), and”.

1 (e) TREATMENT UNDER BASE EROSION MINIMUM
2 TAX.—Section 59A(b)(4) of the Internal Revenue Code
3 of 1986 is amended by redesignating subparagraphs (B)
4 and (C) as subparagraphs (C) and (D), respectively, and
5 by inserting after subparagraphs (A) the following new
6 subparagraph:

7 “(B) the middle-income housing credit de-
8 termined under section 42A(a),”.

9 (f) CONFORMING AMENDMENTS.—

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

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

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

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

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

“Sec. 42A. Middle-income housing credit.”.

24 (g) EFFECTIVE DATE.—The amendments made by
25 this section shall apply to buildings placed in service after

1 December 31, 2023, in taxable years ending after such
2 date.

3 **SEC. 214. NEIGHBORHOOD HOMES CREDIT.**

4 (a) FINDINGS AND PURPOSE.—

5 (1) FINDINGS.—Congress finds the following:

6 (A) Experts have determined that it could
7 take nearly a decade to address the housing
8 shortage in the United States, in large part due
9 to increasing housing prices and decreased
10 housing inventory.

11 (B) The housing supply shortage dis-
12 proportionately impacts low-income and dis-
13 tressed communities.

14 (C) Homeownership is a primary source of
15 household wealth and neighborhood stability.
16 Many distressed communities have low rates of
17 homeownership and lack quality, affordable
18 starter homes.

19 (D) Housing revitalization in distressed
20 communities is prevented by the value gap, the
21 difference between the price to rehabilitate a
22 home and the sale value of the home.

23 (E) The Neighborhood Homes Investment
24 Act can address the value gap to increase hous-
25 ing rehabilitation in distressed communities.

1 (F) This section and the amendments
2 made by this section have the potential to gen-
3 erate 500,000 homes over 10 years,
4 \$125,000,000,000 of total development activity,
5 over 800,000 jobs in construction and construc-
6 tion-related industries, and over
7 \$35,000,000,000 in Federal, state, and local
8 tax revenues.

9 (2) SENSE OF CONGRESS.—It is the sense of
10 Congress that the neighborhood homes credit (as
11 added under this section) should be an activity ad-
12 ministered in a manner which—

13 (A) is consistent with the Fair Housing
14 Act of 1968 (42 U.S.C. 3601 et seq.);

15 (B) empowers residents in eligible commu-
16 nities; and

17 (C) revitalizes distressed neighborhoods.

18 (b) ALLOWANCE OF CREDIT.—Subpart D of part IV
19 of subchapter A of chapter 1 of the Internal Revenue Code
20 of 1986, as amended by section 213, is amended by insert-
21 ing after section 42A the following new section:

22 **“SEC. 42B. NEIGHBORHOOD HOMES CREDIT.**

23 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
24 tion 38, the neighborhood homes credit determined under
25 this section for the taxable year is, with respect to each

1 qualified residence sold by the taxpayer during such tax-
2 able year in an affordable sale, the lesser of—

3 “(1) an amount equal to—

4 “(A) the excess (if any) of—

5 “(i) the reasonable development costs
6 paid or incurred by the taxpayer with re-
7 spect to such qualified residence, over

8 “(ii) the sale price of such qualified
9 residence (reduced by any reasonable ex-
10 penses paid or incurred by the taxpayer in
11 connection with such sale), or

12 “(B) if the neighborhood homes credit
13 agency determines it is necessary to ensure fi-
14 nancial feasibility, an amount not to exceed 120
15 percent of the amount under subparagraph (A),

16 “(2) 35 percent of the eligible development
17 costs paid or incurred by the taxpayer with respect
18 to such qualified residence, or

19 “(3) 28 percent of the national median sale
20 price for new homes (as determined pursuant to the
21 most recent census data available as of the date on
22 which the neighborhood homes credit agency makes
23 an allocation for the qualified project).

24 “(b) DEVELOPMENT COSTS.—For purposes of this
25 section—

1 “(1) REASONABLE DEVELOPMENT COSTS.—

2 “(A) IN GENERAL.—The term ‘reasonable
3 development costs’ means amounts paid or in-
4 curred for the acquisition of buildings and land,
5 construction, substantial rehabilitation, demoli-
6 tion of structures, or environmental remedi-
7 ation, to the extent that the neighborhood
8 homes credit agency determines that such
9 amounts meet the standards specified pursuant
10 to subsection (f)(1)(C) (as of the date on which
11 construction or substantial rehabilitation is sub-
12 stantially complete, as determined by such
13 agency) and are necessary to ensure the finan-
14 cial feasibility of such qualified residence.

15 “(B) CONSIDERATIONS IN MAKING DETER-
16 MINATION.—In making the determination under
17 subparagraph (A), the neighborhood homes
18 credit agency shall consider—

19 “(i) the sources and uses of funds and
20 the total financing,

21 “(ii) any proceeds or receipts gen-
22 erated or expected to be generated by rea-
23 son of tax benefits, and

24 “(iii) the reasonableness of the devel-
25 opmental costs and fees.

1 “(2) ELIGIBLE DEVELOPMENT COSTS.—The
2 term ‘eligible development costs’ means the amount
3 which would be reasonable development costs if the
4 amounts taken into account as paid or incurred for
5 the acquisition of buildings and land did not exceed
6 75 percent of such costs determined without regard
7 to any amount paid or incurred for the acquisition
8 of buildings and land.

9 “(3) SUBSTANTIAL REHABILITATION.—The
10 term ‘substantial rehabilitation’ means amounts paid
11 or incurred for rehabilitation of a qualified residence
12 if such amounts exceed the greater of—

13 “(A) \$20,000, or

14 “(B) 20 percent of the amounts paid or in-
15 curred by the taxpayer for the acquisition of
16 buildings and land with respect to such quali-
17 fied residence.

18 “(4) CONSTRUCTION AND REHABILITATION
19 ONLY AFTER ALLOCATION TAKEN INTO ACCOUNT.—

20 “(A) IN GENERAL.—The terms ‘reasonable
21 development costs’ and ‘eligible development
22 costs’ shall not include any amount paid or in-
23 curred before the date on which an allocation is
24 made to the taxpayer under subsection (e) with
25 respect to the qualified project of which the

1 qualified residence is part unless such amount
2 is paid or incurred for the acquisition of build-
3 ings or land.

4 “(B) LAND AND BUILDING ACQUISITION
5 COSTS.—Amounts paid or incurred for the ac-
6 quisition of buildings or land shall be included
7 under paragraph (A) only if paid or incurred
8 not more than 3 years before the date on which
9 the allocation referred to in subparagraph (A)
10 is made. If the taxpayer acquired any building
11 or land from an entity (or any related party to
12 such entity) that holds an ownership interest in
13 the taxpayer, then such entity must also have
14 acquired such property within such 3-year pe-
15 riod, and the acquisition cost included under
16 subparagraph (A) with respect to the taxpayer
17 shall not exceed the amount such entity paid or
18 incurred to acquire such property.

19 “(c) QUALIFIED RESIDENCE.—For purposes of this
20 section—

21 “(1) IN GENERAL.—The term ‘qualified resi-
22 dence’ means a residence that—

23 “(A) is real property affixed on a perma-
24 nent foundation,

25 “(B) is—

1 exceed the median value for owner-oc-
2 cupied homes in the applicable area,

3 “(ii) which—

4 “(I) is located in a city which has
5 a population of not less than 50,000
6 and such city has a poverty rate that
7 is not less than 150 percent of the
8 poverty rate of the applicable area,

9 “(II) has a median family income
10 which does not exceed the median
11 family income for the applicable area,
12 and

13 “(III) has a median value for
14 owner-occupied homes that does not
15 exceed 80 percent of the median value
16 for owner-occupied homes in the ap-
17 plicable area,

18 “(iii) which—

19 “(I) is located in a nonmetropoli-
20 tan county,

21 “(II) has a median family income
22 which does not exceed the median
23 family income for the applicable area,
24 and

1 “(III) has been designated by a
2 neighborhood homes credit agency
3 under this clause, or

4 “(iv) which is not otherwise a quali-
5 fied census tract and is located in a dis-
6 aster area (as defined in section
7 7508A(d)(3)), but only with respect to
8 credits allocated in any period during
9 which the President of the United States
10 has determined that such area warrants in-
11 dividual or individual and public assistance
12 by the Federal Government under the Rob-
13 ert T. Stafford Disaster Relief and Emer-
14 gency Assistance Act.

15 “(B) APPLICABLE AREA.—The term ‘appli-
16 cable area’ means—

17 “(i) in the case of a metropolitan cen-
18 sus tract, the metropolitan area in which
19 such census tract is located, and

20 “(ii) in the case of a census tract
21 other than a census tract described in
22 clause (i), the State.

23 “(d) AFFORDABLE SALE.—For purposes of this sec-
24 tion—

1 “(1) IN GENERAL.—The term ‘affordable sale’
2 means a sale to a qualified homeowner of a qualified
3 residence that the neighborhood homes credit agency
4 certifies as meeting the standards promulgated
5 under subsection (f)(1)(D) for a price that does not
6 exceed—

7 “(A) in the case of any qualified residence
8 not described in subparagraph (B), (C), or (D),
9 the amount equal to the product of 4 multiplied
10 by the median family income for the applicable
11 area (as determined pursuant to the most re-
12 cent census data available as of the date of the
13 contract for such sale),

14 “(B) in the case of a house comprised of
15 2 residential units, 125 percent of the amount
16 described in subparagraph (A),

17 “(C) in the case of a house comprised of
18 3 residential units, 150 percent of the amount
19 described in subparagraph (A), or

20 “(D) in the case of a house comprised of
21 4 residential units, 175 percent of the amount
22 described in subparagraph (A).

23 “(2) QUALIFIED HOMEOWNER.—The term
24 ‘qualified homeowner’ means, with respect to a
25 qualified residence, an individual—

1 “(A) who owns and uses such qualified res-
2 idence as the principal residence of such indi-
3 vidual, and

4 “(B) whose family income (determined as
5 of the date that a binding contract for the af-
6 fordable sale of such residence is entered into)
7 is 140 percent or less of the median family in-
8 come for the applicable area in which the quali-
9 fied residence is located.

10 “(e) CREDIT CEILING AND ALLOCATIONS.—

11 “(1) CREDIT LIMITED BASED ON ALLOCATIONS
12 TO QUALIFIED PROJECTS.—

13 “(A) IN GENERAL.—The credit allowed
14 under subsection (a) to any taxpayer for any
15 taxable year with respect to one or more quali-
16 fied residences which are part of the same
17 qualified project shall not exceed the excess (if
18 any) of—

19 “(i) the amount allocated by the
20 neighborhood homes credit agency under
21 this paragraph to such taxpayer with re-
22 spect to such qualified project, over

23 “(ii) the aggregate amount of credit
24 allowed under subsection (a) to such tax-
25 payer with respect to qualified residences

1 which are a part of such qualified project
2 for all prior taxable years.

3 “(B) DEADLINE FOR COMPLETION.—No
4 credit shall be allowed under subsection (a)
5 with respect to any qualified residence unless
6 the affordable sale of such residence is during
7 the 5-year period beginning on the date of the
8 allocation to the qualified project of which such
9 residence is a part (or, in the case of a qualified
10 residence to which subsection (i) applies, the re-
11 habilitation of such residence is completed dur-
12 ing such 5-year period).

13 “(2) LIMITATIONS ON ALLOCATIONS TO QUALI-
14 FIED PROJECTS.—

15 “(A) ALLOCATIONS LIMITED BY STATE
16 NEIGHBORHOOD HOMES CREDIT CEILING.—The
17 aggregate amount allocated to taxpayers with
18 respect to qualified projects by the neighbor-
19 hood homes credit agency of any State for any
20 calendar year shall not exceed the State neigh-
21 borhood homes credit amount of such State for
22 such calendar year.

23 “(B) SET-ASIDE FOR CERTAIN PROJECTS
24 INVOLVING QUALIFIED NONPROFIT ORGANIZA-
25 TIONS.—Rules similar to the rules of section

1 42(h)(5) shall apply for purposes of this sec-
2 tion.

3 “(3) DETERMINATION OF STATE NEIGHBOR-
4 HOOD HOMES CREDIT CEILING.—

5 “(A) IN GENERAL.—The State neighbor-
6 hood homes credit amount for a State for a cal-
7 endar year is an amount equal to the sum of—

8 “(i) the greater of—

9 “(I) the product of \$7, multiplied
10 by the State population (determined
11 in accordance with section 146(j)), or

12 “(II) \$9,000,000, and

13 “(ii) any amount previously allocated
14 to any taxpayer with respect to any quali-
15 fied project by the neighborhood homes
16 credit agency of such State which can no
17 longer be allocated to any qualified resi-
18 dence because the 5-year period described
19 in paragraph (1)(B) expires during cal-
20 endar year.

21 “(B) 3-YEAR CARRYFORWARD OF UNUSED
22 LIMITATION.—The State neighborhood homes
23 credit amount for a State for a calendar year
24 shall be increased by the excess (if any) of the
25 State neighborhood homes credit amount for

1 such State for the preceding calendar year over
2 the aggregate amount allocated by the neigh-
3 borhood homes credit agency of such State dur-
4 ing such preceding calendar year. Any amount
5 carried forward under the preceding sentence
6 shall not be carried past the third calendar year
7 after the calendar year in which such credit
8 amount originally arose, determined on a first-
9 in, first-out basis.

10 “(f) RESPONSIBILITIES OF NEIGHBORHOOD HOMES
11 CREDIT AGENCIES.—

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

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

19 “(B) allocates not more than 20 percent of
20 amounts allocated in the previous year (or for
21 allocations made in 2024, not more than 20
22 percent of the neighborhood homes credit ceil-
23 ing for such year) to projects with respect to
24 qualified residences which—

1 “(i) are located in census tracts de-
2 scribed in subsection (c)(2)(A)(iii),
3 (c)(2)(A)(iv), (i)(5), or

4 “(ii) are not located in a qualified
5 census tract but meet the requirements of
6 subsection (i)(8),

7 “(C) promulgates standards with respect
8 to reasonable qualified development costs and
9 fees,

10 “(D) promulgates standards with respect
11 to construction quality,

12 “(E) in the case of any neighborhood
13 homes credit agency which makes an allocation
14 to a qualified project which includes any quali-
15 fied residence to which subsection (i) applies,
16 promulgates standards with respect to pro-
17 tecting the owners of such residences, including
18 the capacity of such owners to pay rehabilita-
19 tion costs not covered by the credit provided by
20 this section and providing for the disclosure to
21 such owners of their rights and responsibilities
22 with respect to the rehabilitation of such resi-
23 dences,

1 “(F) submits to the Secretary (at such
2 time and in such manner as the Secretary may
3 prescribe) an annual report specifying—

4 “(i) the amount of the neighborhood
5 homes credits allocated to each qualified
6 project for the previous year,

7 “(ii) with respect to each qualified
8 residence completed in the preceding cal-
9 endar year—

10 “(I) the census tract in which
11 such qualified residence is located,

12 “(II) with respect to the qualified
13 project that includes such qualified
14 residence, the year in which such
15 project received an allocation under
16 this section,

17 “(III) whether such qualified res-
18 idence was new, substantially rehabili-
19 tated and sold to a qualified home-
20 owner, or substantially rehabilitated
21 pursuant to subsection (i),

22 “(IV) the eligible development
23 costs of such qualified residence,

1 “(V) the amount of the neighbor-
2 hood homes credit with respect to
3 such qualified residence,

4 “(VI) the sales price of such
5 qualified residence, if applicable, and

6 “(VII) the family income of the
7 qualified homeowner (expressed as a
8 percentage of the applicable area me-
9 dian family income for the location of
10 the qualified residence), and

11 “(iii) such other information as the
12 Secretary may require, and

13 “(G) makes available to the general public
14 a written explanation for any allocation of a
15 neighborhood homes credit dollar amount which
16 is not made in accordance with established pri-
17 orities and selection criteria of the neighbor-
18 hood homes credit agency.

19 Subparagraph (B) shall be applied by substituting
20 ‘40 percent’ for ‘20 percent’ each place it appears in
21 the case of any State in which at least 45 percent
22 of the State population resides outside metropolitan
23 statistical areas (within the meaning of section
24 143(k)(2)(B)) and less than 20 percent of the cen-

1 sus tracts located in the State are described in sub-
2 section (c)(2)(A)(i).

3 “(2) QUALIFIED ALLOCATION PLAN.—For pur-
4 poses of this subsection, the term ‘qualified alloca-
5 tion plan’ means any plan which—

6 “(A) sets forth the selection criteria to be
7 used to prioritize qualified projects for alloca-
8 tions of State neighborhood homes credit dollar
9 amounts, including—

10 “(i) the need for new or substantially
11 rehabilitated owner-occupied homes in the
12 area addressed by the project,

13 “(ii) the expected contribution of the
14 project to neighborhood stability and revi-
15 talization, including the impact on neigh-
16 borhood residents,

17 “(iii) the capability and prior perform-
18 ance of the project sponsor, and

19 “(iv) the likelihood the project will re-
20 sult in long-term homeownership,

21 “(B) has been made available for public
22 comment, and

23 “(C) provides a procedure that the neigh-
24 borhood homes credit agency (or any agent or

1 contractor of such agency) shall follow for pur-
2 poses of—

3 “(i) identifying noncompliance with
4 any provisions of this section, and

5 “(ii) notifying the Internal Revenue
6 Service of any such noncompliance of
7 which the agency becomes aware.

8 “(g) REPAYMENT.—

9 “(1) IN GENERAL.—

10 “(A) SOLD DURING 5-YEAR PERIOD.—If a
11 qualified residence is sold during the 5-year pe-
12 riod beginning immediately after the affordable
13 sale of such qualified residence referred to in
14 subsection (a), the seller shall transfer an
15 amount equal to the repayment amount to the
16 relevant neighborhood homes credit agency.

17 “(B) USE OF REPAYMENTS.—A neighbor-
18 hood homes credit agency shall use any amount
19 received pursuant to subparagraph (A) only for
20 purposes of qualified projects.

21 “(2) REPAYMENT AMOUNT.—For purposes of
22 paragraph (1)(A)—

23 “(A) IN GENERAL.—The repayment
24 amount is an amount equal to the applicable

1 percentage of the gain from the sale to which
2 the repayment relates.

3 “(B) APPLICABLE PERCENTAGE.—For
4 purposes of subparagraph (A), the applicable
5 percentage is 50 percent, reduced by 10 per-
6 centage points for each year of the 5-year pe-
7 riod referred to in paragraph (1)(A) which ends
8 before the date of such sale.

9 “(3) LIEN FOR REPAYMENT AMOUNT.—A
10 neighborhood homes credit agency receiving an allo-
11 cation under this section shall place a lien on each
12 qualified residence that is built or rehabilitated as
13 part of a qualified project for an amount such agen-
14 cy deems necessary to ensure potential repayment
15 pursuant to paragraph (1)(A).

16 “(4) WAIVER.—

17 “(A) IN GENERAL.—The neighborhood
18 homes credit agency may waive the repayment
19 required under paragraph (1)(A) if the agency
20 determines that making a repayment would
21 constitute a hardship to the seller.

22 “(B) HARDSHIP.—For purposes of sub-
23 paragraph (A), with respect to the seller, a
24 hardship may include—

25 “(i) divorce,

1 “(ii) disability,
2 “(iii) illness, or
3 “(iv) any other hardship identified by
4 the neighborhood homes credit agency for
5 purposes of this paragraph.

6 “(h) OTHER DEFINITIONS AND SPECIAL RULES.—
7 For purposes of this section—

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

13 “(2) QUALIFIED PROJECT.—The term ‘qualified
14 project’ means a project that a neighborhood homes
15 credit agency certifies will build or substantially re-
16 habilitate one or more qualified residences.

17 “(3) DETERMINATIONS OF FAMILY INCOME.—
18 Rules similar to the rules of section 143(f)(2) shall
19 apply for purposes of this section.

20 “(4) POSSESSIONS TREATED AS STATES.—The
21 term ‘State’ includes the District of Columbia and
22 the possessions of the United States.

23 “(5) SPECIAL RULES RELATED TO CONDOMIN-
24 IUMS AND COOPERATIVE HOUSING CORPORATIONS.—

1 “(A) DETERMINATION OF DEVELOPMENT
2 COSTS.—In the case of a qualified residence de-
3 scribed in clause (ii) or (iii) of subsection
4 (c)(1)(A), the reasonable development costs and
5 eligible development costs of such qualified resi-
6 dence shall be an amount equal to such costs,
7 respectively, of the entire condominium or coop-
8 erative housing property in which such qualified
9 residence is located, multiplied by a fraction—

10 “(i) the numerator of which is the
11 total floor space of such qualified resi-
12 dence, and

13 “(ii) the denominator of which is the
14 total floor space of all residences within
15 such property.

16 “(B) TENANT-STOCKHOLDERS OF COOPER-
17 ATIVE HOUSING CORPORATIONS TREATED AS
18 OWNERS.—In the case of a cooperative housing
19 corporation (as such term is defined in section
20 216(b)), a tenant-stockholder shall be treated
21 as owning the house or apartment which such
22 person is entitled to occupy.

23 “(6) RELATED PARTY SALES NOT TREATED AS
24 AFFORDABLE SALES.—

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

4 “(B) RELATED PERSONS.—For purposes
5 of this paragraph, a person (in this subpara-
6 graph referred to as the ‘related person’) is re-
7 lated to any person if the related person bears
8 a relationship to such person specified in sec-
9 tion 267(b) or 707(b)(1), or the related person
10 and such person are engaged in trades or busi-
11 nesses under common control (within the mean-
12 ing of subsections (a) and (b) of section 52).
13 For purposes of the preceding sentence, in ap-
14 plying section 267(b) or 707(b)(1), ‘10 percent’
15 shall be substituted for ‘50 percent’.

16 “(7) INFLATION ADJUSTMENT.—

17 “(A) IN GENERAL.—In the case of a cal-
18 endar year after 2023, the dollar amounts in
19 subsections (b)(3)(A), (e)(3)(A)(i)(I),
20 (e)(3)(A)(i)(II), and (i)(2)(C) shall each be in-
21 creased by an amount equal to—

22 “(i) such dollar amount, multiplied by

23 “(ii) the cost-of-living adjustment de-
24 termined under section 1(f)(3) for such
25 calendar year by substituting ‘calendar

1 year 2022’ for ‘calendar year 2016’ in sub-
2 paragraph (A)(ii) thereof.

3 “(B) ROUNDING.—

4 “(i) In the case of the dollar amounts
5 in subsection (b)(3)(A) and (i)(2)(C), any
6 increase under paragraph (1) which is not
7 a multiple of \$1,000 shall be rounded to
8 the nearest multiple of \$1,000.

9 “(ii) In the case of the dollar amount
10 in subsection (e)(3)(A)(i)(I), any increase
11 under paragraph (1) which is not a mul-
12 tiple of \$0.01 shall be rounded to the near-
13 est multiple of \$0.01.

14 “(iii) In the case of the dollar amount
15 in subsection (e)(3)(A)(i)(II), any increase
16 under paragraph (1) which is not a mul-
17 tiple of \$100,000 shall be rounded to the
18 nearest multiple of \$100,000.

19 “(8) REPORT.—

20 “(A) IN GENERAL.—The Secretary shall
21 annually issue a report, to be made available to
22 the public, which contains the information sub-
23 mitted pursuant to subsection (f)(1)(F).

24 “(B) DE-IDENTIFICATION.—The Secretary
25 shall ensure that any information made public

1 pursuant to subparagraph (A) excludes any in-
2 formation that would allow for the identification
3 of qualified homeowners.

4 “(9) LIST OF QUALIFIED CENSUS TRACTS.—
5 The Secretary of Housing and Urban Development
6 shall, for each year, make publicly available a list of
7 qualified census tracts under—

8 “(A) on a combined basis, clauses (i) and
9 (ii) of subsection (c)(2)(A),

10 “(B) clause (iii) of such subsection, and

11 “(C) subsection (i)(5)(A).

12 “(10) DENIAL OF DEDUCTIONS IF CONVERTED
13 TO RENTAL HOUSING.—If, during the 5-year period
14 beginning immediately after the affordable sale of a
15 qualified residence referred to in subsection (a), an
16 individual who owns a qualified residence (whether
17 or not such individual was the purchaser in such af-
18 fordable sale) fails to use such qualified residence as
19 such individual’s principal residence for any period
20 of time, no deduction shall be allowed for expenses
21 paid or incurred by such individual with respect to
22 renting, during such period of time, such qualified
23 residence.

24 “(i) APPLICATION OF CREDIT WITH RESPECT TO
25 OWNER-OCCUPIED REHABILITATIONS.—

1 “(1) IN GENERAL.—In the case of a qualified
2 rehabilitation by the taxpayer of any qualified resi-
3 dence which is owned (as of the date that the writ-
4 ten binding contract referred to in paragraph (3) is
5 entered into) by a specified homeowner, the rules of
6 paragraphs (2) through (7) shall apply.

7 “(2) ALTERNATIVE CREDIT DETERMINATION.—
8 In the case of any qualified residence described in
9 paragraph (1), the neighborhood homes credit deter-
10 mined under subsection (a) with respect to such res-
11 idence shall (in lieu of any credit otherwise deter-
12 mined under subsection (a) with respect to such res-
13 idence) be allowed in the taxable year during which
14 the qualified rehabilitation is completed (as deter-
15 mined by the neighborhood homes credit agency)
16 and shall be equal to the least of—

17 “(A) the excess (if any) of—

18 “(i) the amounts paid or incurred by
19 the taxpayer for the qualified rehabilitation
20 of the qualified residence to the extent that
21 such amounts are certified by the neigh-
22 borhood homes credit agency (at the time
23 of the completion of such rehabilitation) as
24 meeting the standards specified pursuant
25 to subsection (f)(1)(C), over

1 “(ii) any amounts paid to such tax-
2 payer for such rehabilitation,

3 “(B) 50 percent of the amounts described
4 in subparagraph (A)(i), or

5 “(C) \$50,000.

6 “(3) QUALIFIED REHABILITATION.—

7 “(A) IN GENERAL.—For purposes of this
8 subsection, the term ‘qualified rehabilitation’
9 means a rehabilitation or reconstruction per-
10 formed pursuant to a written binding contract
11 between the taxpayer and the specified home-
12 owner if the amount paid or incurred by the
13 taxpayer in the performance of such rehabilita-
14 tion or reconstruction exceeds the dollar
15 amount in effect under subsection (b)(3)(A).

16 “(B) APPLICATION OF LIMITATION TO EX-
17 PENSES PAID OR INCURRED AFTER ALLOCA-
18 TION.—A rule similar to the rule of section
19 (b)(4) shall apply for purposes of this sub-
20 section.

21 “(4) SPECIFIED HOMEOWNER.—For purposes
22 of this subsection, the term ‘qualified homeowner’
23 means, with respect to a qualified residence, an indi-
24 vidual—

1 “(A) who owns and uses such qualified res-
2 idence as the principal residence of such indi-
3 vidual as of the date that the written binding
4 contract referred to in paragraph (3) is entered
5 into, and

6 “(B) whose family income (determined as
7 of such date) does not exceed the median family
8 income for the applicable area (with respect to
9 the census tract in which the qualified residence
10 is located).

11 “(5) ADDITIONAL CENSUS TRACTS IN WHICH
12 OWNER-OCCUPIED RESIDENCES MAY BE LOCATED.—
13 In the case of any qualified residence described in
14 paragraph (1), the term ‘qualified census tract’ in-
15 cludes any census tract which—

16 “(A) meets the requirements of subsection
17 (c)(2)(A)(i) without regard to subclause (III)
18 thereof, and

19 “(B) is designated by the neighborhood
20 homes credit agency for purposes of this para-
21 graph.

22 “(6) MODIFICATION OF REPAYMENT REQUIRE-
23 MENT.—In the case of any qualified residence de-
24 scribed in paragraph (1), subsection (g) shall be ap-
25 plied by beginning the 5-year period otherwise de-

1 scribed therein on the date on which the qualified
2 homeowner acquired such residence.

3 “(7) RELATED PARTIES.—Paragraph (1) shall
4 not apply if the taxpayer is the owner of the quali-
5 fied residence described in paragraph (1) or is re-
6 lated (within the meaning of subsection (h)(6)(B))
7 to such owner.

8 “(8) PYRRHOTITE REMEDIATION.—The require-
9 ment of subsection (c)(1)(C) shall not apply to a
10 qualified rehabilitation under this subsection of a
11 qualified residence that is documented by an engi-
12 neer’s report and core testing to have a foundation
13 that is adversely impacted by pyrrhotite or other
14 iron sulfide minerals.

15 “(j) REGULATIONS.—The Secretary shall prescribe
16 such regulations as may be necessary or appropriate to
17 carry out the purposes of this section, including regula-
18 tions that prevent avoidance of the rules, and abuse of
19 the purposes, of this section.”.

20 (c) CREDIT ALLOWED AS PART OF GENERAL BUSI-
21 NESS CREDIT.—Section 38(b) of the Internal Revenue
22 Code of 1986, as amended by section 213, is amended by
23 striking “plus” at the end of paragraph (41), by striking
24 the period at the end of paragraph (42) and inserting “,

1 plus”, and by adding at the end the following new para-
2 graph:

3 “(43) the neighborhood homes credit deter-
4 mined under section 42B(a).”.

5 (d) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
6 IMUM TAX.—Section 38(c)(4)(B) of the Internal Revenue
7 Code of 1986 is amended by redesignating clauses (iv)
8 through (xii) as clauses (v) through (xiii), respectively, and
9 by inserting after clause (iii) the following new clause:

10 “(iv) the credit determined under sec-
11 tion 42B,”.

12 (e) BASIS ADJUSTMENTS.—

13 (1) ENERGY EFFICIENT HOME IMPROVEMENT
14 CREDIT.—Section 25C(g) of the Internal Revenue
15 Code of 1986 is amended by adding after the first
16 sentence the following new sentence: “This sub-
17 section shall not apply for purposes of determining
18 the eligible development costs or adjusted basis of
19 any building under section 42B.”.

20 (2) RESIDENTIAL CLEAN ENERGY CREDIT.—
21 Section 25D(f) of such Code is amended by adding
22 after the first sentence the following new sentence:
23 “This subsection shall not apply for purposes of de-
24 termining the eligible development costs or adjusted
25 basis of any building under section 42B.”.

1 (2) The table of sections for subpart D of part
2 IV of subchapter A of chapter 1 of such Code, as
3 amended by section 213, is amended by inserting
4 after the item relating to section 42A the following
5 new item:

“Sec. 42B. Neighborhood homes credit.”.

6 (3) The table of sections for part III of sub-
7 chapter B of chapter 1 of such Code is amended by
8 inserting before the item relating to section 140 the
9 following new item:

“Sec. 139J. State energy subsidies for qualified residences.”.

10 (h) **EFFECTIVE DATE.**—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2023.

13 **SEC. 215. FIRST-TIME HOMEBUYER REFUNDABLE CREDIT.**

14 (a) **IN GENERAL.**—Section 36 of the Internal Rev-
15 enue Code of 1986 is amended to read as follows:

16 **“SEC. 36. FIRST-TIME HOMEBUYER REFUNDABLE CREDIT.**

17 “(a) **ALLOWANCE OF CREDIT.**—In the case of an in-
18 dividual who is a first-time homebuyer of a principal resi-
19 dence in the United States during a taxable year, there
20 shall be allowed as a credit against the tax imposed by
21 this subtitle for such taxable year an amount equal to 20
22 percent of the purchase price of the residence.

23 “(b) **LIMITATIONS; SPECIAL RULES BASED ON MAR-**
24 **ITAL AND FILING STATUS.**—

1 “(1) DOLLAR LIMITATION.—The credit allowed
2 under subsection (a) shall not exceed \$15,000.

3 “(2) LIMITATION BASED ON PURCHASE
4 PRICE.—The amount allowable as a credit under
5 subsection (a) (determined without regard to this
6 paragraph and paragraph (3), and after the applica-
7 tion of paragraph (1)) for the taxable year shall be
8 reduced (but not below zero) by the amount which
9 bears the same ratio to the amount which is so al-
10 lowable as—

11 “(A) the excess (if any) of—

12 “(i) the purchase price of the resi-
13 dence, over

14 “(ii) an amount equal to 110 percent
15 of the conforming loan limit applicable to
16 the residence, bears to

17 “(B) \$100,000.

18 For purposes of the preceding sentence, the term
19 ‘conforming loan limit’ with respect to any residence
20 means the applicable limitation governing the max-
21 imum original principal obligation for a mortgage se-
22 cured by a residence of the same type, as determined
23 and adjusted annually under section 302(b)(2) of
24 the Federal National Mortgage Association Charter

1 Act and section 305(a)(2) of the Federal Home
2 Loan Mortgage Corporation Act.

3 “(3) LIMITATION BASED ON MODIFIED AD-
4 JUSTED GROSS INCOME.—

5 “(A) IN GENERAL.—The amount allowable
6 as a credit under subsection (a) (determined
7 without regard to this paragraph and after the
8 application of paragraphs (1) and (2)) for the
9 taxable year shall be reduced (but not below
10 zero) by the amount which bears the same ratio
11 to the amount which is so allowable as—

12 “(i) the excess (if any) of—

13 “(I) the taxpayer’s modified ad-
14 justed gross income for the preceding
15 taxable year, over

16 “(II) the applicable threshold,
17 bears to

18 “(ii) \$50,000.

19 “(B) MODIFIED ADJUSTED GROSS IN-
20 COME.—For purposes of subparagraph (A), the
21 term ‘modified adjusted gross income’ with re-
22 spect to any taxable year means the adjusted
23 gross income of the taxpayer for such taxable
24 year increased by any amount excluded from

1 gross income under section 911, 931, or 933
2 for such taxable year.

3 “(C) APPLICABLE THRESHOLD.—For pur-
4 poses of subparagraph (A), the applicable
5 threshold is—

6 “(i) except as provided in clauses (ii)
7 and (iii), \$100,000,

8 “(ii) an amount equal to 150 percent
9 of the amount in effect under clause (i), in
10 the case of a head of household (as defined
11 in section 2(b)), and

12 “(iii) an amount equal to 200 percent
13 of the amount in effect under clause (i), in
14 the case of a joint return.

15 “(4) ADDITIONAL LIMITATIONS.—No credit
16 shall be allowed under subsection (a) with respect to
17 the purchase of any residence for a taxable year—

18 “(A) if the taxpayer is a nonresident alien,

19 or

20 “(B) if—

21 “(i) the taxpayer has not attained age
22 18 as of the date of such purchase, or

23 “(ii) a deduction under section 151
24 with respect to the taxpayer is allowable to
25 another taxpayer for the taxable year.

1 In the case of a taxpayer who is married, the tax-
2 payer shall be treated as meeting the age require-
3 ment of subparagraph (B)(i) if the taxpayer or the
4 taxpayer's spouse meets such age requirement.

5 “(5) MULTIPLE PURCHASERS.—If 2 or more in-
6 dividuals who are not married purchase a principal
7 residence, the amount of the credit under subsection
8 (a) shall be allocated among such individuals in such
9 manner as the Secretary may prescribe by taking
10 into account the requirements of paragraphs (2) and
11 (3), except that the total amount of the credits al-
12 lowed to all such individuals shall not exceed the
13 limitation under paragraph (1) (as modified by para-
14 graph (7)).

15 “(6) MARRIED COUPLES MUST FILE JOINT RE-
16 TURN.—If an individual is married at the close of
17 the taxable year, the credit shall be allowed under
18 subsection (a) only if the individual and the individ-
19 ual's spouse file a joint return for the taxable year.

20 “(7) ADJUSTMENT FOR INFLATION.—In the
21 case of any taxable year beginning after December
22 31, 2024, each of the dollar amounts in paragraphs
23 (1), (2)(A)(ii), and (3)(C)(i) shall be increased by an
24 amount equal to—

25 “(A) such dollar amount, multiplied by

1 “(B) the cost-of-living adjustment deter-
2 mined under section 1(f)(3) for the calendar
3 year in which the taxable year begins, deter-
4 mined by substituting ‘calendar year 2023’ for
5 ‘calendar year 2016’ in subparagraph (A)(ii)
6 thereof.

7 Any increase determined under the preceding sen-
8 tence shall be rounded to the next lowest multiple of
9 \$50.

10 “(c) DEFINITIONS.—For purposes of this section—

11 “(1) FIRST-TIME HOMEBUYER.—

12 “(A) IN GENERAL.—The term ‘first-time
13 homebuyer’ means any individual who acquires
14 a principal residence located in the United
15 States by purchase if such individual (and, if
16 married, such individual’s spouse)—

17 “(i) has not claimed any credit or de-
18 duction under this title for any previous
19 taxable year with respect to the purchase
20 or ownership of any residence or residen-
21 tial real estate (including for any expendi-
22 tures relating to the placing in service of
23 any property on, in connection with, or for
24 use in such a residence or real estate), and

1 “(ii) attests under penalty of perjury
2 that—

3 “(I) the individual (and, if mar-
4 ried, the individual’s spouse) has not
5 owned a principal residence at any
6 time prior to the purchase of the prin-
7 cipal residence to which this section
8 applies, and

9 “(II) the principal residence to
10 which this section applies was not ac-
11 quired from a person related to such
12 individual or spouse.

13 “(B) WAIVER IN CASE OF CERTAIN
14 CHANGES IN STATUS.—The Secretary may, in
15 such manner as the Secretary may prescribe,
16 waive the requirements of subparagraph (A) for
17 a taxable year in the case of an individual who
18 is not eligible to file a joint return for the tax-
19 able year, and who was married at the time the
20 individual or the individual’s former spouse pur-
21 chased a previous residence.

22 “(2) PRINCIPAL RESIDENCE.—The term ‘prin-
23 cipal residence’ has the same meaning as when used
24 in section 121.

25 “(3) PURCHASE.—

1 “(A) IN GENERAL.—The term ‘purchase’
2 means any acquisition, but only if—

3 “(i) the property is not acquired from
4 a person related to the person acquiring
5 such property (or, if either such person is
6 married, such individual’s spouse), and

7 “(ii) the basis of the property in the
8 hands of the person acquiring such prop-
9 erty is not determined—

10 “(I) in whole or in part by ref-
11 erence to the adjusted basis of such
12 property in the hands of the person
13 from whom acquired, or

14 “(II) under section 1014(a).

15 “(B) CONSTRUCTION.—A residence which
16 is constructed by the taxpayer shall be treated
17 as purchased by the taxpayer on the date the
18 taxpayer first occupies such residence.

19 “(4) PURCHASE PRICE.—The term ‘purchase
20 price’ means the adjusted basis (without regard to
21 any reduction under section 1016(a)(38)) of the
22 principal residence on the date such residence is pur-
23 chased.

24 “(5) RELATED PERSONS.—A person shall be
25 treated as related to another person if the relation-

1 ship between such persons would result in the dis-
2 allowance of losses under section 267 or 707(b) (but,
3 in applying subsections (b) and (c) of section 267
4 for purposes of this section, paragraph (4) of section
5 267(c) shall be treated as providing that the family
6 of an individual shall include only the individual's
7 spouse, ancestors, lineal descendants, and spouse's
8 ancestors and lineal descendants).

9 “(6) MARITAL STATUS.—An individual's mar-
10 ital status shall be determined in accordance with
11 section 7703.

12 “(d) DENIAL AND RECAPTURE RULES IN CASE OF
13 DISPOSAL OF RESIDENCE WITHIN 6 TAXABLE YEARS.—

14 “(1) DENIAL OF CREDIT IN CASE OF DISPOSAL
15 WITHIN TAXABLE YEAR.—No credit under sub-
16 section (a) shall be allowed to any taxpayer for any
17 taxable year with respect to the purchase of a resi-
18 dence if the taxpayer disposes of such residence (or
19 such residence ceases to be the principal residence of
20 the taxpayer (and, if married, the taxpayer's
21 spouse)) before the close of such taxable year.

22 “(2) PHASED-OUT RECAPTURE.—

23 “(A) IN GENERAL.—Except as provided in
24 subparagraph (D), if the taxpayer disposes of
25 the residence with respect to which a credit was

1 allowed under subsection (a) (or such residence
 2 ceases to be the principal residence of the tax-
 3 payer (and, if married, the taxpayer's spouse))
 4 during the 5-taxable-year period beginning with
 5 the taxable year immediately following the cred-
 6 it year, the tax imposed by this chapter for the
 7 taxable year in which such disposal (or ces-
 8 sation) occurs shall be increased by an amount
 9 equal to the recapture percentage of the
 10 amount of the credit so allowed.

11 “(B) CREDIT YEAR.—For purposes of sub-
 12 paragraph (A), the term ‘credit year’ means the
 13 taxable year in which the credit under sub-
 14 section (a) was allowed.

15 “(C) RECAPTURE PERCENTAGE.—For pur-
 16 poses of subparagraph (A), the recapture per-
 17 centage with respect to any disposal or ces-
 18 sation described in such subparagraph shall be
 19 determined in accordance with the following
 20 table:

“If the disposal or cessation occurs in:	The recapture percentage is:
The 1st taxable year beginning after the credit year	100 percent
The 2nd taxable year beginning after the credit year	80 percent
The 3rd taxable year beginning after the credit year	60 percent
The 4th taxable year beginning after the credit year	40 percent
The 5th taxable year beginning after the credit year	20 percent.

21 “(D) EXCEPTIONS.—This paragraph shall
 22 not apply in the case of a disposal or cessation

1 described in subparagraph (A) which occurs
2 after or incident to any of the following:

3 “(i) Death of the taxpayer or the tax-
4 payer’s spouse.

5 “(ii) Divorce of the taxpayer.

6 “(iii) Involuntary conversion of the
7 residence (within the meaning of section
8 121(d)(5)(A)).

9 “(iv) Relocation of duty station or
10 qualified official extended duty (as defined
11 in section 121(d)(9)(C)) of the taxpayer or
12 the taxpayer’s spouse who is a member of
13 the uniformed services (as defined in sec-
14 tion 121(d)(9)(C)(ii)), a member of the
15 Foreign Service of the United States (as
16 defined in section 121(d)(9)(C)(iii)), or an
17 employee of the intelligence community (as
18 defined in section 121(d)(9)(C)(iv)).

19 “(v) Change of employment of the
20 taxpayer or the taxpayer’s spouse which
21 meets the conditions of section 217(c).

22 “(vi) Loss of employment, health con-
23 ditions, or such other unforeseen cir-
24 cumstances as may be specified by the Sec-
25 retary.

1 “(e) ADJUSTMENT TO BASIS.—For purposes of this
2 subtitle, if a credit is allowed under this section with re-
3 spect to any property, the taxpayer’s basis in such prop-
4 erty shall be reduced by the amount of the credit so al-
5 lowed.

6 “(f) REPORTING.—

7 “(1) IN GENERAL.—A credit shall be allowed
8 under this section only if the following are included
9 on the return of tax:

10 “(A) The individual’s (and, if married, the
11 individual’s spouse’s) social security number
12 issued by the Social Security Administration.

13 “(B) The street address (not including a
14 post office box) of the principal residence pur-
15 chased.

16 “(C) The purchase price of the principal
17 residence.

18 “(D) The date of purchase of the principal
19 residence.

20 “(E) The closing disclosure relating to the
21 purchase (in the case of a purchase financed by
22 a mortgage).

23 “(2) REPORTING OF REAL ESTATE TRANS-
24 ACTIONS.—If the Secretary requires information re-
25 porting under section 6045 by a person described in

1 subsection (e)(2) thereof to verify the eligibility of
2 taxpayers for the credit allowable by this section, the
3 exception provided by section 6045(e)(5) shall not
4 apply.”.

5 (b) CONFORMING AMENDMENT RELATING TO BASIS
6 ADJUSTMENT.—Subsection (a) of section 1016 of the In-
7 ternal Revenue Code of 1986, as amended by section 213,
8 is further amended—

9 (1) by redesignating paragraphs (38) and (39)
10 as paragraphs (39) and (40), respectively; and

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

13 “(38) to the extent provided in section 36(e).”.

14 (c) CONFORMING AMENDMENT.—Section 26(b)(2) of
15 the Internal Revenue Code of 1986 is amended by striking
16 subparagraph (W) and by redesignating subparagraphs
17 (X), (Y), and (Z) as subparagraphs (W), (X), and (Y),
18 respectively.

19 (d) CLERICAL AMENDMENT.—The item relating to
20 section 36 in the table of sections for subpart C of part
21 IV of subchapter A of chapter 1 of the Internal Revenue
22 Code of 1986 is amended to read as follows:

“Sec. 36. First-time homebuyer refundable credit.”.

23 (e) AUTHORITY TO TREAT CLAIM OF CREDIT AS
24 ERROR, ETC.—Subparagraph (N) of section 6213(g)(2) of

1 the Internal Revenue Code of 1986 is amended to read
2 as follows:

3 “(N) in the case of a return claiming the
4 credit under section 36—

5 “(i) the omission of a social security
6 number required under section 36(f)(1)(A),

7 “(ii) the inclusion of a social security
8 number so required if—

9 “(I) the claim of the credit on
10 the return reflects the treatment of
11 such individual as being of an age dif-
12 ferent from the individual’s age based
13 on such social security number, or

14 “(II) except as provided in sec-
15 tion 36(c)(1)(B), such social security
16 number has been included (other than
17 as a dependent for purposes of section
18 151) on a return for any previous tax-
19 able year claiming any credit or de-
20 duction described in section
21 36(c)(1)(A)(i),

22 “(iii) the omission of any other re-
23 quired information or documentation de-
24 scribed in section 36(f)(1), including the

1 inclusion of a post office box instead of a
2 street address for the purchased residence,
3 “(iv) the inclusion of any information
4 or documentation described in clause (iii)
5 if such information or documentation does
6 not support a valid claim for the credit, or
7 “(v) a claim of such credit for a tax-
8 able year with respect to the purchase of
9 a residence made after the last day of such
10 taxable year.”.

11 (f) IRS RECORDKEEPING.—Notwithstanding the lim-
12 itations on assessment and collection under section 6501
13 of the Internal Revenue Code of 1986, the Commissioner
14 of Internal Revenue shall maintain records of returns and
15 return information (as defined in section 6103(b)(2) of
16 such Code) of any taxpayer claiming the credit under sec-
17 tion 36 of such Code (as amended by this section) for the
18 taxable year in which such credit is claimed and suc-
19 ceeding taxable years in the individual master files of the
20 Internal Revenue Service.

21 (g) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2023.