

107TH CONGRESS
1ST SESSION

H. R. 1172

To amend the Internal Revenue Code of 1986 to provide a credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence.

IN THE HOUSE OF REPRESENTATIVES

MARCH 22, 2001

Mr. SHAW (for himself, Mr. LEWIS of Georgia, Mr. WATKINS, Mr. JEFFERSON, Mr. BECERRA, Mr. NEAL of Massachusetts, Mr. HOUGHTON, Mr. BLUMENAUER, Mr. ANDREWS, Mr. SANDERS, Mrs. JONES of Ohio, Mr. BENTSEN, Mr. HOLDEN, Mr. HINCHEY, Ms. MCCOLLUM, Mr. ENGEL, Mr. MOLLOHAN, Mr. GREENWOOD, Mr. MALONEY of Connecticut, Mr. CAMP, Mr. RUSH, Mr. BALDACCI, Mr. CANTOR, Mr. HILLIARD, Mr. ENGLISH, Mr. FROST, Ms. KAPTUR, Mr. STARK, Mr. LEVIN, Mr. McDERMOTT, Ms. ROYBAL-ALLARD, Mr. MATSUI, Mr. GUTKNECHT, Mr. PASCRELL, Mr. COYNE, Mr. KUCINICH, Mr. McNULTY, Mr. TANCREDO, Ms. MCKINNEY, Mr. UDALL of Colorado, Mr. CUMMINGS, Ms. HART, Mr. GEPHARDT, Mrs. JOHNSON of Connecticut, Mr. CARDIN, Mr. DOYLE, Mrs. THURMAN, Mr. MCGOVERN, Mr. ABERCROMBIE, Mr. GOODLATTE, Mr. KENNEDY of Rhode Island, Mr. LEWIS of Kentucky, Mr. RAMSTAD, Mr. McCRERY, and Mr. FOLEY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide a credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Historic Homeowner-
5 ship Assistance Act”.

6 **SEC. 2. HISTORIC HOMEOWNERSHIP REHABILITATION**
7 **CREDIT.**

8 (a) IN GENERAL.—Subpart A of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of
10 1986 (relating to nonrefundable personal credits) is
11 amended by inserting after section 25A the following new
12 section:

13 **“SEC. 25B. HISTORIC HOMEOWNERSHIP REHABILITATION**
14 **CREDIT.**

15 “(a) GENERAL RULE.—In the case of an individual,
16 there shall be allowed as a credit against the tax imposed
17 by this chapter for the taxable year an amount equal to
18 20 percent of the qualified rehabilitation expenditures
19 made by the taxpayer with respect to a qualified historic
20 home.

21 “(b) DOLLAR LIMITATION.—

22 “(1) IN GENERAL.—The credit allowed by sub-
23 section (a) with respect to any residence of a tax-
24 payer shall not exceed \$40,000 (\$20,000 in the case
25 of a married individual filing a separate return).

1 “(2) CARRYFORWARD OF CREDIT UNUSED BY
2 REASON OF LIMITATION BASED ON TAX LIABIL-
3 ITY.—If the credit allowable under subsection (a) for
4 any taxable year exceeds the limitation imposed by
5 section 26(a) for such taxable year reduced by the
6 sum of the credits allowable under this subpart
7 (other than this section), such excess shall be carried
8 to the succeeding taxable year and added to the
9 credit allowable under subsection (a) for such suc-
10 ceeding taxable year.

11 “(c) QUALIFIED REHABILITATION EXPENDITURE.—
12 For purposes of this section:

13 “(1) IN GENERAL.—The term ‘qualified reha-
14 bilitation expenditure’ means any amount properly
15 chargeable to capital account—

16 “(A) in connection with the certified reha-
17 bilitation of a qualified historic home, and

18 “(B) for property for which depreciation
19 would be allowable under section 168 if the
20 qualified historic home were used in a trade or
21 business.

22 “(2) CERTAIN EXPENDITURES NOT IN-
23 CLUDED.—

24 “(A) EXTERIOR.—Such term shall not in-
25 clude any expenditure in connection with the re-

1 habilitation of a building unless at least 5 per-
2 cent of the total expenditures made in the reha-
3 bilitation process are allocable to the rehabilita-
4 tion of the exterior of such building.

5 “(B) OTHER RULES TO APPLY.—Rules
6 similar to the rules of clauses (ii) and (iii) of
7 section 47(c)(2)(B) shall apply.

8 “(3) MIXED USE OR MULTIFAMILY BUILDING.—
9 If only a portion of a building is used as the prin-
10 cipal residence of the taxpayer, only qualified reha-
11 bilitation expenditures which are properly allocable
12 to such portion shall be taken into account under
13 this section.

14 “(d) CERTIFIED REHABILITATION.—For purposes of
15 this section:

16 “(1) IN GENERAL.—Except as otherwise pro-
17 vided in this subsection, the term ‘certified rehabili-
18 tation’ has the meaning given such term by section
19 47(c)(2)(C).

20 “(2) FACTORS TO BE CONSIDERED IN THE
21 CASE OF TARGETED AREA RESIDENCES, ETC.—

22 “(A) IN GENERAL.—For purposes of ap-
23 plying section 47(c)(2)(C) under this section
24 with respect to the rehabilitation of a building

1 to which this paragraph applies, consideration
2 shall be given to—

3 “(i) the feasibility of preserving exist-
4 ing architectural and design elements of
5 the interior of such building,

6 “(ii) the risk of further deterioration
7 or demolition of such building in the event
8 that certification is denied because of the
9 failure to preserve such interior elements,
10 and

11 “(iii) the effects of such deterioration
12 or demolition on neighboring historic prop-
13 erties.

14 “(B) BUILDINGS TO WHICH THIS PARA-
15 GRAPH APPLIES.—This paragraph shall apply
16 with respect to any building—

17 “(i) any part of which is a targeted
18 area residence within the meaning of sec-
19 tion 143(j)(1), or

20 “(ii) which is located within an enter-
21 prise community or empowerment zone as
22 designated under section 1391, or a re-
23 newal community designated under section
24 1400(e),

1 but shall not apply with respect to any building
2 which is listed in the National Register.

3 “(3) APPROVED STATE PROGRAM.—The term
4 ‘certified rehabilitation’ includes a certification made
5 by—

6 “(A) a State Historic Preservation Officer
7 who administers a State Historic Preservation
8 Program approved by the Secretary of the Inte-
9 rior pursuant to section 101(b)(1) of the Na-
10 tional Historic Preservation Act, or

11 “(B) a local government, certified pursuant
12 to section 101(c)(1) of the National Historic
13 Preservation Act and authorized by a State
14 Historic Preservation Officer, or the Secretary
15 of the Interior where there is no approved State
16 program,

17 subject to such terms and conditions as may be
18 specified by the Secretary of the Interior for the re-
19 habilitation of buildings within the jurisdiction of
20 such officer (or local government) for purposes of
21 this section.

22 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
23 poses of this section:

1 “(1) QUALIFIED HISTORIC HOME.—The term
2 ‘qualified historic home’ means a certified historic
3 structure—

4 “(A) which has been substantially rehabili-
5 tated, and

6 “(B) which (or any portion of which)—

7 “(i) is owned by the taxpayer, and

8 “(ii) is used (or will, within a reason-
9 able period, be used) by such taxpayer as
10 his principal residence.

11 “(2) SUBSTANTIALLY REHABILITATED.—The
12 term ‘substantially rehabilitated’ has the meaning
13 given such term by section 47(c)(1)(C); except that,
14 in the case of any building described in subsection
15 (d)(2), clause (i)(I) thereof shall not apply.

16 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-
17 cipal residence’ has the same meaning as when used
18 in section 121.

19 “(4) CERTIFIED HISTORIC STRUCTURE.—

20 “(A) IN GENERAL.—The term ‘certified
21 historic structure’ means any building (and its
22 structural components) which—

23 “(i) is listed in the National Register,

24 or

1 “(ii) is located in a registered historic
2 district (as defined in section 47(c)(3)(B))
3 within which only qualified census tracts
4 (or portions thereof) are located, and is
5 certified by the Secretary of the Interior as
6 being of historic significance to the dis-
7 trict.

8 “(B) CERTAIN STRUCTURES INCLUDED.—

9 Such term includes any building (and its struc-
10 tural components) which is designated as being
11 of historic significance under a statute of a
12 State or local government, if such statute is
13 certified by the Secretary of the Interior to the
14 Secretary as containing criteria which will sub-
15 stantially achieve the purpose of preserving and
16 rehabilitating buildings of historic significance.

17 “(C) QUALIFIED CENSUS TRACTS.—For
18 purposes of subparagraph (A)(ii)—

19 “(i) IN GENERAL.—The term ‘quali-
20 fied census tract’ means a census tract in
21 which the median income is less than twice
22 the statewide median family income.

23 “(ii) DATA USED.—The determination
24 under clause (i) shall be made on the basis

1 of the most recent decennial census for
2 which data are available.

3 “(5) REHABILITATION NOT COMPLETE BEFORE
4 CERTIFICATION.—A rehabilitation shall not be treat-
5 ed as complete before the date of the certification re-
6 ferred to in subsection (d).

7 “(6) LESSEES.—A taxpayer who leases his
8 principal residence shall, for purposes of this section,
9 be treated as the owner thereof if the remaining
10 term of the lease (as of the date determined under
11 regulations prescribed by the Secretary) is not less
12 than such minimum period as the regulations re-
13 quire.

14 “(7) TENANT-STOCKHOLDER IN COOPERATIVE
15 HOUSING CORPORATION.—If the taxpayer holds
16 stock as a tenant-stockholder (as defined in section
17 216) in a cooperative housing corporation (as de-
18 fined in such section), such stockholder shall be
19 treated as owning the house or apartment which the
20 taxpayer is entitled to occupy as such stockholder.

21 “(8) ALLOCATION OF EXPENDITURES RELAT-
22 ING TO EXTERIOR OF BUILDING CONTAINING COOP-
23 ERATIVE OR CONDOMINIUM UNITS.—The percentage
24 of the total expenditures made in the rehabilitation
25 of a building containing cooperative or condominium

1 residential units allocated to the rehabilitation of the
2 exterior of the building shall be attributed propor-
3 tionately to each cooperative or condominium resi-
4 dential unit in such building for which a credit
5 under this section is claimed.

6 “(f) WHEN EXPENDITURES TAKEN INTO AC-
7 COUNT.—In the case of a building other than a building
8 to which subsection (g) applies, qualified rehabilitation ex-
9 penditures shall be treated for purposes of this section as
10 made—

11 “(1) on the date the rehabilitation is completed,
12 or

13 “(2) to the extent provided by the Secretary by
14 regulation, when such expenditures are properly
15 chargeable to capital account.

16 Regulations under paragraph (2) shall include a rule simi-
17 lar to the rule under section 50(a)(2) (relating to recap-
18 ture if property ceases to qualify for progress expendi-
19 tures).

20 “(g) ALLOWANCE OF CREDIT FOR PURCHASE OF RE-
21 HABILITATED HISTORIC HOME.—

22 “(1) IN GENERAL.—In the case of a qualified
23 purchased historic home, the taxpayer shall be treat-
24 ed as having made (on the date of purchase) the ex-
25 penditures made by the seller of such home. For

1 purposes of the preceding sentence, expenditures
2 made by the seller shall be deemed to be qualified
3 rehabilitation expenditures if such expenditures, if
4 made by the purchaser, would be qualified rehabili-
5 tation expenditures.

6 “(2) QUALIFIED PURCHASED HISTORIC
7 HOME.—For purposes of this subsection, the term
8 ‘qualified purchased historic home’ means any sub-
9 stantially rehabilitated certified historic structure
10 purchased by the taxpayer if—

11 “(A) the taxpayer is the first purchaser of
12 such structure after the date rehabilitation is
13 completed, and the purchase occurs within 5
14 years after such date,

15 “(B) the structure (or a portion thereof)
16 will, within a reasonable period, be the principal
17 residence of the taxpayer,

18 “(C) no credit was allowed to the seller
19 under this section or section 47 with respect to
20 such rehabilitation, and

21 “(D) the taxpayer is furnished with such
22 information as the Secretary determines is nec-
23 essary to determine the credit under this sub-
24 section.

1 “(h) HISTORIC REHABILITATION MORTGAGE CREDIT
2 CERTIFICATE.—

3 “(1) IN GENERAL.—The taxpayer may elect, in
4 lieu of the credit otherwise allowable under this sec-
5 tion, to receive a historic rehabilitation mortgage
6 credit certificate. An election under this paragraph
7 shall be made—

8 “(A) in the case of a building to which
9 subsection (g) applies, at the time of purchase,
10 or

11 “(B) in any other case, at the time reha-
12 bilitation is completed.

13 “(2) HISTORIC REHABILITATION MORTGAGE
14 CREDIT CERTIFICATE.—For purposes of this sub-
15 section, the term ‘historic rehabilitation mortgage
16 credit certificate’ means a certificate—

17 “(A) issued to the taxpayer, in accordance
18 with procedures prescribed by the Secretary,
19 with respect to a certified rehabilitation,

20 “(B) the face amount of which shall be
21 equal to the credit which would (but for this
22 subsection) be allowable under subsection (a) to
23 the taxpayer with respect to such rehabilitation,

24 “(C) which may only be transferred by the
25 taxpayer to a lending institution (including a

1 nondepository institution) in connection with a
2 loan—

3 “(i) that is secured by the building
4 with respect to which the credit relates,
5 and

6 “(ii) the proceeds of which may not be
7 used for any purpose other than the acqui-
8 sition or rehabilitation of such building,
9 and

10 “(D) in exchange for which such lending
11 institution provides to the taxpayer—

12 “(i) a reduction in the rate of interest
13 on the loan which results in interest pay-
14 ment reductions which are substantially
15 equivalent on a present value basis to the
16 face amount of such certificate, or

17 “(ii) if the taxpayer so elects with re-
18 spect to a specified amount of the face
19 amount of such a certificate relating to a
20 building—

21 “(I) which is a targeted area res-
22 idence (within the meaning of section
23 143(j)(1)), or

24 “(II) which is located in an en-
25 terprise community or empowerment

1 zone as designated under section
2 1391, or a renewal community as des-
3 ignated under section 1400(e),
4 a payment which is substantially equivalent
5 to such specified amount to be used to re-
6 duce the taxpayer's cost of purchasing the
7 building (and only the remainder of such
8 face amount shall be taken into account
9 under clause (i)).

10 “(3) METHOD OF DISCOUNTING.—The present
11 value under paragraph (2)(D)(i) shall be
12 determined—

13 “(A) for a period equal to the term of the
14 loan referred to in subparagraph (D)(i),

15 “(B) by using the convention that any pay-
16 ment on such loan in any taxable year within
17 such period is deemed to have been made on
18 the last day of such taxable year,

19 “(C) by using a discount rate equal to 65
20 percent of the average of the annual Federal
21 mid-term rate and the annual Federal long-
22 term rate applicable under section 1274(d)(1)
23 to the month in which the taxpayer makes an
24 election under paragraph (1) and compounded
25 annually, and

1 “(D) by assuming that the credit allowable
2 under this section for any year is received on
3 the last day of such year.

4 “(4) USE OF CERTIFICATE BY LENDER.—The
5 amount of the credit specified in the certificate shall
6 be allowed to the lender only to offset the regular
7 tax (as defined in section 55(c)) of such lender. The
8 lender may carry forward all unused amounts under
9 this subsection until exhausted.

10 “(5) HISTORIC REHABILITATION MORTGAGE
11 CREDIT CERTIFICATE NOT TREATED AS TAXABLE IN-
12 COME.—Notwithstanding any other provision of law,
13 no benefit accruing to the taxpayer through the use
14 of a historic rehabilitation mortgage credit certifi-
15 cate shall be included in gross income for purposes
16 of this title.

17 “(i) RECAPTURE.—

18 “(1) IN GENERAL.—If, before the end of the 5-
19 year period beginning on the date on which the reha-
20 bilitation of the building is completed (or, if sub-
21 section (g) applies, the date of purchase of such
22 building by the taxpayer)—

23 “(A) the taxpayer disposes of such tax-
24 payer’s interest in such building, or

1 “(B) such building ceases to be used as the
2 principal residence of the taxpayer or ceases to
3 be a certified historic structure,
4 the taxpayer’s tax imposed by this chapter for the
5 taxable year in which such disposition or cessation
6 occurs shall be increased by the recapture percent-
7 age of the credit allowed under this section for all
8 prior taxable years with respect to such rehabilita-
9 tion.

10 “(2) RECAPTURE PERCENTAGE.—For purposes
11 of paragraph (1), the recapture percentage shall be
12 determined in accordance with the table under sec-
13 tion 50(a)(1)(B), deeming such table to be
14 amended—

15 “(A) by striking ‘If the property ceases to
16 be investment credit property within—’ and in-
17 serting ‘If the disposition or cessation occurs
18 within—’, and

19 “(B) in clause (i) by striking ‘One full year
20 after placed in service’ and inserting ‘One full
21 year after the taxpayer becomes entitled to the
22 credit’.

23 “(3) TRANSFER BETWEEN SPOUSES OR INCI-
24 DENT TO DIVORCE.—In the case of any transfer de-

1 scribed in subsection (a) of section 1041 (relating to
2 transfers between spouses or incident to divorce)—

3 “(A) the foregoing provisions of this sub-
4 section shall not apply, and

5 “(B) the same tax treatment under this
6 subsection with respect to the transferred prop-
7 erty shall apply to the transferee as would have
8 applied to the transferor.

9 “(j) BASIS ADJUSTMENTS.—For purposes of this
10 subtitle, if a credit is allowed under this section for any
11 expenditure with respect to any property (including any
12 purchase under subsection (g) and any transfer under sub-
13 section (h)), the increase in the basis of such property
14 which would (but for this subsection) result from such ex-
15 penditure shall be reduced by the amount of the credit
16 so allowed.

17 “(k) PROCESSING FEES.—Any State may impose a
18 fee for the processing of applications for the certification
19 of any rehabilitation under this section provided that the
20 amount of such fee is used only to defray expenses associ-
21 ated with the processing of such applications.

22 “(l) DENIAL OF DOUBLE BENEFIT.—No credit shall
23 be allowed under this section for any amount for which
24 credit is allowed under section 47.

1 “(m) REGULATIONS.—The Secretary shall prescribe
2 such regulations as may be appropriate to carry out the
3 purposes of this section, including regulations where less
4 than all of a building is used as a principal residence and
5 where more than 1 taxpayer use the same dwelling unit
6 as their principal residence.”

7 (b) CONFORMING AMENDMENTS.—

8 (1) Subsection (c) of section 23 of such Code
9 is amended by striking “and section 1400C” and in-
10 sserting “and sections 25B and 1400C”.

11 (2) Subparagraph (C) of section 25(e)(1) of
12 such Code is amended by inserting “, 25B,” after
13 “sections 23”.

14 (3) Subsection (d) of section 1400C of such
15 Code is amended by striking “other than this sec-
16 tion)” and inserting “other than this section and
17 section 25B)”.

18 (4) Subsection (a) of section 1016 of such Code
19 is amended by striking “and” at the end of para-
20 graph (26), by striking the period at the end of
21 paragraph (27) and inserting “, and”, and by add-
22 ing at the end the following new item:

23 “(28) to the extent provided in section 25B(j).”

24 (c) CLERICAL AMENDMENT.—The table of sections
25 for subpart A of part IV of subchapter A of chapter 1

1 of such Code is amended by inserting after the item relat-
2 ing to section 25A the following new item:

“Sec. 25B. Historic homeownership rehabilitation credit.”

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply with respect to rehabilitations the
5 physical work on which begins after the date of enactment
6 of this Act.

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