

107TH CONGRESS  
1ST SESSION

# S. 677

To amend the Internal Revenue Code of 1986 to repeal the required use of certain principal repayments on mortgage subsidy bond financings to redeem bonds, to modify the purchase price limitation under mortgage subsidy bond rules based on median family income, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

APRIL 2 (legislative day, MARCH 30), 2001

Mr. HATCH (for himself, Mr. BREAUX, Mr. JEFFORDS, Ms. SNOWE, Mrs. LINCOLN, and Mr. ALLARD) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to repeal the required use of certain principal repayments on mortgage subsidy bond financings to redeem bonds, to modify the purchase price limitation under mortgage subsidy bond rules based on median family income, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Housing Bond and  
5 Credit Modernization and Fairness Act of 2001”.

1 **SEC. 2. REPEAL OF REQUIRED USE OF CERTAIN PRINCIPAL**  
 2 **REPAYMENTS ON MORTGAGE SUBSIDY BOND**  
 3 **FINANCINGS TO REDEEM BONDS.**

4 (a) IN GENERAL.—Subparagraph (A) of section  
 5 143(a)(2) of the Internal Revenue Code of 1986 (defining  
 6 qualified mortgage issue) is amended by adding “and” at  
 7 the end of clause (ii), by striking “, and” at the end of  
 8 clause (iii) and inserting a period, and by striking clause  
 9 (iv) and the last sentence.

10 (b) CONFORMING AMENDMENT.—Clause (ii) of sec-  
 11 tion 143(a)(2)(D) of such Code is amended by striking  
 12 “(and clause (iv) of subparagraph (A))”.

13 (c) EFFECTIVE DATE.—The amendments made by  
 14 this section shall apply to repayments received after the  
 15 date of the enactment of this Act.

16 **SEC. 3. MODIFICATION OF PURCHASE PRICE LIMITATION**  
 17 **UNDER MORTGAGE SUBSIDY BOND RULES**  
 18 **BASED ON MEDIAN FAMILY INCOME.**

19 (a) IN GENERAL.—Paragraph (1) of section 143(e)  
 20 of the Internal Revenue Code of 1986 (relating to pur-  
 21 chase price requirement) is amended to read as follows:

22 “(1) IN GENERAL.—An issue meets the require-  
 23 ments of this subsection only if the acquisition cost  
 24 of each residence the owner-financing of which is  
 25 provided under the issue does not exceed the greater  
 26 of—

1           “(A) 90 percent of the average area pur-  
2           chase price applicable to the residence, or

3           “(B) 3.5 times the applicable median fam-  
4           ily income (as defined in subsection (f)).”

5           (b) EFFECTIVE DATE.—The amendment made by  
6 this section shall apply to financing provided, and mort-  
7 gage credit certificates issued, after the date of the enact-  
8 ment of this Act.

9   **SEC. 4. DETERMINATION OF AREA MEDIAN GROSS INCOME**  
10                   **FOR LOW-INCOME HOUSING CREDIT**  
11                   **PROJECTS.**

12           (a) IN GENERAL.—Paragraph (4) of section 42(g) of  
13 the Internal Revenue Code of 1986 (relating to certain  
14 rules made applicable) is amended by striking the period  
15 at the end and inserting “and the term ‘area median gross  
16 income’ means the amount equal to the greater of—

17                   “(A) the area median gross income deter-  
18                   mined under section 142(d)(2)(B), or

19                   “(B) the statewide median gross income  
20                   for the State in which the project is located.”

21           (b) EFFECTIVE DATE.—The amendment made by  
22 this section shall apply to—

23                   (1) housing credit dollar amounts allocated  
24                   after the date of the enactment of this Act, and

1           (2) buildings placed in service after such date  
2           to the extent paragraph (1) of section 42(h) of the  
3           Internal Revenue Code of 1986 does not apply to  
4           any building by reason of paragraph (4) thereof.

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