

110TH CONGRESS
1ST SESSION

S. 584

To amend the Internal Revenue Code of 1986 to modify the rehabilitation credit and the low-income housing credit.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 14, 2007

Mrs. LINCOLN (for herself, Mr. SMITH, and Ms. LANDRIEU) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify the rehabilitation credit and the low-income housing credit.

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 “Community Restora-
5 tion and Revitalization Act of 2007”.

1 **SEC. 2. MODIFICATIONS TO RULES FOR DETERMINING THE**
2 **APPLICABLE PERCENTAGE FOR CERTAIN**
3 **BUILDINGS ELIGIBLE FOR LOW-INCOME**
4 **HOUSING CREDIT.**

5 (a) **IN GENERAL.**—Subparagraph (B) of section
6 42(b)(2) of the Internal Revenue Code of 1986 (relating
7 to the method of prescribing the applicable percentage) is
8 amended by striking “and” at the end of clause (i), by
9 striking the period at the end of clause (ii) and inserting
10 a comma, and by adding at the end the following new
11 clauses:

12 “(iii) 87.5 percent of the qualified
13 basis of a building described in paragraph
14 (1)(A), if the basis of the building is sub-
15 ject to the basis adjustment for rehabilita-
16 tion credit property required under section
17 50(c), and

18 “(iv) 37.5 percent of the qualified
19 basis of a building described in paragraph
20 (1)(B), if the basis of the building is sub-
21 ject to the basis adjustment for rehabilita-
22 tion credit property required under section
23 50(c).”.

24 (b) **EFFECTIVE DATE.**—The amendments made by
25 this section shall apply to—

1 (1) housing credit dollar amounts allocated
2 after December 31, 2006, and

3 (2) buildings placed in service after such date
4 to the extent paragraph (1) of section 42(h) of the
5 Internal Revenue Code of 1986 does not apply to
6 any building by reason of paragraph (4) thereof, but
7 only with respect to bonds issued after such date.

8 **SEC. 3. MODIFICATION TO BASIS ADJUSTMENT RULE.**

9 (a) IN GENERAL.—Paragraph (3) of section 50(c) of
10 the Internal Revenue Code of 1986 (relating to special
11 rules for determining basis) is amended by inserting “or
12 rehabilitation credit” after “energy credit”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to taxable years beginning after
15 December 31, 2006.

16 **SEC. 4. INCREASE IN THE REHABILITATION CREDIT FOR**
17 **CERTAIN SMALLER PROJECTS.**

18 (a) IN GENERAL.—Section 47 of the Internal Rev-
19 enue Code of 1986 (relating to rehabilitation credit) is
20 amended by adding at the end the following new sub-
21 section:

22 “(e) SPECIAL RULE REGARDING CERTAIN SMALLER
23 PROJECTS.—

24 “(1) IN GENERAL.—In the case of any qualified
25 rehabilitated building or portion thereof—

1 “(A) which is placed in service after the
2 date of the enactment of this subsection, and

3 “(B) which is a smaller project,
4 subsection (a)(2) shall be applied by substituting ‘40
5 percent’ for ‘20 percent’ with respect to qualified re-
6 habilitation expenditures not over \$1,000,000, and
7 ‘20 percent’ with respect to qualified rehabilitation
8 expenditures of over \$1,000,000.

9 “(2) SMALLER PROJECT DEFINED.—For pur-
10 poses of this section, the term ‘smaller project’
11 means any qualified rehabilitated building or portion
12 thereof as to which—

13 “(A) the qualified rehabilitation expendi-
14 tures reported by the taxpayer for purposes of
15 calculating the credit under this section are not
16 over \$2,000,000, except that for purposes of
17 making this determination, qualified rehabilita-
18 tion expenditures attributable to the provisions
19 of subsection (c)(2)(E) shall be disregarded,
20 and

21 “(B) no credit was allowable under this
22 section during any of the two prior taxable
23 years, provided that this subparagraph shall not
24 apply to any building as to which the election

1 provided for in subsection (d)(5) shall have
2 been made.

3 “(3) COORDINATION WITH SUBSECTION (d).—

4 With respect to any building as to which the election
5 provided for in subsection (d)(5) shall have been
6 made, such building shall be deemed a smaller
7 project only if the qualified rehabilitation expendi-
8 tures reported by the taxpayer for purposes of calcu-
9 lating the credit under this section with respect to
10 the taxable years to which such election shall apply
11 are, in the aggregate, not over \$2,000,000.”

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall apply to property placed in service after
14 the date of the enactment of this Act.

15 **SEC. 5. USE FOR LODGING NOT TO DISQUALIFY FOR REHA-**
16 **BILITATION CREDIT PROPERTY WHICH IS**
17 **NOT A CERTIFIED HISTORIC STRUCTURE.**

18 (a) IN GENERAL.—Subparagraph (C) of section
19 50(b)(2) of the Internal Revenue Code of 1986 (relating
20 to property eligible for the investment credit) is amended
21 by striking “certified historic structure” and inserting
22 “qualified rehabilitated building”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall apply to property placed in service after
25 the date of the enactment of this Act.

1 **SEC. 6. DATE BY WHICH BUILDING MUST BE FIRST PLACED**
 2 **IN SERVICE.**

3 (a) IN GENERAL.—Subparagraph (B) of section
 4 47(c)(1) of the Internal Revenue Code of 1986 (relating
 5 to the date by which building must be first placed in serv-
 6 ice) is amended—

7 (1) by striking “BUILDING MUST BE FIRST
 8 PLACED IN SERVICE BEFORE 1936” in the heading
 9 and inserting “DATE BY WHICH BUILDING MUST
 10 FIRST BE PLACED IN SERVICE”, and

11 (2) by striking “before 1936” in the text and
 12 inserting “no less than 50 years prior to the year in
 13 which qualified rehabilitation expenditures are taken
 14 into account under subsection (b)(1)”.

15 (b) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to property placed in service after
 17 the date of the enactment of this Act.

18 **SEC. 7. MODIFICATIONS REGARDING CERTAIN TAX-EXEMPT**
 19 **USE PROPERTY.**

20 (a) IN GENERAL.—Subclause (I) of section
 21 47(c)(2)(B)(v) of the Internal Revenue Code of 1986 (re-
 22 lating to tax-exempt use property) is amended by inserting
 23 “, except that for purposes of this clause, ‘50 percent’
 24 shall be substituted for ‘35 percent’ in applying section
 25 168(h)(1)(B)(iii))” before the period at the end.

1 (b) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to property placed in service after
 3 the date of the enactment of this Act.

4 **SEC. 8. INCREASE IN REHABILITATION CREDIT FOR BUILD-**
 5 **INGS IN HIGH COST AREAS.**

6 (a) IN GENERAL.—Paragraph (2) of section 47(c) of
 7 the Internal Revenue Code of 1986 (relating to the defini-
 8 tion of qualified rehabilitation expenditures) is amended
 9 by adding at the end the following new subparagraph:

10 “(E) INCREASE IN CREDIT FOR BUILDINGS
 11 IN HIGH COST AREAS.—

12 “(i) IN GENERAL.—In the case of any
 13 qualified rehabilitated building located in a
 14 qualified census tract or difficult develop-
 15 ment area which is designated for purposes
 16 of this subparagraph, the qualified reha-
 17 bilitation expenditures for purposes of this
 18 section shall be 130 percent of such ex-
 19 penditures determined without regard to
 20 this subparagraph.

21 “(ii) RULES.—For purposes of clause
 22 (i), rules similar to the rules of section
 23 42(d)(5)(C) (excluding clause (i) thereof)
 24 shall be applied.”.

1 (b) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to property placed in service after
 3 the date of the enactment of this Act.

4 **SEC. 9. RECAPTURE OF REHABILITATION CREDIT FOR CER-**
 5 **TIFIED HISTORIC STRUCTURE NOT TRIG-**
 6 **GERED BY CONDOMINIUM TRANSACTION.**

7 (a) IN GENERAL.—Subsection (a) of section 50 of the
 8 Internal Revenue Code of 1986 (relating to recapture of
 9 credits upon disposition of property) is amended by adding
 10 at the end thereof the following new paragraph:

11 “(6) SPECIAL RULE FOR CERTIFIED HISTORIC
 12 STRUCTURES.—In the case of the rehabilitation
 13 credit determined under section 47(a)(2), para-
 14 graphs (1) and (2) shall not apply to a transaction
 15 in which a portion of the building is transferred as
 16 a condominium unit.”.

17 (b) EFFECTIVE DATE.—The amendment made by
 18 this section shall apply to transfers after the date of enact-
 19 ment of this Act.

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