

119TH CONGRESS  
2D SESSION

**S.** \_\_\_\_\_

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

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IN THE SENATE OF THE UNITED STATES

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

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**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.

## 2

- 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. Increases in State allocations.
- Sec. 202. Buildings designated to serve extremely low-income households.
- Sec. 203. Inclusion of Indian areas as difficult development areas for purposes of certain buildings.
- Sec. 204. Inclusion of rural areas as difficult development areas.
- Sec. 205. Increase in credit for bond-financed projects designated by housing credit agency.
- Sec. 206. Repeal of qualified contract option.
- Sec. 207. Modification and clarification of rights relating to building purchase.
- Sec. 208. Prohibition of local approval and contribution requirements.
- Sec. 209. Increase in credit for low-income housing supportive services.
- Sec. 210. Study of tax incentives for the conversion of commercial property to affordable housing.
- Sec. 211. Renters credit.
- Sec. 212. Middle-income housing tax credit.
- Sec. 213. Neighborhood homes credit.
- Sec. 214. First-time homebuyer refundable credit.
- Sec. 215. Losses from the sale of principal residences.
- Sec. 216. Repeal of limitation on personal casualty loss deduction.
- Sec. 217. Permanent exclusion from gross income of discharge of qualified principal residence indebtedness.

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 2026 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 2026; 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, application fees, moving costs, first or  
15                  last month’s rent, or other significant bar-  
16                  riers to establishing use of the voucher and  
17                  a lease, in an amount that is not more  
18                  than 3 months’ rent for the voucher recipi-  
19                  ent.

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

## 11

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.—

3 “(I) IN GENERAL.—A public  
4 housing agency shall partner with  
5 continuums of care, public child wel-  
6 fare agencies, street outreach pro-  
7 viders, health care providers, and  
8 other similar organizations in the  
9 State in which the public housing  
10 agency operates to identify eligible re-  
11 cipients.

12 “(II) CONSIDERATIONS.—In  
13 identifying eligible recipients under  
14 subclause (I), the public housing  
15 agency and its partners shall—

16 “(aa) take into consideration  
17 demographic information of the  
18 eligible recipients, including the  
19 age, sex, gender identity, sexual  
20 orientation, race, ethnicity, and  
21 disability status of each such re-  
22 cipient; and

23 “(bb) coordinate outreach in  
24 a respectful manner with regard

1 to the information described in  
2 item (aa).

3 “(III) CONTINUUMS OF CARE.—

4 In partnering with public housing  
5 agencies to identify eligible recipients,  
6 continuums of care shall carry out as-  
7 sistance and services as planned under  
8 a congressionally authorized 2 year  
9 notice of funding opportunity.

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

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

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

24 “(bb) to the greatest extent  
25 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 maintain the  
7 information required to be  
8 collected under this para-  
9 graph.

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

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

17 “(AA) unaccompanied  
18 homeless youth;

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

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

24 “(bb) to the extent possible  
25 considering when the Secretary

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

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

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

20 “(C) DATA COLLECTION.—

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

1                   “(I) an assessment of the  
2 progress of States toward housing—

3                   “(aa) eligible recipients in  
4 the State; and

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

8                   “(II) the information provided  
9 under clause (ii).

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

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

1           “(II) the number of eligible re-  
2           cipients who applied during the fiscal  
3           year for assistance under this para-  
4           graph, but were not provided assist-  
5           ance;

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

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

17          “(D) SUPPORTIVE SERVICES.—

18                 “(i) ADMINISTRATIVE FEE.—

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

1                   “(II) COSTS.—In establishing the  
2                   fee described in subclause (I), the Sec-  
3                   retary shall include the costs to public  
4                   housing agencies of employing full-  
5                   time or full-time-equivalent service co-  
6                   ordinators.

7                   “(III) AUTHORIZATION OF AP-  
8                   PROPRIATIONS.—There is authorized  
9                   to be appropriated \$300,000,000 for  
10                  each of fiscal years 2026 through  
11                  2031 for the fee described in sub-  
12                  clause (I).

13                  “(ii) HIRING OF SERVICE COORDINA-  
14                  TORS.—

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

23                  “(II) INSUFFICIENT FUNDS.—If  
24                  an eligible public housing agency is  
25                  unable to hire an appropriate number

1 of service coordinators under sub-  
2 clause (I) using the fee described in  
3 clause (i)(I)—

4 “(aa) the public housing  
5 agency may request an increased  
6 administrative fee from the Sec-  
7 retary; and

8 “(bb) the Secretary shall ap-  
9 prove or deny a request received  
10 under item (aa) within 45 days.

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

19 “(IV) APPROPRIATE NUMBER  
20 DEFINED.—For purposes of this  
21 clause, the term ‘appropriate number’,  
22 with respect to service coordinators,  
23 means enough service coordinators so  
24 that each household provided a vouch-  
25 er by a public housing agency under



1           “(cc) referrals to substance  
2 use disorder treatment, including  
3 recovery, treatment, 12-step pro-  
4 grams, relapse prevention, or  
5 medication-assisted treatment;

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

14           “(AA) the supplemental  
15 nutrition assistance program  
16 under the Food and Nutri-  
17 tion Act of 2008 (7 U.S.C.  
18 2011 et seq.) (commonly  
19 known as the ‘SNAP Pro-  
20 gram’); and

21           “(BB) the program of  
22 block grants for States for  
23 temporary assistance for  
24 needy families established  
25 under part A of title IV of

1 the Social Security Act (42  
2 U.S.C. 601 et seq.) (com-  
3 monly known as the ‘TANF  
4 Program’);

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

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

18 “(gg) facilitation of trans-  
19 portation assistance to any of the  
20 supportive services described in  
21 this subparagraph.

22 “(iv) ELIGIBILITY OF PRIVATE NON-  
23 PROFIT ORGANIZATIONS AND FAITH-BASED  
24 ORGANIZATIONS.—

1                   “(I) DEFINITIONS.—In this  
2 clause, the terms ‘eligible entity’ and  
3 ‘private nonprofit organization’ have  
4 the meanings given those terms in  
5 section 401 of the McKinney-Vento  
6 Homeless Assistance Act (42 U.S.C.  
7 11360).

8                   “(II) ELIGIBILITY.—Notwith-  
9 standing any other provision of law—

10                   “(aa) the Secretary shall  
11 provide that private nonprofit or-  
12 ganizations that are eligible enti-  
13 ties, including faith-based private  
14 nonprofit organizations that are  
15 eligible entities, shall be eligible  
16 to—

17                   “(AA) provide services  
18 described in clause (iii); and

19                   “(BB) receive amounts  
20 made available to carry out  
21 clause (iii); and

22                   “(bb) in determining eligi-  
23 bility for amounts made available  
24 to carry out clause (iii), the sta-  
25 tus of an entity as faith-based or

1 the possibility that an entity may  
2 be faith-based may not be a basis  
3 for any discrimination against  
4 such entity in any manner or for  
5 any purpose.

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

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

16 “(E) CAPACITY BUILDING.—

17 “(i) AUTHORIZATION OF APPROPRIA-  
18 TIONS.—There is authorized to be appro-  
19 priated to the Secretary \$500,000,000 for  
20 each of fiscal years 2026 and 2027 to pro-  
21 vide funding for capacity building to eligi-  
22 ble public housing agencies.

23 “(ii) FUNDING FORMULA.—Not later  
24 than 45 days after the date of enactment  
25 of this paragraph, the Secretary shall es-

1            establish a formula for allocating the funding  
2            authorized under clause (i) that takes into  
3            account—

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

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

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

22                    “(iii) DISBURSEMENT.—Not later  
23                    than 30 days after an eligible public hous-  
24                    ing agency submits an acceptable state-  
25                    ment under subparagraph (A)(iv)(III), the

1 Secretary shall disburse amounts author-  
2 ized under clause (i) of this subparagraph  
3 in accordance with the formula established  
4 under clause (ii) of this subparagraph.

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

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

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

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

20 “(I) hiring and personnel needs,  
21 such as case managers and housing  
22 placement advisory, including in-  
23 creased educational resources for staff  
24 to meet the needs of voucher recipi-  
25 ents;

1 “(II) physical infrastructure—

2 “(aa) including increased of-  
3 fice space or facilities for the pro-  
4 vision of supportive services; and

5 “(bb) not including residen-  
6 tial housing;

7 “(III) technological infrastruc-  
8 ture needs, including upgrades to the  
9 HMIS; and

10 “(IV) any other capacity-related  
11 investments that are necessary for the  
12 public housing agency to—

13 “(aa) develop, acquire, or re-  
14 habilitate housing that is afford-  
15 able to extremely low-income  
16 families, to be made available to  
17 people experiencing homelessness,  
18 including increased resources for  
19 eligible public housing agencies to  
20 conduct unit inspections; or

21 “(bb) support the successful  
22 administration of the vouchers  
23 under this paragraph.

24 “(vi) REQUIREMENT FOR EXPENDI-  
25 TURE OF FUNDS.—Each eligible public

1 housing agency that receives funds under  
2 clause (i) shall expend not less than 60  
3 percent of the funding during the 2-year  
4 period following receipt of the funding.

5 “(F) STATE ACCOUNTABILITY.—

6 “(i) IN GENERAL.—Each eligible pub-  
7 lic housing agency providing assistance  
8 under this paragraph shall—

9 “(I) on a monthly basis, report  
10 caseload and voucher administration  
11 statistics to the State in which the  
12 agency operates; and

13 “(II) twice annually, submit to  
14 the State in which the agency oper-  
15 ates a report on the progress toward  
16 issuing a voucher under this para-  
17 graph to all eligible recipients, based  
18 on—

19 “(aa) the percentage reduc-  
20 tion in the number of families  
21 with children and youth that are  
22 experiencing homelessness in the  
23 area in which the agency care op-  
24 erates, as determined by com-  
25 paring the most recent point-in-

1 time count with the point-in-time  
2 count conducted 1 year prior;  
3 and

4 “(bb) the percentage reduc-  
5 tion in the number of children  
6 experiencing homelessness in the  
7 State, as documented under the  
8 requirements of the program au-  
9 thorized under subtitle B of title  
10 VII of the McKinney-Vento  
11 Homeless Assistance Act (42  
12 U.S.C. 11431 et seq.).

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

22 “(I) ANNUAL REPORT.—Each  
23 State shall submit an annual report to  
24 the Secretary that contains—

1                   “(aa) data collected from  
2 schools pursuant to the program  
3 authorized under subtitle B of  
4 title VII of the McKinney-Vento  
5 Homeless Assistance Act (42  
6 U.S.C. 11431 et seq.), including  
7 the number of students—  
8                   “(AA) experiencing  
9 unsheltered homelessness;  
10                   “(BB) living in shel-  
11 ters;  
12                   “(CC) living in motels,  
13 hotels, or campgrounds;  
14                   “(DD) living in a car or  
15 other motor vehicle; or  
16                   “(EE) sharing the  
17 housing of other persons due  
18 to loss of housing, economic  
19 hardship, or similar rea-  
20 soning; and  
21                   “(bb) the information re-  
22 ceived from each public housing  
23 agency in the State under clause  
24 (i)(II).

1                   “(II) ISSUANCE OF VOUCHERS  
2                   FOR SMALLER STATES.—Each State  
3                   with a rate of homelessness that is  
4                   not higher than 10 people per 10,000  
5                   shall—

6                                 “(aa) not later than 2 years  
7                                 after the end of the capacity-  
8                                 building period—

9   “(AA) issue vouchers  
10                                        under this paragraph to not  
11                                        less than 50 percent of the  
12                                        population of people experi-  
13                                        encing homelessness in the  
14                                        State, using data from the  
15                                        most recent point-in-time  
16                                        count; and

17                                        “(BB) to the greatest  
18                                        extent possible, prioritize the  
19                                        issuance of those vouchers  
20                                        to eligible youth and fami-  
21                                        lies;

22                                        “(bb) not later than 3 years  
23                                        after the end of the capacity-  
24                                        building period—

1                   “(AA) issue vouchers  
2                   under this paragraph to not  
3                   less than 70 percent of the  
4                   population of people experi-  
5                   encing homelessness in the  
6                   State, using data from the  
7                   most recent point-in-time  
8                   count; and

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

14                  “(cc) not later than 4 years  
15                  after the end of the capacity-  
16                  building period, issue vouchers  
17                  under this paragraph to all peo-  
18                  ple experiencing homelessness in  
19                  the State.

20                  “(III) ISSUANCE OF VOUCHERS  
21                  FOR LARGER STATES.—Each State  
22                  with a rate of homelessness that is  
23                  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 40 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 60 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) PENALTIES.—

15 “(I) WARNING.—Except as pro-  
16 vided in clause (v), if a State does not  
17 meet the applicable benchmarks de-  
18 scribed in clause (ii), the Secretary  
19 shall publicly warn the State of the  
20 failure of the State to meet the bench-  
21 mark and remind the State of the ap-  
22 plicable penalties.

23 “(II) REDUCTION IN FEDERAL  
24 HIGHWAY FUNDS.—If a State does

1 not meet the applicable benchmarks  
2 described in clause (ii)—

3 “(aa) by the date that is  
4 180 days after the warning by  
5 the Secretary under subclause (I)  
6 of this clause, the Federal share  
7 payable for Federal-aid highway  
8 projects under section 120 of  
9 title 23, United States Code,  
10 shall be reduced by 5 percent; or

11 “(bb) by the date that is  
12 180 days after a reduction made  
13 under item (aa) of this subclause,  
14 the Federal share payable for  
15 Federal-aid highway projects  
16 under section 120 of title 23,  
17 United States Code, shall be fur-  
18 ther reduced by 5 percent.

19 “(iv) CONDITION ON COMPLIANCE.—  
20 Beginning in the first Notice of Funding  
21 Availability cycle beginning after the date  
22 of enactment of this paragraph, and every  
23 Notice of Funding Availability cycle there-  
24 after, the Secretary shall condition the  
25 awarding of all funding for vouchers under

1 this paragraph by the Secretary to a public  
2 housing authority in a State on that  
3 State's compliance with the benchmarks  
4 described in clause (ii).

5 “(v) UNEMPLOYMENT RATE.—If the  
6 quarterly unemployment rate of the popu-  
7 lation of a State is not less than 6 per-  
8 cent—

9 “(I) the State shall not be penal-  
10 ized under clause (iii) for failure to  
11 meet the benchmarks described in  
12 clause (ii); and

13 “(II) the State shall be required  
14 to meet the benchmarks described in  
15 clause (ii) not later than 180 days  
16 after the date on which the quarterly  
17 unemployment rate descends beneath  
18 6 percent.

19 “(G) ADMINISTRATIVE NEEDS OF HUD.—

20 “(i) AUTHORIZATION OF APPROPRIA-  
21 TIONS.—There is authorized to be appro-  
22 priated \$15,000,000 for each of fiscal  
23 years 2026 through 2030 to the Secretary  
24 for the administrative needs of the Depart-  
25 ment of Housing and Urban Development

1 and regional offices of the Department in  
2 carrying out the voucher program under  
3 this paragraph.

4 “(ii) PROHIBITION.—None of the  
5 funds made available under this subpara-  
6 graph may be used to provide raises or bo-  
7 nuses to any employee of the Department  
8 of Housing and Urban Development in an  
9 amount that is more than 10 percent of  
10 the annual gross salary of the employee.”.

11 (b) TECHNICAL AND CONFORMING AMENDMENT.—  
12 Effective on December 29, 2027, paragraph (22) of sec-  
13 tion 8(o) of the United States Housing Act of 1937 (42  
14 U.S.C. 1437f(o)), as added by subsection (a), is redesign-  
15 nated as paragraph (23) and shall appear after paragraph  
16 (22), as added by section 601(a)(2)(B) of division AA of  
17 Consolidated Appropriations Act, 2023 (Public Law 117–  
18 328).

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

20 (a) DEFINITIONS.—In this section—

21 (1) the term “at risk of homelessness” has the  
22 meaning given the term in section 401(1) of the  
23 McKinney-Vento Homeless Assistance Act (42  
24 U.S.C. 11360), except that “50 percent” shall be

1 substituted for “30 percent” in subparagraph (A) of  
2 that section;

3 (2) the terms “extremely low-income” and  
4 “very low-income” have the meanings given those  
5 terms in section 1303 of the Federal Housing Enter-  
6 prises Financial Safety and Soundness Act of 1992  
7 (12 U.S.C. 4502);

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

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

12 (B) living in transitional housing for home-  
13 less persons and was homeless before entering  
14 transitional housing or an emergency shelter;

15 (C) fleeing domestic violence; or

16 (D) at risk of homelessness; and

17 (4) the term “Secretary” means the Secretary  
18 of Housing and Urban Development.

19 (b) AUTHORIZATIONS OF APPROPRIATIONS.—

20 (1) IN GENERAL.—There is authorized to be  
21 appropriated to the Housing Trust Fund established  
22 under section 1338 of the Federal Housing Enter-  
23 prises Financial Safety and Soundness Act of 1992  
24 (12 U.S.C. 4568) \$10,000,000,000 for each of fiscal  
25 years 2026 through 2036 for allocation to States in

1 accordance with subsection (c) of such section 1338,  
2 subject to subsections (e) through (f) of this section.

3 (2) ADMINISTRATIVE NEEDS OF STATES.—

4 (A) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated  
5 to the Secretary \$65,000,000 for each of fiscal  
6 years 2026 through 2031 for the administrative  
7 needs of States under this section, in accord-  
8 ance with subparagraph (C).

9  
10 (B) ALLOCATION.—Of amounts authorized  
11 to be appropriated under subparagraph (A) for  
12 each fiscal year—

13 (i) \$15,000,000 shall be allocated to  
14 the Commonwealth of the Northern Mar-  
15 iana Islands, Guam, American Samoa, and  
16 the Virgin Islands; and

17 (ii) the remainder shall be allocated to  
18 States pursuant to the formula established  
19 under paragraph (22)(E)(ii) of section 8(o)  
20 of the United States Housing Act of 1937  
21 (42 U.S.C. 1437f(o)), as added by section  
22 111 of this Act.

23 (C) ELIGIBLE ACTIVITIES.—A State that  
24 receives funds authorized to be appropriated  
25 under subparagraph (A) may only use the funds

1           for capacity-related investments that are nec-  
2           essary for the State to successfully allocate  
3           funds made available under paragraph (1) of  
4           this subsection.

5           (D) PROHIBITION.—None of the funds  
6           made available under this paragraph may be  
7           used to provide raises or bonuses to any official  
8           of the executive branch of a State.

9           (c) REVISION OF FUNDING FORMULA.—

10           (1) IN GENERAL.—Not later than 1 year after  
11           the date of enactment of this Act, the Secretary  
12           shall report to Congress proposed changes to the  
13           funding formula under section 1338(c)(3) of the  
14           Federal Housing Enterprises Financial Safety and  
15           Soundness Act of 1992 (12 U.S.C. 4568(c)(3)) in  
16           order to ensure that the funding formula takes into  
17           account the economic status of the people of the  
18           United States.

19           (2) CONTENTS.—The revised formula proposed  
20           under paragraph (1) shall address the following con-  
21           cerns:

22           (A) The impacts of differing vacancy rates  
23           across various housing markets in the United  
24           States.

1           (B) The rate of unsheltered homelessness  
2           in various housing markets across the United  
3           States.

4           (C) The impact of differing rates of pov-  
5           erty and extreme poverty across various States.

6           (D) The gap between demand for and sup-  
7           ply of rental units that are affordable and avail-  
8           able to very low-income and extremely low-in-  
9           come renters in a State.

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

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

16           (1) may only use the funds for land acquisition  
17           and the acquisition, rehabilitation, or development of  
18           rental housing that is affordable for very low-income  
19           or extremely low-income households; and

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

22       (f) PRIORITY FOR OCCUPANCY IN DWELLING  
23       UNITS.—

24           (1) FIRST 2 FISCAL YEARS.—During the first 2  
25       fiscal years for which amounts are made available to

1 carry out this section, the Secretary shall ensure  
2 that priority for occupancy in a dwelling unit that  
3 receives assistance under this section is given to a  
4 homeless family or homeless youth.

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

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

13 (a) DEFINITIONS.—In this section:

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

21 (2) MODULAR CONSTRUCTION.—The term  
22 “modular construction” means the method of resi-  
23 dential construction by which building modules are  
24 constructed off of the future site of a building, then  
25 brought together on the building site to form a larg-

1 er residential building, in an effort to reduce con-  
2 struction costs.

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

5 (b) ESTABLISHMENT OF PROGRAM.—

6 (1) IN GENERAL.—The Secretary shall establish  
7 a pilot program to provide grants to eligible entities  
8 to promote the construction of affordable housing  
9 using modular construction.

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

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

18 (A) The eligible entity—

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

21 (ii) provides confirmation from the ju-  
22 risdiction with land use control over the  
23 site proposed by the eligible entity that—

24 (I) construction will be completed  
25 within 18 months; and

1 (II) the housing will be con-  
2 structed in groups of more than 30  
3 units.

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

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

18 (c) MATCHING REQUIREMENT.—The Federal share  
19 of a project funded under this section shall be not more  
20 than 75 percent of the cost of the project.

21 (d) AUTHORIZATION OF APPROPRIATIONS.—There is  
22 authorized to be appropriated to the Secretary \$2,000,000  
23 for each of fiscal years 2026 through 2031 to carry out  
24 this section.

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

2 (a) DEFINITIONS.—In this section:

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

6 (2) ELIGIBLE ACTIVITY.—The term “eligible  
7 activity” means an activity authorized under section  
8 105(a) of the Housing and Community Development  
9 Act of 1974 (42 U.S.C. 5305(a)).

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

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

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

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

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

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

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

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

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

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

17           (11) MULTIFAMILY HOUSING.—The term “mul-  
18 tifamily housing”—

19           (A) means housing accommodations that—

20           (i) are designed principally for resi-  
21 dential use;

22           (ii) conform to standards satisfactory  
23 to the Secretary; and

24           (iii) consist of not less than 5 rental  
25 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 2026 through 2031.

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 ible 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 2026 through 2036 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 2026 through 2036 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 2026  
4           through 2036 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          2026 through 2036 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 2026  
6 through 2031.”.

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 2026 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. INCREASES IN STATE ALLOCATIONS.**

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

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

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

21 (b) PER CAPITA AMOUNT; MINIMUM AMOUNT.—Sec-  
22 tion 42(h)(3) of the Internal Revenue Code of 1986 is  
23 amended by striking subparagraphs (H) and (I) and in-  
24 serting the following:

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

4           “(i) CALENDAR YEAR 2026.—For cal-  
5 endar year, 2026, the per capita amount is  
6 \$4.30.

7           “(ii) CALENDAR YEAR 2027.—For cal-  
8 endar year 2027, the per capita amount is  
9 the product of—

10           “(I) 1.25, and

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

14           “(aa) such dollar amount,  
15 multiplied by

16           “(bb) the cost-of-living ad-  
17 justment determined under sec-  
18 tion 1(f)(3) for such calendar  
19 year, determined by substituting  
20 ‘calendar year 2025’ for ‘cal-  
21 endar year 2016’ in subpara-  
22 graph (A)(ii) thereof.

23           If the amount determined after application of  
24 the preceding sentence is not a multiple of

1           \$5,000, such amount shall be rounded to the  
2           next lowest multiple of \$5,000.

3                   “(iii) CALENDAR YEARS AFTER  
4                   2027.—In the case of any calendar year  
5                   after 2027, the per capita amount is the  
6                   dollar amount determined under clause (ii)  
7                   increased by an amount equal to—

8                           “(I) such dollar amount, multi-  
9                           plied by

10                                   “(II) the cost-of-living adjust-  
11                                   ment determined under section 1(f)(3)  
12                                   for such calendar year, determined by  
13                                   substituting ‘calendar year 2026’ for  
14                                   ‘calendar year 2016’ in subparagraph  
15                                   (A)(ii) thereof.

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

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

23                           “(i) CALENDAR YEAR 2026.—For cal-  
24                           endar year, 2026, the minimum amount is  
25                           \$4,965,000.

1                   “(ii) CALENDAR YEAR 2027.—For cal-  
2                   endar year 2027, the minimum amount is  
3                   the product of—

4                               “(I) 1.25, and

5                               “(II) the dollar amount under  
6                   clause (i) increased by an amount  
7                   equal to—

8                                       “(aa) such dollar amount,  
9                                       multiplied by

10   “(bb) the cost-of-living ad-  
11   justment determined under sec-  
12   tion 1(f)(3) for such calendar  
13   year, determined by substituting  
14   ‘calendar year 2025’ for ‘cal-  
15   endar year 2016’ in subpara-  
16   graph (A)(ii) thereof.

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

21                               “(iii) CALENDAR YEARS AFTER  
22                   2027.—In the case of any calendar year  
23                   after 2027, the minimum amount is the  
24                   dollar amount determined under clause (ii)  
25                   increased by an amount equal to—

1                   “(I) such dollar amount, multi-  
2                   plied by

3                   “(II) the cost-of-living adjust-  
4                   ment determined under section 1(f)(3)  
5                   for such calendar year, determined by  
6                   substituting ‘calendar year 2026’ for  
7                   ‘calendar year 2016’ in subparagraph  
8                   (A)(ii) thereof.

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

13           (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to calendar years beginning after  
15 December 31, 2025.

16 **SEC. 202. BUILDINGS DESIGNATED TO SERVE EXTREMELY**  
17 **LOW-INCOME HOUSEHOLDS.**

18           (a) RESERVED STATE ALLOCATION.—

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

21                           (A) by redesignating paragraphs (6), (7),  
22                           and (8) as paragraphs (7), (8), and (9), respec-  
23                           tively, and

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

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

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

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

20                           “(i) 30 percent of area median gross  
21           income, or

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



1           subparagraph (B) shall not apply to the  
2           portion of such building which is comprised  
3           of residential units described in subsection  
4           (h)(6)(B) (determined in a manner similar  
5           to the unit fraction under subsection  
6           (c)(1)(C)), and the eligible basis of such  
7           portion of the building shall be 150 per-  
8           cent of such basis determined without re-  
9           gard to this subparagraph.

10           “(ii) ALLOCATION RULES APPLICABLE  
11           TO PROJECTS TO WHICH CLAUSE (i) AP-  
12           PLIES.—

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

20           “(II) APPLICATION TO PROJECTS  
21           FINANCED WITH TAX-EXEMPT  
22           BONDS.—In the case of any building  
23           which is financed by an obligation de-  
24           scribed in subsection (h)(4), clause (i)  
25           shall not apply unless—

1                   “(aa) the State in which the  
2                   issuing authority issuing such ob-  
3                   ligation is located designates  
4                   such obligation as an obligation  
5                   to which this subparagraph ap-  
6                   plies, and

7                   “(bb) the aggregate face  
8                   amount of obligations designated  
9                   under item (aa) by such State in  
10                  the calendar year during which  
11                  such obligation is issued does not  
12                  exceed 8 percent of the State  
13                  ceiling of such State under sec-  
14                  tion 146(d)(1) for such year.”.

15           (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to allocations of housing credit dol-  
17 lar amount after December 31, 2026, and to buildings  
18 that are described in section 42(h)(4)(B) of the Internal  
19 Revenue Code of 1986 taking into account only obligations  
20 that are part of an issue the issue date of which is after  
21 December 31, 2026.

1 **SEC. 203. INCLUSION OF INDIAN AREAS AS DIFFICULT DE-**  
2 **VELOPMENT AREAS FOR PURPOSES OF CER-**  
3 **TAIN BUILDINGS.**

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

8 (b) INDIAN AREA.—Clause (iii) of section  
9 42(d)(5)(B) of the Internal Revenue Code of 1986 is  
10 amended by redesignating subclause (II) as subclause (IV)  
11 and by inserting after subclause (I) the following new sub-  
12 clauses:

13 “(II) INDIAN AREA.—For pur-  
14 poses of subclause (I), the term ‘In-  
15 dian area’ means—

16 “(aa) any Indian area (as  
17 defined in section 4(11) of the  
18 Native American Housing Assist-  
19 ance and Self Determination Act  
20 of 1996 (25 U.S.C. 4103(11))),  
21 and

22 “(bb) any housing area (as  
23 defined in section 801(5) of such  
24 Act (25 U.S.C. 4221(5))).

25 “(III) SPECIAL RULE FOR  
26 BUILDINGS IN INDIAN AREAS.—In the

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

17 (c) EFFECTIVE DATE.—The amendments made by  
18 this section shall apply to buildings placed in service after  
19 December 31, 2026.

20 **SEC. 204. INCLUSION OF RURAL AREAS AS DIFFICULT DE-**  
21 **VELOPMENT AREAS.**

22 (a) IN GENERAL.—Subclause (I) of section  
23 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986, as  
24 amended by section 203, is further amended by inserting  
25 “, any rural area” after “median gross income”.

1 (b) RURAL AREA.—Clause (iii) of section  
2 42(d)(5)(B) of the Internal Revenue Code of 1986, as  
3 amended by section 203, is further amended by redesi-  
4 gnating subclause (IV) as subclause (V) and by inserting  
5 after subclause (III) the following new subclause:

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

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to buildings placed in service after  
16 December 31, 2026.

17 **SEC. 205. INCREASE IN CREDIT FOR BOND-FINANCED**  
18 **PROJECTS DESIGNATED BY HOUSING CREDIT**  
19 **AGENCY.**

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

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

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

2 (2) by striking “State housing credit agency”

3 and inserting “housing credit agency”.

4 (c) EFFECTIVE DATE.—

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

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

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

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

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

17 (B) is issued after December 31, 2026.

18 **SEC. 206. REPEAL OF QUALIFIED CONTRACT OPTION.**

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

21 (1) IN GENERAL.—Subclause (II) of section  
22 42(h)(7)(E)(i) of the Internal Revenue Code of  
23 1986, as redesignated by section 202, is amended by  
24 inserting “in the case of a building described in  
25 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, 2027, 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, 2027,  
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 202, 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 202, 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 202 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 202 and subsection (c), is  
16 submitted after the date of the enactment of this  
17 Act.

18 **SEC. 207. 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. 208. 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           “(E) LOCAL APPROVAL OR CONTRIBUTION  
2           NOT TAKEN INTO ACCOUNT.—The selection cri-  
3           teria under a qualified allocation plan shall not  
4           include consideration of—

5                   “(i) any support or opposition with re-  
6                   spect to the project from local or elected  
7                   officials, or

8                   “(ii) any local government contribu-  
9                   tion to the project, except to the extent  
10                  such contribution is taken into account as  
11                  part of a broader consideration of the  
12                  project’s ability to leverage outside funding  
13                  sources, and is not prioritized over any  
14                  other source of outside funding.”.

15           (b) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to allocations of housing credit dol-  
17 lar amounts made after December 31, 2026.

18 **SEC. 209. INCREASE IN CREDIT FOR LOW-INCOME HOUSING**  
19 **SUPPORTIVE SERVICES.**

20           (a) IN GENERAL.—Paragraph (5) of section 42(d) of  
21 the Internal Revenue Code of 1986, as amended by section  
22 202, is further amended by adding at the end the following  
23 new subparagraphs:

24                   “(D) INCREASE IN CREDIT FOR PROVIDING  
25                  SUPPORTIVE SERVICES.—

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. 210. 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. 211. 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                  2026, 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 2026,  
17 \$12.30,

18 “(II) for calendar year 2027,  
19 \$24.50, and

20 “(III) for calendar years 2028  
21 and thereafter, \$36.75.

22 “(ii) MINIMUM CEILING AMOUNT.—

23 The minimum ceiling amount is—

24 “(I) for calendar year 2026,  
25 \$14,000,000,

1                   “(II) for calendar year 2027,  
2                   \$28,000,000, and

3                   “(III) for calendar years 2028  
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 2028, 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 2027’ 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           “(1) IN GENERAL.—The term ‘qualified rental  
2 reduction agreement’ means, with respect to any  
3 building which is residential rental property (as de-  
4 fined in section 168(e)(2)(A)), a written, binding  
5 agreement between a rental reduction credit agency  
6 and the taxpayer which specifies—

7           “(A) the number of eligible units within  
8 such building for which a rental reduction cred-  
9 it amount is being allocated,

10           “(B) the credit period for such building,

11           “(C) the rental reduction credit amount al-  
12 located to such building (and dwelling units  
13 within such building) and the portion of such  
14 amount allocated to each month within the  
15 credit period under subsection (c)(2)(B),

16           “(D) the applicable percentage to be used  
17 in computing the qualified rental reduction  
18 amounts with respect to the building,

19           “(E) the method for determining the  
20 amount of rent which may be charged for eligi-  
21 ble units within the building, and

22           “(F) whether—

23           “(i) the agency commits to entering  
24 into a new agreement with the taxpayer if  
25 the terms of the agreement have been met

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 6436 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. 6436. 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 6436),” 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           6436),” 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, 2025.

4 **SEC. 212. 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 (as  
5                   defined in subsection (h)(4)) if the re-  
6                   quirements of subparagraph (B)(ii)  
7                   are met with respect to the placement  
8                   in service by such unit or organization  
9                   and all the income from such property  
10                  is exempt from Federal income tax-  
11                  ation,

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

24                  “**(V)** of a single-family residence  
25                  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) ELIGIBLE BASIS REDUCED WHERE DIS-  
15                  PROPORTIONATE STANDARDS FOR UNITS.—

16                  “(A) IN GENERAL.—Except as provided in  
17                  subparagraph (B), the eligible basis of any  
18                  building shall be reduced by an amount equal to  
19                  the portion of the adjusted basis of the building  
20                  which is attributable to residential rental units  
21                  in the building which are not middle-income  
22                  units and which are above the average quality  
23                  standard of the middle-income units in the  
24                  building.

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1                   “(B) EXCEPTION WHERE TAXPAYER  
2 ELECTS TO EXCLUDE EXCESS COSTS.—

3                   “(i) IN GENERAL.—Subparagraph (A)  
4 shall not apply with respect to a residential  
5 rental unit in a building which is not a  
6 middle-income unit if—

7                   “(I) the excess described in  
8 clause (ii) with respect to such unit is  
9 not greater than 15 percent of the  
10 cost described in clause (ii)(II), and

11                   “(II) the taxpayer elects to ex-  
12 clude from the eligible basis of such  
13 building the excess described in clause  
14 (ii) with respect to such unit.

15                   “(ii) EXCESS.—The excess described  
16 in this clause with respect to any unit is  
17 the excess of—

18                   “(I) the cost of such unit, over

19                   “(II) the amount which would be  
20 the cost of such unit if the average  
21 cost per square foot of middle-income  
22 units in the building were substituted  
23 for the cost per square foot of such  
24 unit.

1           The Secretary may by regulation provide  
2           for the determination of the excess under  
3           this clause on a basis other than square  
4           foot costs.

5           “(4) SPECIAL RULES RELATING TO DETER-  
6           MINATION OF ADJUSTED BASIS.—For purposes of  
7           this subsection—

8           “(A) IN GENERAL.—Except as provided in  
9           subparagraph (B), the adjusted basis of any  
10          building shall be determined without regard to  
11          the adjusted basis of any property which is not  
12          residential rental property.

13          “(B) BASIS OF PROPERTY IN COMMON  
14          AREAS, ETC., INCLUDED.—

15          “(i) IN GENERAL.—Except as pro-  
16          vided in clause (ii), the adjusted basis of  
17          any building shall be determined by taking  
18          into account the adjusted basis of property  
19          (of a character subject to the allowance for  
20          depreciation) used in common areas or  
21          provided as comparable amenities to all  
22          residential rental units in such building.

23          “(ii) SPECIAL RULE.—In the case of  
24          any building for which the low-income  
25          housing tax credit is allowable under sec-

1                   tion 42, the adjusted basis of the building  
2                   under this section shall be determined  
3                   without regard to property used in com-  
4                   mon areas or provided as comparable  
5                   amenities to all residential rental units in  
6                   such building.

7                   “(C) NO REDUCTION FOR DEPRECIATION.—The adjusted basis of any building shall  
8                   be determined without regard to paragraphs (2)  
9                   and (3) of section 1016(a).

10                   “(5) SPECIAL RULES FOR DETERMINING ELIGIBLE BASIS.—

11                   “(A) FEDERAL GRANTS NOT TAKEN INTO  
12                   ACCOUNT IN DETERMINING ELIGIBLE BASIS.—  
13                   The eligible basis of a building shall not include  
14                   any costs financed with the proceeds of a Fed-  
15                   erally funded grant.

16                   “(B) INCREASE IN CREDIT FOR BUILDINGS  
17                   IN HIGH COST AREAS.—

18                   “(i) IN GENERAL.—In the case of any  
19                   building located in a qualified census tract  
20                   or difficult development area—

21                   “(I) in the case of a new build-  
22                   ing, the eligible basis of such building  
23                   shall be 130 percent of such basis de-  
24                     
25

1                   terminated without regard to this sub-  
2                   paragraph, and

3                   “(II) in the case of an existing  
4                   building, the rehabilitation expendi-  
5                   tures taken into account under sub-  
6                   section (e) shall be 130 percent of  
7                   such expenditures determined without  
8                   regard to this subparagraph.

9                   “(ii) QUALIFIED CENSUS TRACT.—  
10                  The term ‘qualified census tract’ means,  
11                  with respect to any period any census tract  
12                  which is treated as a qualified census tract  
13                  under section 42(d)(5)(B).

14                  “(iii) DIFFICULT DEVELOPMENT  
15                  AREAS.—The term ‘difficult development  
16                  areas’ means any census tract which is  
17                  treated as a difficult development area  
18                  under section 42(d)(5)(B) (determined  
19                  without regard to clause (v) thereof).

20                  “(iv) BUILDINGS DESIGNATED BY  
21                  STATE HOUSING CREDIT AGENCY.—Any  
22                  building which is designated by the State  
23                  housing credit agency as requiring the in-  
24                  crease in credit under this subparagraph in  
25                  order for such building to be financially

1           feasible as part of a qualified middle-in-  
2           come housing project shall be treated for  
3           purposes of this subparagraph as located  
4           in a difficult development area which is  
5           designated for purposes of this subpara-  
6           graph. The preceding sentence shall not  
7           apply to any building if paragraph (1) of  
8           subsection (h) does not apply to any por-  
9           tion of the eligible basis of such building  
10          by reason of paragraph (9) of such sub-  
11          section.

12           “(6) CREDIT ALLOWABLE FOR CERTAIN BUILD-  
13          INGS ACQUIRED DURING 10-YEAR PERIOD.—

14           “(A) IN GENERAL.—Paragraph (2)(B)(ii)  
15          shall not apply to any Federally-assisted build-  
16          ing (as defined in section 42(d)(6)(C)(i)) or  
17          State-assisted building (as defined in section  
18          42(d)(6)(C)(ii)).

19           “(B) BUILDINGS ACQUIRED FROM IN-  
20          SURED DEPOSITORY INSTITUTIONS IN DE-  
21          FAULT.—On application by the taxpayer, the  
22          Secretary may waive paragraph (2)(B)(ii) with  
23          respect to any building acquired from an in-  
24          sured depository institution in default (as de-  
25          fined in section 3 of the Federal Deposit Insur-

1           ance Act) or from a receiver or conservator of  
2           such an institution.

3           “(7) ACQUISITION OF BUILDING BEFORE END  
4           OF PRIOR CREDIT PERIOD.—

5           “(A) IN GENERAL.—Under regulations  
6           prescribed by the Secretary, in the case of a  
7           building described in subparagraph (B) (or in-  
8           terest therein) which is acquired by the tax-  
9           payer—

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

12                           “(ii) the credit allowable by reason of  
13                           subsection (a) to the taxpayer for any pe-  
14                           riod after such acquisition shall be equal to  
15                           the amount of credit which would have  
16                           been allowable under subsection (a) for  
17                           such period to the prior owner referred to  
18                           in subparagraph (B) had such owner not  
19                           disposed of the building.

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

22                   “(i) a credit was allowed by reason of  
23                   subsection (a) to any prior owner of such  
24                   building, and

1                   “(ii) the taxpayer acquired such build-  
2                   ing before the end of the credit period for  
3                   such building with respect to such prior  
4                   owner (determined without regard to any  
5                   disposition by such prior owner).

6           “(e) REHABILITATION EXPENDITURES TREATED AS  
7 SEPARATE NEW BUILDING.—

8                   “(1) IN GENERAL.—Rehabilitation expenditures  
9                   paid or incurred by the taxpayer with respect to any  
10                  building shall be treated for purposes of this section  
11                  as a separate new building.

12                  “(2) REHABILITATION EXPENDITURES.—For  
13                  purposes of paragraph (1)—

14                         “(A) IN GENERAL.—The term ‘rehabilita-  
15                         tion expenditures’ means amounts chargeable to  
16                         capital account and incurred for property (or  
17                         additions or improvements to property) of a  
18                         character subject to the allowance for deprecia-  
19                         tion in connection with the rehabilitation of a  
20                         building.

21                         “(B) COST OF ACQUISITION, ETC., NOT IN-  
22                         CLUDED.—Such term does not include the cost  
23                         of acquiring any building (or interest therein)  
24                         or any amount not permitted to be taken into

1 account under paragraph (3) or (4) of sub-  
2 section (d).

3 “(3) MINIMUM EXPENDITURES TO QUALIFY.—

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

7 “(i) the expenditures are allocable to  
8 1 or more middle-income units or substan-  
9 tially benefit such units, and

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

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

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

1 units in the building, is equal to or  
2 greater than the dollar amount in ef-  
3 fect under section 42(e)(3)(A)(ii)(II)  
4 for the calendar year in which such  
5 expenditures are treated as placed in  
6 service under paragraph (4).

7 “(B) EXCEPTION.—In the case of a build-  
8 ing acquired by the taxpayer from a govern-  
9 mental unit, at the election of the taxpayer,  
10 subparagraph (A)(ii)(I) shall not apply and the  
11 credit under this section for such rehabilitation  
12 expenditures shall be determined using the per-  
13 centage under subsection (b) which is applicable  
14 to buildings which are Federally subsidized.

15 “(C) DATE OF DETERMINATION.—The de-  
16 termination under subparagraph (A) shall be  
17 made as of the close of the 1st taxable year in  
18 the credit period with respect to such expendi-  
19 tures.

20 “(4) SPECIAL RULES.—For purposes of apply-  
21 ing this section with respect to expenditures which  
22 are treated as a separate building by reason of this  
23 subsection—

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

4           “(B) the applicable fraction under sub-  
5           section (c)(1) shall be the applicable fraction for  
6           the building (without regard to paragraph (1))  
7           with respect to which the expenditures were in-  
8           curred.

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

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

16          “(6) REGULATIONS TO APPLY SUBSECTION  
17          WITH RESPECT TO GROUP OF UNITS IN BUILDING.—

18          The Secretary may prescribe regulations, consistent  
19          with the purposes of this subsection, treating a  
20          group of units with respect to which rehabilitation  
21          expenditures are incurred as a separate new build-  
22          ing.

23          “(f) DEFINITION AND SPECIAL RULES RELATING TO  
24          CREDIT PERIOD.—

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

5                   “(A) the taxable year in which the building  
6 is placed in service, or

7                   “(B) at the election of the taxpayer, the  
8 succeeding taxable year,

9 but only if the building is a qualified middle-income  
10 building as of the close of the 1st year of such pe-  
11 riod. The election under subparagraph (B), once  
12 made, shall be irrevocable.

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

15                   “(A) IN GENERAL.—The credit allowable  
16 under subsection (a) with respect to any build-  
17 ing for the 1st taxable year of the credit period  
18 shall be determined by substituting for the ap-  
19 plicable fraction under subsection (c)(1) the  
20 fraction—

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

1 “(ii) the denominator of which is 12.

2 “(B) DISALLOWED 1ST-YEAR CREDIT AL-  
3 LOWED IN 16TH YEAR.—Any reduction by rea-  
4 son of subparagraph (A) in the credit allowable  
5 (without regard to subparagraph (A)) for the  
6 1st taxable year of the credit period shall be al-  
7 lowable under subsection (a) for the 1st taxable  
8 year following the credit period.

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

12 “(A) IN GENERAL.—In the case of any  
13 building which was a qualified middle-income  
14 building as of the close of the 1st year of the  
15 credit period, if—

16 “(i) as of the close of any taxable year  
17 in the credit period (after the 1st year of  
18 such period) the qualified basis of such  
19 building, exceeds

20 “(ii) the qualified basis of such build-  
21 ing as of the close of the 1st year of the  
22 credit period,

23 the applicable percentage which shall apply  
24 under subsection (a) for the taxable year to  
25 such excess shall be the percentage equal to  $\frac{2}{3}$

1 of the applicable percentage which (after the  
2 application of subsection (h)) would but for this  
3 paragraph apply to such basis.

4 “(B) 1ST YEAR COMPUTATION APPLIES.—  
5 A rule similar to the rule of paragraph (2)(A)  
6 shall apply to any increase in qualified basis to  
7 which subparagraph (A) applies for the 1st year  
8 of such increase.

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

15 “(5) CREDIT PERIOD FOR EXISTING BUILDINGS  
16 NOT TO BEGIN BEFORE REHABILITATION CREDIT  
17 ALLOWED.—

18 “(A) IN GENERAL.—The credit period for  
19 an existing building shall not begin before the  
20 1st taxable year of the credit period for reha-  
21 bilitation expenditures with respect to the build-  
22 ing.

23 “(B) ACQUISITION CREDIT ALLOWED FOR  
24 CERTAIN BUILDINGS NOT ALLOWED A REHA-  
25 BILITATION CREDIT.—

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

3 “(I) subsection (d)(2)(B)(iv)  
4 shall not apply, and

5 “(II) the credit period for such  
6 building shall not begin before the  
7 taxable year which would be the 1st  
8 taxable year of the credit period for  
9 rehabilitation expenditures with re-  
10 spect to the building under the modi-  
11 fications described in clause (ii)(II).

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

14 “(I) a waiver is granted under  
15 subsection (d)(5) with respect to the  
16 acquisition of the building, and

17 “(II) a credit would be allowed  
18 for rehabilitation expenditures with  
19 respect to such building if subsection  
20 (e)(3)(A)(ii)(I) did not apply and if  
21 the dollar amount in effect under sub-  
22 section (e)(3)(A)(ii)(II) were two-  
23 thirds of such amount.

24 “(g) QUALIFIED MIDDLE-INCOME HOUSING  
25 PROJECT.—For purposes of this section—

1           “(1) IN GENERAL.—The term ‘qualified middle-  
2 income housing project’ means any project for resi-  
3 dential rental property if—

4           “(A) 60 percent or more of the residential  
5 units in such project are both rent-restricted  
6 and occupied by individuals whose income is  
7 100 percent or less of area median gross in-  
8 come, and

9           “(B) not less than 20 percent of the resi-  
10 dential units in such project are units which—

11           “(i) are described in subparagraph  
12 (A), and

13           “(ii) are not residential units which  
14 are taken into account under section 42.

15           “(2) RENT-RESTRICTED UNITS.—

16           “(A) IN GENERAL.—For purposes of para-  
17 graph (1), a residential unit is rent-restricted if  
18 the gross rent with respect to such unit does  
19 not exceed 30 percent of the imputed income  
20 limitation applicable to such unit. For purposes  
21 of the preceding sentence, the amount of the in-  
22 come limitation under paragraph (1) applicable  
23 for any period shall not be less than such limi-  
24 tation applicable for the earliest period the  
25 building (which contains the unit) was included

1 in the determination of whether the project is  
2 a qualified middle-income housing project.

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

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

10 “(ii) does not include any fee for a  
11 supportive service which is paid to the  
12 owner of the unit (on the basis of the mid-  
13 dle-income status of the tenant of the unit)  
14 by any governmental program of assistance  
15 (or by an organization described in section  
16 501(c)(3) and exempt from tax under sec-  
17 tion 501(a)) if such program (or organiza-  
18 tion) provides assistance for rent and the  
19 amount of assistance provided for rent is  
20 not separable from the amount of assist-  
21 ance provided for supportive services, and

22 “(iii) does not include any rental pay-  
23 ment to the owner of the unit to the extent  
24 such owner pays an equivalent amount to

1           the Farmers' Home Administration under  
2           section 515 of the Housing Act of 1949.

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

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

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

20                   “(ii) In the case of a unit which has  
21                   1 or more separate bedrooms, 1.5 individ-  
22                   uals for each separate bedroom.

23           In the case of a project with respect to which  
24           a credit is allowable by reason of this section  
25           and for which financing is provided by a bond

1 described in section 142(a)(7), the imputed in-  
2 come limitation shall apply in lieu of the other-  
3 wise applicable income limitation for purposes  
4 of applying section 142(d)(4)(B)(ii).

5 “(D) TREATMENT OF UNITS OCCUPIED BY  
6 INDIVIDUALS WHOSE INCOMES RISE ABOVE  
7 LIMIT.—

8 “(i) IN GENERAL.—Except as pro-  
9 vided in clause (ii), notwithstanding an in-  
10 crease in the income of the occupants of a  
11 middle-income unit above the income limi-  
12 tation applicable under paragraph (1),  
13 such unit shall continue to be treated as a  
14 middle-income unit if the income of such  
15 occupants initially met such income limita-  
16 tion and such unit continues to be rent-re-  
17 stricted.

18 “(ii) NEXT AVAILABLE UNIT MUST BE  
19 RENTED TO MIDDLE-INCOME TENANT IF  
20 INCOME RISES ABOVE 140 PERCENT OF IN-  
21 COME LIMIT.—If the income of the occu-  
22 pants of the unit increases above 140 per-  
23 cent of the income limitation applicable  
24 under paragraph (1), clause (i) shall cease  
25 to apply to such unit if any residential

1 rental unit in the building (of a size com-  
2 parable to, or smaller than, such unit) is  
3 occupied by a new resident whose income  
4 exceeds such income limitation.

5 “(3) DATE FOR MEETING REQUIREMENTS.—

6 “(A) IN GENERAL.—Except as otherwise  
7 provided in this paragraph, a building shall be  
8 treated as a qualified middle-income building  
9 only if the project (of which such building is a  
10 part) meets the requirements of paragraph (1)  
11 not later than the close of the 1st year of the  
12 credit period for such building.

13 “(B) BUILDINGS WHICH RELY ON LATER  
14 BUILDINGS FOR QUALIFICATION.—

15 “(i) IN GENERAL.—In determining  
16 whether a building (hereinafter in this sub-  
17 paragraph referred to as the ‘prior build-  
18 ing’) is a qualified middle-income building,  
19 the taxpayer may take into account 1 or  
20 more additional buildings placed in service  
21 during the 12-month period described in  
22 subparagraph (A) with respect to the prior  
23 building only if the taxpayer elects to apply  
24 clause (ii) with respect to each additional  
25 building taken into account.

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

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

17                   “(C) SPECIAL RULE.—A building—

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

20                   “(ii) other than a building which is  
21 placed in service during the 12-month pe-  
22 riod described in subparagraph (A) with  
23 respect to a prior building which becomes  
24 a qualified middle-income building,

1 shall in no event be treated as a qualified mid-  
2 dle-income building unless the project is a  
3 qualified middle-income housing project (with-  
4 out regard to such building) on the date such  
5 building is placed in service.

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

15 “(4) CERTAIN RULES MADE APPLICABLE.—  
16 Paragraphs (2) (other than subparagraph (A) there-  
17 of), (3), and (7) of section 142(d), and section  
18 6652(j), shall apply for purposes of determining  
19 whether any project is a qualified middle-income  
20 housing project and whether any unit is a middle-in-  
21 come unit; except that, in applying such provisions  
22 for such purposes—

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

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

4           “(5) ELECTION TO TREAT BUILDING AFTER  
5           CREDIT PERIOD AS NOT PART OF A PROJECT.—For  
6           purposes of this section, the taxpayer may elect to  
7           treat any building as not part of a qualified middle-  
8           income housing project for any period beginning  
9           after the credit period for such building.

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

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

21                 “(B) the purchase of the unit is not per-  
22                 mitted until after the close of the credit period  
23                 with respect to the building in which the unit  
24                 is located.

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

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

11 “(8) WAIVER OF CERTAIN RECERTIFI-  
12 CATIONS.—On application by the taxpayer, the Sec-  
13 retary may waive any annual recertification of ten-  
14 ant income for purposes of this subsection, if the en-  
15 tire building is occupied by middle-income tenants.

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

21 “(A) with special needs,

22 “(B) who are members of a specified group  
23 under a Federal program or State program or  
24 policy that supports housing for such a speci-  
25 fied group, or

1                   “(C) who are involved in artistic or literary  
2                   activities.

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—

1                   “(i) the unused State housing credit  
2                   ceiling (if any) of such State for the pre-  
3                   ceding calendar year,

4                   “(ii) the greater of—

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

7                                 “(II) \$1,500,000, plus

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

10                   For purposes of clause (i), the unused State  
11                   housing credit ceiling for any calendar year is  
12                   the excess (if any) of the sum of the amounts  
13                   described in clauses (ii) (reduced by the aggre-  
14                   gate amounts described in paragraph (10)(A)(i)  
15                   with respect to all elections made for such cal-  
16                   endar year) and (iii) over the aggregate housing  
17                   credit dollar amount allocated for such year.

18                   For purposes of clause (iii), the amount of  
19                   State housing credit ceiling returned in the cal-  
20                   endar year equals the housing credit dollar  
21                   amount previously allocated within the State to  
22                   any project which fails to meet the 10 percent  
23                   test under paragraph (1)(E)(ii) on a date after  
24                   the close of the calendar year in which the allo-  
25                   cation was made or which does not become a

1 qualified middle-income housing project within  
2 the period required by this section or the terms  
3 of the allocation or to any project with respect  
4 to which an allocation is cancelled by mutual  
5 consent of the housing credit agency and the al-  
6 location recipient.

7 “(D) STATE MAY PROVIDE FOR DIF-  
8 FERENT ALLOCATION.—Rules similar to the  
9 rules of section 146(e) (other than paragraph  
10 (2)(B) thereof) shall apply for purposes of this  
11 paragraph.

12 “(E) POPULATION.—For purposes of this  
13 paragraph, population shall be determined in  
14 accordance with section 146(j).

15 “(F) COST-OF-LIVING ADJUSTMENT.—

16 “(i) IN GENERAL.—In the case of a  
17 calendar year after 2026, the \$1,500,000  
18 and \$1.00 amounts in subparagraph (C)  
19 shall each be increased by an amount equal  
20 to—

21 “(I) such dollar amount, multi-  
22 plied by

23 “(II) the cost-of-living adjust-  
24 ment determined under section 1(f)(3)  
25 for such calendar year by substituting

1                   ‘calendar year 2025’ for ‘calendar  
2                   year 2016’ in subparagraph (A)(ii)  
3                   thereof.

4                   “(ii) ROUNDING.—

5                   “ (I) In the case of the  
6                   \$1,500,000 amount, any increase  
7                   under clause (i) which is not a mul-  
8                   tiple of \$5,000 shall be rounded to the  
9                   next lowest multiple of \$5,000.

10                  “(II) In the case of the \$1.00  
11                  amount, any increase under clause (i)  
12                  which is not a multiple of 5 cents  
13                  shall be rounded to the next lowest  
14                  multiple of 5 cents.

15                  “(4) PORTION OF STATE CEILING SET-ASIDE  
16                  FOR CERTAIN PROJECTS INVOLVING QUALIFIED  
17                  NONPROFIT ORGANIZATIONS.—

18                  “(A) IN GENERAL.—Not more than 90  
19                  percent of the State housing credit ceiling (de-  
20                  termined without regard to paragraph (7)) for  
21                  any State for any calendar year shall be allo-  
22                  cated to projects other than qualified middle-in-  
23                  come housing projects described in subpara-  
24                  graph (B).

1           “(B) PROJECTS INVOLVING QUALIFIED  
2           NONPROFIT ORGANIZATIONS.—For purposes of  
3           subparagraph (A), a qualified middle-income  
4           housing project is described in this subpara-  
5           graph if a qualified nonprofit organization is to  
6           own an interest in the project (directly or  
7           through a partnership) and materially partici-  
8           pate (within the meaning of section 469(h)) in  
9           the development and operation of the project  
10          throughout the credit period.

11          “(C) QUALIFIED NONPROFIT ORGANIZA-  
12          TION.—For purposes of this paragraph, the  
13          term ‘qualified nonprofit organization’ means  
14          any organization if—

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

18                 “(ii) such organization is determined  
19                 by the State housing credit agency not to  
20                 be affiliated with or controlled by a for-  
21                 profit organization, and

22                 “(iii) one of the exempt purposes of  
23                 such organization includes the fostering of  
24                 middle-income housing.

1                   “(D) TREATMENT OF CERTAIN SUBSIDI-  
2                   ARIES.—

3                   “(i) IN GENERAL.—For purposes of  
4                   this paragraph, a qualified nonprofit orga-  
5                   nization shall be treated as satisfying the  
6                   ownership and material participation test  
7                   of subparagraph (B) if any qualified cor-  
8                   poration in which such organization holds  
9                   stock satisfies such test.

10                   “(ii) QUALIFIED CORPORATION.—For  
11                   purposes of clause (i), the term ‘qualified  
12                   corporation’ means any corporation if 100  
13                   percent of the stock of such corporation is  
14                   held by 1 or more qualified nonprofit orga-  
15                   nizations at all times during the period  
16                   such corporation is in existence.

17                   “(E) STATE MAY NOT OVERRIDE SET-  
18                   ASIDE.—Nothing in subparagraph (E) of para-  
19                   graph (3) shall be construed to permit a State  
20                   not to comply with subparagraph (A) of this  
21                   paragraph.

22                   “(5) BUILDINGS ELIGIBLE FOR CREDIT ONLY  
23                   IF MINIMUM LONG-TERM COMMITMENT TO MIDDLE-  
24                   INCOME HOUSING.—

1           “(A) IN GENERAL.—No credit shall be al-  
2           lowed by reason of this section with respect to  
3           any building for the taxable year unless an ex-  
4           tended middle-income housing commitment is in  
5           effect as of the end of such taxable year.

6           “(B) EXTENDED MIDDLE-INCOME HOUS-  
7           ING COMMITMENT.—For purposes of this para-  
8           graph, the term ‘extended middle-income hous-  
9           ing commitment’ means any agreement between  
10          the taxpayer and the housing credit agency—

11                 “(i) which requires that the applicable  
12                 fraction (as defined in subsection (c)(1))  
13                 for the building for each taxable year in  
14                 the extended use period will not be less  
15                 than the applicable fraction specified in  
16                 such agreement and which prohibits the  
17                 actions described in subclauses (I) and (II)  
18                 of subparagraph (E)(ii),

19                 “(ii) which allows individuals who  
20                 meet the income limitation applicable to  
21                 the building under subsection (g) (whether  
22                 prospective, present, or former occupants  
23                 of the building) the right to enforce in any  
24                 State court the requirement and prohibi-  
25                 tions of clause (i),

1           “(iii) which prohibits the disposition  
2           to any person of any portion of the build-  
3           ing to which such agreement applies unless  
4           all of the building to which such agreement  
5           applies is disposed of to such person,

6           “(iv) which prohibits the refusal to  
7           lease to a holder of a voucher or certificate  
8           of eligibility under section 8 of the United  
9           States Housing Act of 1937 because of the  
10          status of the prospective tenant as such a  
11          holder,

12          “(v) which is binding on all successors  
13          of the taxpayer, and

14          “(vi) which, with respect to the prop-  
15          erty, is recorded pursuant to State law as  
16          a restrictive covenant.

17          “(C) ALLOCATION OF CREDIT MAY NOT  
18          EXCEED AMOUNT NECESSARY TO SUPPORT  
19          COMMITMENT.—

20          “(i) IN GENERAL.—The housing cred-  
21          it dollar amount allocated to any building  
22          may not exceed the amount necessary to  
23          support the applicable fraction specified in  
24          the extended middle-income housing com-  
25          mitment for such building, including any

1 increase in such fraction pursuant to the  
2 application of subsection (f)(3) if such in-  
3 crease is reflected in an amended middle-  
4 income housing commitment.

5 “(ii) BUILDINGS FINANCED BY TAX-  
6 EXEMPT BONDS.—If paragraph (9) applies  
7 to any building the amount of credit al-  
8 lowed in any taxable year may not exceed  
9 the amount necessary to support the appli-  
10 cable fraction specified in the extended  
11 low-income housing commitment for such  
12 building. Such commitment may be amend-  
13 ed to increase such fraction.

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

17 “(i) beginning on the 1st day in the  
18 credit period on which such building is  
19 part of a qualified middle-income housing  
20 project, and

21 “(ii) ending on the later of—

22 “(I) the date specified by such  
23 agency in such agreement, or

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

1                   “(E) EXCEPTIONS IF FORECLOSURE OR IF  
2 NO BUYER WILLING TO MAINTAIN MIDDLE-IN-  
3 COME STATUS.—

4                   “(i) IN GENERAL.—The extended use  
5 period for any building shall terminate—

6                   “(I) on the date the building is  
7 acquired by foreclosure (or instrument  
8 in lieu of foreclosure) unless the Sec-  
9 retary determines that such acquisi-  
10 tion is part of an arrangement with  
11 the taxpayer a purpose of which is to  
12 terminate such period, or

13                   “(II) on the last day of the pe-  
14 riod specified in subparagraph (I) if  
15 the housing credit agency is unable to  
16 present during such period a qualified  
17 contract for the acquisition of the  
18 middle-income portion of the building  
19 by any person who will continue to op-  
20 erate such portion as a qualified mid-  
21 dle-income building.

22                   Subclause (II) shall no apply to the extent  
23 more stringent requirements are provided  
24 in the agreement or in State law.

1                   “(ii) EVICTION, ETC., OF EXISTING  
2                   MIDDLE-INCOME TENANTS NOT PER-  
3                   MITTED.—The termination of an extended  
4                   use period under clause (i) shall not be  
5                   construed to permit before the close of the  
6                   3-year period following such termination—

7                   “(I) the eviction or the termi-  
8                   nation of tenancy (other than for good  
9                   cause) of an existing tenant of any  
10                  middle-income unit, or

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

14                  “(F) QUALIFIED CONTRACT.—For pur-  
15                  poses of subparagraph (E), the term ‘qualified  
16                  contract’ means a bona fide contract to acquire  
17                  (within a reasonable period after the contract is  
18                  entered into) the nonmiddle-income portion of  
19                  the building for fair market value and the mid-  
20                  dle-income portion of the building for an  
21                  amount not less than the applicable fraction  
22                  (specified in the extended middle-income hous-  
23                  ing commitment) of—

24                  “(i) the sum of—

1                   “(I) the outstanding indebtedness  
2                   secured by, or with respect to, the  
3                   building,

4                   “(II) the adjusted investor equity  
5                   in the building, plus

6                   “(III) other capital contributions  
7                   not reflected in the amounts described  
8                   in subclause (I) or (II), reduced by

9                   “(ii) cash distributions from (or avail-  
10                  able for distribution from) the project.

11                  The Secretary shall prescribe such regulations  
12                  as may be necessary or appropriate to carry out  
13                  this paragraph, including regulations to prevent  
14                  the manipulation of the amount determined  
15                  under the preceding sentence.

16                  “(G) ADJUSTED INVESTOR EQUITY.—

17                  “(i) IN GENERAL.—For purposes of  
18                  subparagraph (F), the term ‘adjusted in-  
19                  vestor equity’ means, with respect to any  
20                  calendar year, the aggregate amount of  
21                  cash taxpayers invested with respect to the  
22                  project increased by the amount equal to—

23                  “(I) such amount, multiplied by

24                  “(II) the cost-of-living adjust-  
25                  ment for such calendar year, deter-

1                   mined under section 1(f)(3) by sub-  
2                   stituting the base calendar year for  
3                   ‘calendar year 2016’ in subparagraph  
4                   (A)(ii) thereof.

5                   An amount shall be taken into account as  
6                   an investment in the project only to the ex-  
7                   tent there was an obligation to invest such  
8                   amount as of the beginning of the credit  
9                   period and to the extent such amount is  
10                  reflected in the adjusted basis of the  
11                  project.

12                  “(ii) COST-OF-LIVING INCREASES IN  
13                  EXCESS OF 5 PERCENT NOT TAKEN INTO  
14                  ACCOUNT.—Under regulations prescribed  
15                  by the Secretary, if the C–CPI–U for any  
16                  calendar year (as defined in section  
17                  1(f)(6)) exceeds the C–CPI–U for the pre-  
18                  ceding calendar year by more than 5 per-  
19                  cent, the C–CPI–U for the base calendar  
20                  year shall be increased such that such ex-  
21                  cess shall never be taken into account  
22                  under clause (i). In the case of a base cal-  
23                  endar year before 2017, the C–CPI–U for  
24                  such year shall be determined by multi-  
25                  plying the CPI for such year by the

1 amount determined under section  
2 1(f)(3)(B).

3 “(iii) BASE CALENDAR YEAR.—For  
4 purposes of this subparagraph, the term  
5 ‘base calendar year’ means the calendar  
6 year with or within which the 1st taxable  
7 year of the credit period ends.

8 “(H) MIDDLE-INCOME PORTION.—For  
9 purposes of this paragraph, the middle-income  
10 portion of a building is the portion of such  
11 building equal to the applicable fraction speci-  
12 fied in the extended middle-income housing  
13 commitment for the building.

14 “(I) PERIOD FOR FINDING BUYER.—The  
15 period referred to in this subparagraph is the 1-  
16 year period beginning on the date (after the  
17 14th year of the credit period) the taxpayer  
18 submits a written request to the housing credit  
19 agency to find a person to acquire the tax-  
20 payer’s interest in the low-income portion of the  
21 building.

22 “(J) EFFECT OF NONCOMPLIANCE.—If,  
23 during a taxable year, there is a determination  
24 that an extended middle-income housing agree-  
25 ment was not in effect as of the beginning of

1 such year, such determination shall not apply to  
2 any period before such year and subparagraph  
3 (A) shall be applied without regard to such de-  
4 termination if the failure is corrected within 1  
5 year from the date of the determination.

6 “(K) PROJECTS WHICH CONSIST OF MORE  
7 THAN 1 BUILDING.—The application of this  
8 paragraph to projects which consist of more  
9 than 1 building shall be made under regulations  
10 prescribed by the Secretary.

11 “(6) SPECIAL RULES.—

12 “(A) BUILDING MUST BE LOCATED WITH-  
13 IN JURISDICTION OF CREDIT AGENCY.—A hous-  
14 ing credit agency may allocate its aggregate  
15 housing credit dollar amount only to buildings  
16 located in the jurisdiction of the governmental  
17 unit of which such agency is a part.

18 “(B) AGENCY ALLOCATIONS IN EXCESS OF  
19 LIMIT.—If the aggregate housing credit dollar  
20 amounts allocated by a housing credit agency  
21 for any calendar year exceed the portion of the  
22 State housing credit ceiling allocated to such  
23 agency for such calendar year, the housing  
24 credit dollar amounts so allocated shall be re-  
25 duced (to the extent of such excess) for build-

1           ings in the reverse of the order in which the al-  
2           locations of such amounts were made.

3           “(C) CREDIT REDUCED IF ALLOCATED  
4           CREDIT DOLLAR AMOUNT IS LESS THAN CREDIT  
5           WHICH WOULD BE ALLOWABLE WITHOUT RE-  
6           GARD TO PLACED IN SERVICE CONVENTION,  
7           ETC.—

8           “(i) IN GENERAL.—The amount of  
9           the credit determined under this section  
10          with respect to any building shall not ex-  
11          ceed the clause (ii) percentage of the  
12          amount of the credit which would (but for  
13          this subparagraph) be determined under  
14          this section with respect to such building.

15          “(ii) DETERMINATION OF PERCENT-  
16          AGE.—For purposes of clause (i), the  
17          clause (ii) percentage with respect to any  
18          building is the percentage which—

19                 “(I) the housing credit dollar  
20                 amount allocated to such building,  
21                 bears to

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

24          “(iii) DETERMINATION OF CREDIT  
25          AMOUNT.—The credit amount determined

1 in accordance with this clause is the  
2 amount of the credit which would (but for  
3 this subparagraph) be determined under  
4 this section with respect to the building  
5 if—

6 “(I) this section were applied  
7 without regard to paragraphs (2)(A)  
8 and (3)(B) of subsection (f), and

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

12 “(D) HOUSING CREDIT AGENCY TO SPECI-  
13 FY APPLICABLE PERCENTAGE AND MAXIMUM  
14 QUALIFIED BASIS.—In allocating a housing  
15 credit dollar amount to any building, the hous-  
16 ing credit agency shall specify the applicable  
17 percentage and the maximum qualified basis  
18 which may be taken into account under this  
19 section with respect to such building. The appli-  
20 cable percentage and maximum qualified basis  
21 so specified shall not exceed the applicable per-  
22 centage and qualified basis determined under  
23 this section without regard to this subsection.

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

1           “(A) IN GENERAL.—The State housing  
2 credit ceiling for any calendar year shall be in-  
3 creased by an amount equal to 5 percent of the  
4 amount determined under paragraph (3)(C)(ii).

5           “(B) USE OF INCREASED AMOUNT.—

6           “(i) IN GENERAL.—The amount of  
7 the increase under subparagraph (A) for  
8 any calendar year may only be allocated to  
9 buildings located in a rural area.

10           “(ii) RURAL AREA.—For purposes of  
11 clause (i), the term ‘rural area’ means any  
12 non-metropolitan area, or any rural area  
13 as defined by section 520 of the Housing  
14 Act of 1949, which is identified by the  
15 qualified allocation plan under subsection  
16 (1)(1)(B).

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

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

22           “(B) POSSESSIONS TREATED AS STATES.—  
23 The term ‘State’ includes a possession of the  
24 United States.

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

7           “(10) ELECTION TO TRANSFER STATE HOUSING  
8 CREDIT CEILING FOR ALLOCATIONS TO LOW-INCOME  
9 BUILDINGS.—

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

13           “(i) the State housing credit ceiling  
14 for such calendar year under paragraph  
15 (3) (determined before application of para-  
16 graph (7)) shall be reduced by the amount  
17 specified in such election,

18           “(ii) the amount determined under  
19 paragraph (7) for such calendar year shall  
20 be reduced by the amount specified in such  
21 election, and

22           “(iii) the amount determined under  
23 section 42(h)(3)(C)(ii) for such calendar  
24 year shall be increased by the sum of the  
25 amounts specified in clauses (i) and (ii),

1                   except that any amount specified under  
2                   clause (ii)—

3                   “(I) may only be allocated under  
4                   such section to qualified low-income  
5                   buildings (as defined in section 42) lo-  
6                   cated in a rural area (as defined in  
7                   paragraph (7), and

8                   “(II) shall not be taken into ac-  
9                   count for purposes of determining the  
10                  unused housing credit ceiling under  
11                  the second sentence of section  
12                  42(h)(3)(C).

13                  “(B) TIME AND MANNER FOR MAKING  
14                  ELECTION.—

15                  “(i) IN GENERAL.—An election under  
16                  this paragraph—

17                  “(I) shall be made before the end  
18                  of the calendar year with respect to  
19                  which such election applies,

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

22                  “(III) shall separately specify the  
23                  amount of reductions to be made  
24                  under paragraph (3) and paragraph  
25                  (7).

1                   “(ii) FREQUENCY.—A State housing  
2                   credit agency may make more than one  
3                   election under this section with respect to  
4                   any calendar year, and any such election,  
5                   once made, shall be revocable only if such  
6                   revocation is made before the end of the  
7                   calendar year with respect to which such  
8                   election is made.

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

13                         “(i) the amount determined under  
14                         paragraph (3)(C)(ii) for such calendar  
15                         year, plus

16                         “(ii) the amount determined under  
17                         paragraph (7) for such calendar year.

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

20                         “(1) MIDDLE-INCOME UNIT.—

21                         “(A) IN GENERAL.—The term ‘middle-in-  
22                         come unit’ means any unit in a building if—

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

1           “(ii) the individuals occupying such  
2           unit meet the income limitation applicable  
3           under subsection (g)(1) to the project of  
4           which such building is a part.

5           “(B) EXCEPTIONS.—

6           “(i) EXCLUSION OF LOW-INCOME  
7           UNITS.—A unit shall not be treated as a  
8           middle-income unit if such unit is a low-in-  
9           come unit (as defined under section  
10          42(i)(3)).

11          “(ii) UNIT MUST BE SUITABLE FOR  
12          PERMANENT OCCUPANCY.—

13           “(I) IN GENERAL.—A unit shall  
14           not be treated as a middle-income  
15           unit unless the unit is suitable for oc-  
16           cupancy and used other than on a  
17           transient basis.

18           “(II) TRANSITIONAL HOUSING  
19           FOR HOMELESS.—For purposes of  
20           subclause (I), a unit shall be consid-  
21           ered to be used other than on a tran-  
22           sient basis if the unit contains sleep-  
23           ing accommodations and kitchen and  
24           bathroom facilities and is located in a  
25           building—

1                   “(aa) which is used exclu-  
2                   sively to facilitate the transition  
3                   of homeless individuals (within  
4                   the meaning of section 103 of the  
5                   Stewart B. McKinney Homeless  
6                   Assistance Act (42 U.S.C.  
7                   11302), as in effect on the date  
8                   of the enactment of this clause)  
9                   to independent living within 24  
10                  months, and

11                  “(bb) in which a govern-  
12                  mental entity or qualified non-  
13                  profit organization (as defined in  
14                  subsection (h)(4)) provides such  
15                  individuals with temporary hous-  
16                  ing and supportive services de-  
17                  signed to assist such individuals  
18                  in locating and retaining perma-  
19                  nent housing.

20                  “(III) SUITABILITY FOR OCCU-  
21                  PANCY.—For purposes of subclause  
22                  (I), the suitability of a unit for occu-  
23                  pancy shall be determined under regu-  
24                  lations prescribed by the Secretary

1 taking into account local health, safe-  
2 ty, and building codes.

3 “(IV) SINGLE-ROOM OCCUPANCY  
4 UNITS.—For purposes of subclause  
5 (I), a single-room occupancy unit shall  
6 not be treated as used on a transient  
7 basis merely because it is rented on a  
8 month-by-month basis.

9 “(C) SPECIAL RULE FOR BUILDINGS HAV-  
10 ING 4 OR FEWER UNITS.—In the case of any  
11 building which has 4 or fewer residential rental  
12 units, no unit in such building shall be treated  
13 as a middle-income unit if the units in such  
14 building are owned by—

15 “(i) any individual who occupies a res-  
16 idential unit in such building, or

17 “(ii) any person who is related (as de-  
18 fined in subsection (d)(2)(D)(ii)) to such  
19 individual.

20 “(D) CERTAIN STUDENTS NOT TO DIS-  
21 QUALIFY UNIT.—A unit shall not fail to be  
22 treated as a middle-income unit merely because  
23 it is occupied—

24 “(i) by an individual who is—

1                   “(I) a student and receiving as-  
2                   sistance under title IV of the Social  
3                   Security Act,

4                   “(II) a student who was pre-  
5                   viously under the care and placement  
6                   responsibility of the State agency re-  
7                   sponsible for administering a plan  
8                   under part B or part E of title IV of  
9                   the Social Security Act, or

10                   “(III) enrolled in a job training  
11                   program receiving assistance under  
12                   the Job Training Partnership Act or  
13                   under other similar Federal, State, or  
14                   local laws, or

15                   “(ii) entirely by full-time students if  
16                   such students are—

17                   “(I) single parents and their chil-  
18                   dren and such parents are not de-  
19                   pendents (as defined in section 152,  
20                   determined without regard to sub-  
21                   sections (b)(1), (b)(2), and (d)(1)(B)  
22                   thereof) of another individual and  
23                   such children are not dependents (as  
24                   so defined) of another individual other  
25                   than a parent of such children, or

1                                   “(II) married and file a joint re-  
2                                   turn.

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

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

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

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

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

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

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

10           “(5) IMPACT OF TENANT’S RIGHT OF 1ST RE-  
11           FUSAL TO ACQUIRE PROPERTY.—

12           “(A) IN GENERAL.—No Federal income  
13           tax benefit shall fail to be allowable to the tax-  
14           payer with respect to any qualified middle-in-  
15           come building merely by reason of a right of 1st  
16           refusal held by the tenants (in cooperative form  
17           or otherwise) or resident management corpora-  
18           tion of such building or by a qualified nonprofit  
19           organization (as defined in subsection  
20           (h)(4)(C)) or government agency to purchase  
21           the property after the close of the credit period  
22           for a price which is not less than the minimum  
23           purchase price determined under subparagraph  
24           (B).

1           “(B) MINIMUM PURCHASE PRICE.—For  
2 purposes of subparagraph (A), the minimum  
3 purchase price under this subparagraph is an  
4 amount equal to the sum of—

5                   “(i) the principal amount of out-  
6 standing indebtedness secured by the  
7 building (other than indebtedness incurred  
8 within the 5-year period ending on the date  
9 of the sale to the tenants), and

10                   “(ii) all Federal, State, and local  
11 taxes attributable to such sale.

12 Except in the case of Federal income taxes,  
13 there shall not be taken into account under  
14 clause (ii) any additional tax attributable to the  
15 application of clause (ii).

16           “(6) IMPACT OF PURCHASE OPTION TO AC-  
17 QUIRE PROPERTY.—

18                   “(A) IN GENERAL.—No Federal income  
19 tax benefit shall fail to be allowable to the tax-  
20 payer with respect to any qualified middle-in-  
21 come building merely by reason of a purchase  
22 option held by the tenants (in cooperative form  
23 or otherwise) or resident management corpora-  
24 tion of such building or by a qualified nonprofit  
25 organization (as defined in subsection

1 (h)(4)(C)) or government agency to purchase  
2 the property or all of the partnership interests  
3 (other than interests of the person exercising  
4 such option or a related party thereto (within  
5 the meaning of section 267(b) or 707(b)(1)))  
6 relating to the property after the close of the  
7 credit period for a price which is not less than  
8 the minimum purchase price determined under  
9 subparagraph (B).

10 “(B) MINIMUM PURCHASE PRICE.—For  
11 purposes of subparagraph (A)—

12 “(i) IN GENERAL.—Except as pro-  
13 vided in clause (ii), the minimum purchase  
14 price is the amount determined under  
15 paragraph (5)(B).

16 “(ii) PARTNERSHIP INTERESTS.—In  
17 the case of a purchase of all of the part-  
18 nership interests relating to a property, the  
19 minimum purchase price under this sub-  
20 paragraph shall be an amount not less  
21 than the sum of the interests’ shares of the  
22 amount which would be determined with  
23 respect to the property under paragraph  
24 (5)(B) without regard to this sentence.

1           “(C) PROPERTY.—For purposes of sub-  
2           paragraph (A), the term ‘property’ may include  
3           all or any of the assets held for the develop-  
4           ment, operation, or maintenance of a building.

5           “(D) APPLICATION TO S CORPORATIONS  
6           AND OTHER PASS-THROUGH ENTITIES.—Except  
7           as provided by the Secretary, the rules of this  
8           paragraph shall apply to S corporations and  
9           other pass-through entities in the same manner  
10          as such rules apply to partnerships.

11          “(7) TREATMENT OF RURAL PROJECTS.—For  
12          purposes of this section, in the case of any project  
13          for residential rental property located in a rural area  
14          (as defined in section 520 of the Housing Act of  
15          1949), any income limitation measured by reference  
16          to area median gross income shall be measured by  
17          reference to the greater of area median gross income  
18          or national non-metropolitan median income. The  
19          preceding sentence shall not apply with respect to  
20          any building if paragraph (1) of subsection (h) does  
21          not apply by reason of paragraph (9) thereof to any  
22          portion of the credit determined under this section  
23          with respect to such building.

24          “(8) DETERMINATION OF WHETHER BUILDING  
25          IS FEDERALLY SUBSIDIZED.—

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

11           “(B) ELECTION TO REDUCE ELIGIBLE  
12 BASIS BY PROCEEDS OF OBLIGATIONS.—A tax-  
13 exempt obligation shall not be taken into ac-  
14 count under subparagraph (A) if the taxpayer  
15 elects to exclude from the eligible basis of the  
16 building for purposes of subsection (d) the pro-  
17 ceeds of such obligation.

18           “(C) SPECIAL RULE FOR SUBSIDIZED CON-  
19 STRUCTION FINANCING.—Subparagraph (A)  
20 shall not apply to any tax-exempt obligation  
21 used to provide construction financing for any  
22 building if—

23                   “(i) such obligation (when issued)  
24                   identified the building for which the pro-

1 ceeds of such obligation would be used,  
2 and

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

5 “(9) REDUCTION IN BASIS.—In the case of any  
6 building for which a credit is allowable under this  
7 section and section 42, the basis of the building shall  
8 be reduced by the amount of such credit allowed  
9 under subsection (a).

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

12 “(1) IN GENERAL.—Except as otherwise pro-  
13 vided in this subsection, rules similar to the rules of  
14 section 49(a)(1) (other than subparagraphs  
15 (D)(ii)(II) and (D)(iv)(I) thereof), section 49(a)(2),  
16 and section 49(b)(1) shall apply in determining the  
17 qualified basis of any building in the same manner  
18 as such sections apply in determining the credit base  
19 of property.

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

22 “(A) IN GENERAL.—If the requirements of  
23 subparagraphs (B), (C), and (D) are met with  
24 respect to any financing borrowed from a quali-  
25 fied nonprofit organization (as defined in sub-

1 section (h)(4)), the determination of whether  
2 such financing is qualified commercial financing  
3 with respect to any qualified middle-income  
4 building shall be made without regard to wheth-  
5 er such organization—

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

8 “(ii) is a person described in section  
9 49(a)(1)(D)(iv)(II).

10 “(B) FINANCING SECURED BY PROP-  
11 ERTY.—The requirements of this subparagraph  
12 are met with respect to any financing if such fi-  
13 nancing is secured by the qualified middle-in-  
14 come building, except that this subparagraph  
15 shall not apply in the case of a federally as-  
16 sisted building described in section  
17 42(d)(6)(C)(i) if—

18 “(i) a security interest in such build-  
19 ing is not permitted by a Federal agency  
20 holding or insuring the mortgage secured  
21 by such building, and

22 “(ii) the proceeds from the financing  
23 (if any) are applied to acquire or improve  
24 such building.

1           “(C) PORTION OF BUILDING ATTRIB-  
2           UTABLE TO FINANCING.—The requirements of  
3           this subparagraph are met with respect to any  
4           financing for any taxable year in the credit pe-  
5           riod if, as of the close of such taxable year, not  
6           more than 60 percent of the eligible basis of the  
7           qualified middle-income building is attributable  
8           to such financing (reduced by the principal and  
9           interest of any governmental financing which is  
10          part of a wrap-around mortgage involving such  
11          financing).

12          “(D) REPAYMENT OF PRINCIPAL AND IN-  
13          TEREST.—The requirements of this subpara-  
14          graph are met with respect to any financing if  
15          such financing is fully repaid on or before the  
16          earliest of—

17                 “(i) the date on which such financing  
18                 matures,

19                 “(ii) the 90th day after the close of  
20                 the credit period with respect to the quali-  
21                 fied middle-income building, or

22                 “(iii) the date of its refinancing or the  
23                 sale of the building to which such financ-  
24                 ing relates.

1           In the case of a qualified nonprofit organization  
2           which is not described in section  
3           49(a)(1)(D)(iv)(II) with respect to a building,  
4           clause (ii) of this subparagraph shall be applied  
5           as if the date described therein were the 90th  
6           day after the earlier of the date the building  
7           ceases to be a qualified middle-income building  
8           or the date which is 15 years after the close of  
9           a credit period with respect thereto.

10           “(3) PRESENT VALUE OF FINANCING.—If the  
11           rate of interest on any financing described in para-  
12           graph (2)(A) is less than the rate which is 1 per-  
13           centage point below the applicable Federal rate as of  
14           the time such financing is incurred, then the quali-  
15           fied basis (to which such financing relates) of the  
16           qualified middle-income building shall be the present  
17           value of the amount of such financing, using as the  
18           discount rate such applicable Federal rate. For pur-  
19           poses of the preceding sentence, the rate of interest  
20           on any financing shall be determined by treating in-  
21           terest to the extent of government subsidies as not  
22           payable.

23           “(4) FAILURE TO FULLY REPAY.—

24           “(A) IN GENERAL.—To the extent that the  
25           requirements of paragraph (2)(D) are not met,

1 then the taxpayer's tax under this chapter for  
2 the taxable year in which such failure occurs  
3 shall be increased by an amount equal to the  
4 applicable portion of the credit under this sec-  
5 tion with respect to such building, increased by  
6 an amount of interest for the period—

7 “(i) beginning with the due date for  
8 the filing of the return of tax imposed by  
9 chapter 1 for the 1st taxable year for  
10 which such credit was allowable, and

11 “(ii) ending with the due date for the  
12 taxable year in which such failure occurs,  
13 determined by using the underpayment rate and  
14 method under section 6621.

15 “(B) APPLICABLE PORTION.—For pur-  
16 poses of subparagraph (A), the term ‘applicable  
17 portion’ means the aggregate decrease in the  
18 credits allowed to a taxpayer under section 38  
19 for all prior taxable years which would have re-  
20 sulted if the eligible basis of the building were  
21 reduced by the amount of financing which does  
22 not meet requirements of paragraph (2)(D).

23 “(C) CERTAIN RULES TO APPLY.—Rules  
24 similar to the rules of subparagraphs (A) and

1 (D) of section 42(j)(4) shall apply for purposes  
2 of this subsection.

3 “(k) CERTIFICATIONS AND OTHER REPORTS TO SEC-  
4 RETARY.—

5 “(1) CERTIFICATION WITH RESPECT TO 1ST  
6 YEAR OF CREDIT PERIOD.—Following the close of  
7 the 1st taxable year in the credit period with respect  
8 to any qualified middle-income building, the tax-  
9 payer shall certify to the Secretary (at such time  
10 and in such form and in such manner as the Sec-  
11 retary prescribes)—

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

14 “(B) the adjusted basis and eligible basis  
15 of such building as of the close of the 1st year  
16 of the credit period,

17 “(C) the maximum applicable percentage  
18 and qualified basis permitted to be taken into  
19 account by the appropriate housing credit agen-  
20 cy under subsection (h), and

21 “(D) such other information as the Sec-  
22 retary may require.

23 In the case of a failure to make the certification re-  
24 quired by the preceding sentence on the date pre-  
25 scribed therefor, unless it is shown that such failure

1 is due to reasonable cause and not to willful neglect,  
2 no credit shall be allowable by reason of subsection  
3 (a) with respect to such building for any taxable  
4 year ending before such certification is made.

5 “(2) ANNUAL REPORTS TO THE SECRETARY.—  
6 The Secretary may require taxpayers to submit an  
7 information return (at such time and in such form  
8 and manner as the Secretary prescribes) for each  
9 taxable year setting forth—

10 “(A) the qualified basis for the taxable  
11 year of each qualified middle-income building of  
12 the taxpayer,

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

15 “(C) such other information as the Sec-  
16 retary may require.

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

21 “(3) ANNUAL REPORTS FROM HOUSING CREDIT  
22 AGENCIES.—Each agency which allocates any hous-  
23 ing credit amount to any building for any calendar  
24 year shall submit to the Secretary (at such time and

1 in such manner as the Secretary shall prescribe) an  
2 annual report specifying—

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

5 “(B) sufficient information to identify each  
6 such building and the taxpayer with respect  
7 thereto, and

8 “(C) such other information as the Sec-  
9 retary may require.

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

13 “(l) RESPONSIBILITIES OF HOUSING CREDIT AGEN-  
14 CIES.—

15 “(1) PLANS FOR ALLOCATION OF CREDIT  
16 AMONG PROJECTS.—

17 “(A) IN GENERAL.—Notwithstanding any  
18 other provision of this section, the housing cred-  
19 it dollar amount with respect to any building  
20 shall be zero unless—

21 “(i) such amount was allocated pursu-  
22 ant to a qualified allocation plan of the  
23 housing credit agency which is approved by  
24 the governmental unit (in accordance with

1 rules similar to the rules of section  
2 42(m)(1)) of which such agency is a part,

3 “(ii) a comprehensive market study of  
4 the housing needs of middle-income indi-  
5 viduals in the area to be served by the  
6 project is conducted before the credit allo-  
7 cation is made and at the developer’s ex-  
8 pense by a disinterested party who is ap-  
9 proved by such agency, and

10 “(iii) a written explanation is available  
11 to the general public for any allocation of  
12 a housing credit dollar amount which is  
13 not made in accordance with established  
14 priorities and selection criteria of the hous-  
15 ing credit agency.

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

19 “(i) which sets forth selection criteria  
20 to be used to determine housing priorities  
21 of the housing credit agency which are ap-  
22 propriate to local conditions,

23 “(ii) which also gives preference in al-  
24 locating housing credit dollar amounts  
25 among selected projects to—

1                   “(I) projects obligated to serve  
2 qualified tenants for the longest peri-  
3 ods,

4                   “(II) projects in areas with insuf-  
5 ficient supply of housing affordable to  
6 median income households,

7                   “(III) projects which target hous-  
8 ing to tenants at a range of incomes  
9 between 60 and 100 percent of area  
10 median gross income, and

11                   “(IV) projects located near tran-  
12 sit hubs, and

13                   “(iii) which provides a procedure that  
14 the agency (or an agent or other private  
15 contractor of such agency) will follow in  
16 monitoring for noncompliance with the  
17 provisions of this section and in notifying  
18 the Internal Revenue Service of such non-  
19 compliance which such agency becomes  
20 aware of and in monitoring for noncompli-  
21 ance with habitability standards through  
22 regular site visits.

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

- 1 “(i) project location,  
2 “(ii) housing needs characteristics,  
3 “(iii) project characteristics, including  
4 whether the project includes the use of ex-  
5 isting housing as part of a community revi-  
6 talization plan,  
7 “(iv) sponsor characteristics,  
8 “(v) tenant populations with special  
9 housing needs,  
10 “(vi) tenant populations of individuals  
11 with children,  
12 “(vii) projects intended for eventual  
13 tenant ownership,  
14 “(viii) the energy efficiency of the  
15 project, and  
16 “(ix) the historic nature of the  
17 project.

18 “(D) CERTAIN SELECTION CRITERIA PRO-  
19 HIBITED.—The selection criteria set forth in a  
20 qualified allocation plan shall not include a re-  
21 quirement of local approval or local contribu-  
22 tions, either as a threshold qualification re-  
23 quirement or as part of a point system to be  
24 considered for allocations of housing credit dol-  
25 lar amount.

1           “(2) CREDIT ALLOCATED TO BUILDING NOT TO  
2 EXCEED AMOUNT NECESSARY TO ASSURE PROJECT  
3 FEASIBILITY.—

4           “(A) IN GENERAL.—The housing credit  
5 dollar amount allocated to a project shall not  
6 exceed the amount the housing credit agency  
7 determines is necessary for the financial feasi-  
8 bility of the project and its viability as a quali-  
9 fied middle-income housing project throughout  
10 the credit period.

11           “(B) AGENCY EVALUATION.—In making  
12 the determination under subparagraph (A), the  
13 housing credit agency shall consider—

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

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

18           “(iii) the percentage of the housing  
19 credit dollar amount used for project costs  
20 other than the cost of intermediaries, and

21           “(iv) the reasonableness of the devel-  
22 opmental and operational costs of the  
23 project.

24           Clause (iii) shall not be applied so as to impede  
25 the development of projects in hard-to-develop

1 areas. Such a determination shall not be con-  
2 strued to be a representation or warranty as to  
3 the feasibility or viability of the project.

4 “(C) DETERMINATION MADE WHEN CRED-  
5 IT AMOUNT APPLIED FOR AND WHEN BUILDING  
6 PLACED IN SERVICE.—

7 “(i) IN GENERAL.—A determination  
8 under subparagraph (A) shall be made as  
9 of each of the following times:

10 “(I) The application for the  
11 housing credit dollar amount.

12 “(II) The allocation of the hous-  
13 ing credit dollar amount.

14 “(III) The date the building is  
15 placed in service.

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

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

4                   “(1) regulations dealing with—

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

7                           “(B) buildings which are placed in service  
8 in portions,

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

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

13                   “(4) regulations providing the opportunity for  
14 housing credit agencies to correct administrative er-  
15 rors and omissions with respect to allocations and  
16 record keeping within a reasonable period after their  
17 discovery, taking into account the availability of reg-  
18 ulations and other administrative guidance from the  
19 Secretary, and

20                   “(5) in consultation with the Secretary of  
21 Housing and Urban Development, regulations or  
22 guidance to promote uniform definitions and to  
23 streamline requirements with respect to qualified  
24 middle-income buildings which receive funding from  
25 programs administrated by the Department of Hous-

1       ing and Urban Development, including programs au-  
2       thorized by Native American Housing Assistance  
3       and Self-Determination Act of 1996.”.

4       (b) TREATMENT AS PART OF GENERAL BUSINESS  
5 CREDIT.—Section 38(b) of the Internal Revenue Code of  
6 1986 is amended by striking “plus” at the end of para-  
7 graph (40), by striking the period at the end of paragraph  
8 (41) and inserting “, plus”, and by adding at the end the  
9 following new paragraph:

10           “(42) the middle-income housing credit deter-  
11       mined under section 42A(a).”.

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

14           (1) by striking “and” at the end of paragraph  
15       (37),

16           (2) by redesignating paragraph (38) as para-  
17       graph (39), and

18           (3) by inserting after paragraph (37) the fol-  
19       lowing new paragraph:

20           “(38) to the extent provided in section  
21       42A(i)(9), and”.

22       (d) TREATMENT UNDER BASE EROSION MINIMUM  
23 TAX .—Section 59A(b)(3) of the Internal Revenue Code  
24 of 1986 is amended by redesignating subparagraphs (B)  
25 and (C) as subparagraphs (C) and (D), respectively, and

1 by inserting after subparagraph (A) the following new sub-  
2 paragraph:

3                   “(B) the middle-income housing credit de-  
4                   termined under section 42A(a),”.

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

8           (1) by striking “including regulations—” in the  
9           matter preceding paragraph (1) and inserting “in-  
10           cluding—”,

11           (2) by inserting “regulations” before “dealing  
12           with” in paragraph (1),

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

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

17           (5) by striking “and” at the end of paragraph  
18           (3),

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

21           (7) by adding at the end the following new  
22           paragraph

23           “(5) in consultation with the Secretary of  
24           Housing and Urban Development, regulations or  
25           guidance to promote uniform definitions and to

1 streamline requirements with respect to qualified  
2 low-income buildings which receive funding from  
3 programs administrated by the Department of Hous-  
4 ing and Urban Development, including programs au-  
5 thorized by Native American Housing Assistance  
6 and Self-Determination Act of 1996.”.

7 (f) CONFORMING AMENDMENTS.—

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

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

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

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

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

“Sec. 42A. Middle-income housing credit.”.

22 (g) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to buildings placed in service after  
24 December 31, 2025, in taxable years ending after such  
25 date.

1 **SEC. 213. NEIGHBORHOOD HOMES CREDIT.**

2 (a) FINDINGS AND SENSE OF CONGRESS.—

3 (1) FINDINGS.—Congress finds the following:

4 (A) Experts have determined that it could  
5 take nearly a decade to address the housing  
6 shortage in the United States, in large part due  
7 to increasing housing prices and insufficient  
8 supply.

9 (B) The housing supply shortage dis-  
10 proportionately impacts low-income and dis-  
11 tressed communities.

12 (C) Homeownership is a primary source of  
13 household wealth and neighborhood stability.  
14 Many distressed communities have low rates of  
15 homeownership and lack quality, affordable  
16 starter homes, while many individuals who own  
17 their homes have difficulty securing financing  
18 for home repairs and improvements.

19 (D) Housing construction in distressed  
20 communities is prevented by the value gap, the  
21 difference between the cost to develop a home  
22 and the sale price of the home.

23 (E) The Neighborhood Homes Investment  
24 Act can close these financing gaps to increase  
25 housing development and rehabilitation in dis-  
26 tressed communities.

1           (2) SENSE OF CONGRESS.—It is the sense of  
2 Congress that the neighborhood homes credit (as  
3 added under this section) should be an activity ad-  
4 ministered in a manner which—

5           (A) revitalizes distressed communities in  
6 rural and urban geographies;

7           (B) minimizes application burdens on  
8 small businesses applying for such credit; and

9           (C) is consistent with the Fair Housing  
10 Act of 1968 (42 U.S.C. 3601 et seq.).

11       (b) ALLOWANCE OF CREDIT.—Subpart D of part IV  
12 of subchapter A of chapter 1 of the Internal Revenue Code  
13 of 1986, as amended by section 212, is amended by insert-  
14 ing after section 42A the following new section:

15 **“SEC. 42B. NEIGHBORHOOD HOMES CREDIT.**

16       “(a) ALLOWANCE OF CREDIT.—For purposes of sec-  
17 tion 38, the neighborhood homes credit determined under  
18 this section for the taxable year is, with respect to each  
19 qualified residence sold by the taxpayer during such tax-  
20 able year in an affordable sale, the lesser of—

21           “(1) an amount equal to—

22           “(A) the excess (if any) of—

23           “(i) the reasonable development costs  
24 paid or incurred by the taxpayer with re-  
25 spect to such qualified residence, over

1                   “(ii) the sale price of such qualified  
2                   residence (reduced by any reasonable ex-  
3                   penses paid or incurred by the taxpayer in  
4                   connection with such sale), or

5                   “(B) if the neighborhood homes credit  
6                   agency determines it is necessary to ensure fi-  
7                   nancial feasibility, an amount not to exceed 120  
8                   percent of the amount under subparagraph (A),  
9                   “(2) 40 percent of the eligible development  
10                  costs paid or incurred by the taxpayer with respect  
11                  to such qualified residence, or

12                  “(3) 32 percent of the national median sale  
13                  price for new homes (as determined pursuant to the  
14                  most recent census data available as of the date on  
15                  which the neighborhood homes credit agency makes  
16                  an allocation for the qualified project).

17                  “(b) DEVELOPMENT COSTS.—For purposes of this  
18                  section—

19                         “(1) REASONABLE DEVELOPMENT COSTS.—

20                                 “(A) IN GENERAL.—The term ‘reasonable  
21                                 development costs’ means amounts paid or in-  
22                                 curred for the acquisition of buildings and land,  
23                                 construction, substantial rehabilitation, demoli-  
24                                 tion of structures, or environmental remedi-  
25                                 ation, to the extent that the neighborhood

1 homes credit agency determines that such  
2 amounts meet the standards specified pursuant  
3 to subsection (f)(1)(D) (as of the date on which  
4 construction or substantial rehabilitation is sub-  
5 stantially complete, as determined by such  
6 agency) and are necessary to ensure the finan-  
7 cial feasibility of such qualified residence.

8 “(B) CONSIDERATIONS IN MAKING DETER-  
9 MINATION.—In making the determination under  
10 subparagraph (A), the neighborhood homes  
11 credit agency shall consider—

12 “(i) the sources and uses of funds and  
13 the total financing,

14 “(ii) any proceeds or receipts gen-  
15 erated or expected to be generated by rea-  
16 son of tax benefits, and

17 “(iii) the reasonableness of the devel-  
18 opmental costs and fees.

19 “(2) ELIGIBLE DEVELOPMENT COSTS.—The  
20 term ‘eligible development costs’ means the amount  
21 which would be reasonable development costs if the  
22 amounts taken into account as paid or incurred for  
23 the acquisition of buildings and land did not exceed  
24 75 percent of such costs determined without regard

1 to any amount paid or incurred for the acquisition  
2 of buildings and land.

3 “(3) SUBSTANTIAL REHABILITATION.—The  
4 term ‘substantial rehabilitation’ means amounts paid  
5 or incurred for rehabilitation of a qualified residence  
6 if such amounts exceed the greater of—

7 “(A) \$25,000, or

8 “(B) 20 percent of the amounts paid or in-  
9 curred by the taxpayer for the acquisition of  
10 buildings and land with respect to such quali-  
11 fied residence.

12 “(4) CONSTRUCTION AND REHABILITATION  
13 ONLY AFTER ALLOCATION TAKEN INTO ACCOUNT.—

14 “(A) IN GENERAL.—The terms ‘reasonable  
15 development costs’ and ‘eligible development  
16 costs’ shall not include any amount paid or in-  
17 curred before the date on which an allocation is  
18 made to the taxpayer under subsection (e) with  
19 respect to the qualified project of which the  
20 qualified residence is part unless such amount  
21 is paid or incurred for the acquisition of build-  
22 ings or land.

23 “(B) LAND AND BUILDING ACQUISITION  
24 COSTS.—Amounts paid or incurred for the ac-  
25 quisition of buildings or land shall be included

1 under paragraph (A) only if paid or incurred  
2 not more than 3 years before the date on which  
3 the allocation referred to in subparagraph (A)  
4 is made. If the taxpayer acquired any building  
5 or land from an entity (or any related party to  
6 such entity) that holds an ownership interest in  
7 the taxpayer, then such entity must also have  
8 acquired such property within such 3-year pe-  
9 riod, and the acquisition cost included under  
10 subparagraph (A) with respect to the taxpayer  
11 shall not exceed the amount such entity paid or  
12 incurred to acquire such property.

13 “(c) QUALIFIED RESIDENCE.—For purposes of this  
14 section—

15 “(1) IN GENERAL.—The term ‘qualified resi-  
16 dence’ means a residence that—

17 “(A) is real property (constructed on-site  
18 or manufactured off-site) affixed on a perma-  
19 nent foundation,

20 “(B) is—

21 “(i) a house which is comprised of 4  
22 or fewer residential units,

23 “(ii) a condominium unit, or

1                   “(iii) a house or an apartment owned  
2                   by a cooperative housing corporation (as  
3                   defined in section 216(b)),

4                   “(C) is part of a qualified project with re-  
5                   spect to which the neighborhood homes credit  
6                   agency has made an allocation under subsection  
7                   (e), and

8                   “(D) is located in a qualified census tract  
9                   (determined as of the date of such allocation).

10                  “(2) QUALIFIED CENSUS TRACT.—

11                  “(A) IN GENERAL.—The term ‘qualified  
12                  census tract’ means a census tract—

13                         “(i) which—

14                                 “(I) has a median family income  
15                                 which does not exceed 80 percent of  
16                                 the median family income for the ap-  
17                                 plicable area,

18                                 “(II) has a poverty rate that is  
19                                 not less than 130 percent of the pov-  
20                                 erty rate of the applicable area, and

21                                 “(III) has a median value for  
22                                 owner-occupied homes that does not  
23                                 exceed the median value for owner-oc-  
24                                 cupied homes in the applicable area,

25                                 “(ii) which—

1                   “(I) is located in a city which has  
2                   a population of not less than 50,000  
3                   and such city has a poverty rate that  
4                   is not less than 150 percent of the  
5                   poverty rate of the applicable area,

6                   “(II) has a median family income  
7                   which does not exceed the median  
8                   family income for the applicable area,  
9                   and

10                  “(III) has a median value for  
11                  owner-occupied homes that does not  
12                  exceed 80 percent of the median value  
13                  for owner-occupied homes in the ap-  
14                  plicable area,

15                  “(iii) which—

16                  “(I) is located in a nonmetropoli-  
17                  tan county,

18                  “(II) has a median family income  
19                  which does not exceed the median  
20                  family income for the applicable area,  
21                  and

22                  “(III) has been designated by a  
23                  neighborhood homes credit agency  
24                  under this clause,

1           “(iv) which is not otherwise a quali-  
2           fied census tract and is located in a dis-  
3           aster area (as defined in section  
4           7508A(d)(3)), but only with respect to  
5           credits allocated in any period during  
6           which the President of the United States  
7           has determined that such area warrants in-  
8           dividual or individual and public assistance  
9           by the Federal Government under the Rob-  
10          ert T. Stafford Disaster Relief and Emer-  
11          gency Assistance Act, or

12           “(v) which is not otherwise a qualified  
13          census tract and is identified by the neigh-  
14          borhood homes credit agency, through  
15          methodologies detailed in the qualified allo-  
16          cation plan, as having a shortage of afford-  
17          able owner-occupied homes.

18          “(B) APPLICABLE AREA.—The term ‘appli-  
19          cable area’ means—

20           “(i) in the case of a metropolitan cen-  
21          sus tract, the metropolitan area in which  
22          such census tract is located, and

23           “(ii) in the case of a census tract  
24          other than a census tract described in  
25          clause (i), the State.

1       “(d) AFFORDABLE SALE.—For purposes of this sec-  
2 tion—

3           “(1) IN GENERAL.—The term ‘affordable sale’  
4 means a sale to a qualified homeowner of a qualified  
5 residence that the neighborhood homes credit agency  
6 certifies as meeting the standards promulgated  
7 under subsection (f)(1)(D) for a price that does not  
8 exceed—

9           “(A) in the case of any qualified residence  
10 not described in subparagraph (B), (C), or (D),  
11 the amount equal to the product of 4 multiplied  
12 by the median family income for the applicable  
13 area (as determined pursuant to the most re-  
14 cent census data available as of the date of the  
15 contract for such sale),

16           “(B) in the case of a house comprised of  
17 2 residential units, 125 percent of the amount  
18 described in subparagraph (A),

19           “(C) in the case of a house comprised of  
20 3 residential units, 150 percent of the amount  
21 described in subparagraph (A), or

22           “(D) in the case of a house comprised of  
23 4 residential units, 175 percent of the amount  
24 described in subparagraph (A).

1           “(2) QUALIFIED HOMEOWNER.—The term  
2           ‘qualified homeowner’ means, with respect to a  
3           qualified residence, an individual—

4                   “(A) who owns and uses such qualified res-  
5           idence as the principal residence of such indi-  
6           vidual, and

7                   “(B) whose family income (determined as  
8           of the date that a binding contract for the af-  
9           fordable sale of such residence is entered into)  
10          is 140 percent or less of the median family in-  
11          come for the applicable area in which the quali-  
12          fied residence is located.

13          “(e) CREDIT CEILING AND ALLOCATIONS.—

14                 “(1) CREDIT LIMITED BASED ON ALLOCATIONS  
15          TO QUALIFIED PROJECTS.—

16                   “(A) IN GENERAL.—The credit allowed  
17          under subsection (a) to any taxpayer for any  
18          taxable year with respect to one or more quali-  
19          fied residences which are part of the same  
20          qualified project shall not exceed the excess (if  
21          any) of—

22                           “(i) the amount allocated by the  
23          neighborhood homes credit agency under  
24          this paragraph to such taxpayer with re-  
25          spect to such qualified project, over

1                   “(ii) the aggregate amount of credit  
2                   allowed under subsection (a) to such tax-  
3                   payer with respect to qualified residences  
4                   which are a part of such qualified project  
5                   for all prior taxable years.

6                   “(B) DEADLINE FOR COMPLETION.—No  
7                   credit shall be allowed under subsection (a)  
8                   with respect to any qualified residence unless  
9                   the affordable sale of such residence is during  
10                  the 5-year period beginning on the date of the  
11                  allocation to the qualified project of which such  
12                  residence is a part (or, in the case of a qualified  
13                  residence to which subsection (i) applies, the re-  
14                  habilitation of such residence is completed dur-  
15                  ing such 5-year period).

16                  “(2) LIMITATIONS ON ALLOCATIONS TO QUALI-  
17                  FIED PROJECTS.—

18                   “(A) ALLOCATIONS LIMITED BY STATE  
19                   NEIGHBORHOOD HOMES CREDIT CEILING.—The  
20                   aggregate amount allocated to taxpayers with  
21                   respect to qualified projects by the neighbor-  
22                   hood homes credit agency of any State for any  
23                   calendar year shall not exceed the State neigh-  
24                   borhood homes credit amount of such State for  
25                   such calendar year.

1           “(B) SET-ASIDE FOR CERTAIN PROJECTS  
2 INVOLVING QUALIFIED NONPROFIT ORGANIZA-  
3 TIONS.—Rules similar to the rules of section  
4 42(h)(5) shall apply for purposes of this sec-  
5 tion.

6           “(3) DETERMINATION OF STATE NEIGHBOR-  
7 HOOD HOMES CREDIT CEILING.—

8           “(A) IN GENERAL.—The State neighbor-  
9 hood homes credit amount for a State for a cal-  
10 endar year is an amount equal to the sum of—

11                   “(i) the greater of—

12                           “(I) the product of \$9, multiplied  
13 by the State population (determined  
14 in accordance with section 146(j)), or

15                           “(II) \$12,000,000, and

16                   “(ii) any amount previously allocated  
17 to any taxpayer with respect to any quali-  
18 fied project by the neighborhood homes  
19 credit agency of such State which can no  
20 longer be allocated to any qualified resi-  
21 dence because the 5-year period described  
22 in paragraph (1)(B) expires during cal-  
23 endar year.

24           “(B) 3-YEAR CARRYFORWARD OF UNUSED  
25 LIMITATION.—The State neighborhood homes

1 credit amount for a State for a calendar year  
2 shall be increased by the excess (if any) of the  
3 State neighborhood homes credit amount for  
4 such State for the preceding calendar year over  
5 the aggregate amount allocated by the neigh-  
6 borhood homes credit agency of such State dur-  
7 ing such preceding calendar year. Any amount  
8 carried forward under the preceding sentence  
9 shall not be carried past the third calendar year  
10 after the calendar year in which such credit  
11 amount originally arose, determined on a first-  
12 in, first-out basis.

13 “(f) RESPONSIBILITIES OF NEIGHBORHOOD HOMES  
14 CREDIT AGENCIES.—

15 “(1) IN GENERAL.—Notwithstanding subsection  
16 (e), the State neighborhood homes credit dollar  
17 amount shall be zero for a calendar year unless the  
18 neighborhood homes credit agency of the State—

19 “(A) allocates such amount pursuant to a  
20 qualified allocation plan of the neighborhood  
21 homes credit agency,

22 “(B) subject to paragraph (2), allocates  
23 not more than 20 percent of amounts allocated  
24 in the previous year (or for allocations made in  
25 the first allocation year under this section, not

1 more than 20 percent of the neighborhood  
2 homes credit ceiling for such year) to projects  
3 with respect to qualified residences which—

4 “(i) are located in census tracts de-  
5 scribed in subsection (c)(2)(A)(iii),  
6 (c)(2)(A)(iv), (i)(5), or

7 “(ii) are not located in a qualified  
8 census tract but meet the requirements of  
9 subsection (i)(8),

10 “(C) subject to paragraph (2), in addition  
11 to any allocation described in subparagraph  
12 (B), allocates not more than 20 percent of  
13 amounts allocated in the previous year (or for  
14 allocations made in the first allocation year  
15 under this section, not more than 20 percent of  
16 the neighborhood homes credit ceiling for such  
17 year) to projects with respect to qualified resi-  
18 dences which are located in any census tract de-  
19 scribed in subsection (c)(2)(A)(v), except that,  
20 with respect to any qualified residence located  
21 within such census tract which is sold to a  
22 qualified homeowner, subsection (d)(2) shall be  
23 applied by substituting ‘120 percent’ for ‘140  
24 percent’,

1           “(D) promulgates standards with respect  
2 to reasonable qualified development costs and  
3 fees,

4           “(E) promulgates standards with respect  
5 to construction quality which are consistent  
6 with building codes or other standards required  
7 by the State or local jurisdiction in which the  
8 project is located,

9           “(F) in the case of any neighborhood  
10 homes credit agency which makes an allocation  
11 to a qualified project which includes any quali-  
12 fied residence to which subsection (i) applies,  
13 promulgates standards with respect to pro-  
14 tecting the owners of such residences, including  
15 the capacity of such owners to pay rehabilita-  
16 tion costs not covered by the credit provided by  
17 this section and providing for the disclosure to  
18 such owners of their rights and responsibilities  
19 with respect to the rehabilitation of such resi-  
20 dences,

21           “(G) submits to the Secretary (at such  
22 time and in such manner as the Secretary may  
23 prescribe) an annual report specifying—

1                   “(i) the amount of the neighborhood  
2 homes credits allocated to each qualified  
3 project for the previous year,

4                   “(ii) with respect to each qualified  
5 residence completed in the preceding cal-  
6 endar year—

7                   “(I) the census tract in which  
8 such qualified residence is located,

9                   “(II) with respect to the qualified  
10 project that includes such qualified  
11 residence, the year in which such  
12 project received an allocation under  
13 this section,

14                   “(III) whether such qualified res-  
15 idence was new, substantially rehabili-  
16 tated and sold to a qualified home-  
17 owner, or substantially rehabilitated  
18 pursuant to subsection (i),

19                   “(IV) the eligible development  
20 costs of such qualified residence,

21                   “(V) the amount of the neighbor-  
22 hood homes credit with respect to  
23 such qualified residence,

24                   “(VI) the sales price of such  
25 qualified residence, if applicable, and

1                   “(VII) the family income of the  
2                   qualified homeowner (expressed as a  
3                   percentage of the applicable area me-  
4                   dian family income for the location of  
5                   the qualified residence), and

6                   “(iii) such other information as the  
7                   Secretary may require,

8                   “(H) makes available to the general public  
9                   a written explanation for any allocation of a  
10                  neighborhood homes credit dollar amount which  
11                  is not made in accordance with established pri-  
12                  orities and selection criteria of the neighbor-  
13                  hood homes credit agency, and

14                  “(I) provides educational outreach on ap-  
15                  plication and compliance requirements, includ-  
16                  ing for small residential builders and remod-  
17                  elers.

18                  “(2) ALTERNATIVE FOR CERTAIN STATES.—

19                  “(A) IN GENERAL.—In the case of any  
20                  State which, for a calendar year, is an applica-  
21                  ble State (as defined in subparagraph (B)), in  
22                  lieu of the requirements under subparagraphs  
23                  (B) and (C) of paragraph (1), the neighborhood  
24                  homes credit agency of the State may elect to  
25                  allocate not more than 40 percent of amounts

1 allocated in the previous year (or for allocations  
2 made in the first allocation year under this sec-  
3 tion, not more than 40 percent of the neighbor-  
4 hood homes credit ceiling for such year) to  
5 projects with respect to qualified residences  
6 which are described in either subparagraph (B)  
7 or (C) of paragraph (1).

8 “(B) APPLICABLE STATE.—For purposes  
9 of this paragraph, the term ‘applicable State’  
10 means a State which, for purposes of the deter-  
11 mining the amount under subsection  
12 (e)(3)(A)(i) for the calendar year with respect  
13 to such State, received the amount described in  
14 subclause (II) of such subsection.

15 “(3) QUALIFIED ALLOCATION PLAN.—For pur-  
16 poses of this subsection, the term ‘qualified alloca-  
17 tion plan’ means any plan which—

18 “(A) sets forth the selection criteria to be  
19 used to prioritize qualified projects for alloca-  
20 tions of State neighborhood homes credit dollar  
21 amounts, including—

22 “(i) the need for new or substantially  
23 rehabilitated owner-occupied homes in the  
24 area addressed by the project,

1                   “(ii) the expected contribution of the  
2                   project to neighborhood stability and re-  
3                   vitalization, including the impact on neigh-  
4                   borhood residents,

5                   “(iii) the capability and prior perform-  
6                   ance of the project sponsor, and

7                   “(iv) the likelihood the project will re-  
8                   sult in long-term homeownership,

9                   “(B) has been made available for public  
10                  comment,

11                  “(C) as determined by the neighborhood  
12                  homes credit agency, is likely to result in the  
13                  selection of highly qualified applicants while  
14                  also minimizing, to the extent practicable, appli-  
15                  cation costs and barriers to entry for small resi-  
16                  dential builders and re-modelers, and

17                  “(D) provides a procedure that the neigh-  
18                  borhood homes credit agency (or any agent or  
19                  contractor of such agency) shall follow for pur-  
20                  poses of—

21                         “(i) identifying noncompliance with  
22                         any provisions of this section, and

23                         “(ii) notifying the Internal Revenue  
24                         Service of any such noncompliance of  
25                         which the agency becomes aware.

1 “(g) REPAYMENT.—

2 “(1) IN GENERAL.—

3 “(A) SOLD DURING 5-YEAR PERIOD.—If a  
4 qualified residence is sold during the 5-year pe-  
5 riod beginning immediately after the affordable  
6 sale of such qualified residence referred to in  
7 subsection (a), the seller shall transfer an  
8 amount equal to the repayment amount to the  
9 relevant neighborhood homes credit agency.

10 “(B) USE OF REPAYMENTS.—A neighbor-  
11 hood homes credit agency shall use any amount  
12 received pursuant to subparagraph (A) only for  
13 purposes of qualified projects.

14 “(2) REPAYMENT AMOUNT.—For purposes of  
15 paragraph (1)(A)—

16 “(A) IN GENERAL.—The repayment  
17 amount is an amount equal to the applicable  
18 percentage of the gain from the sale to which  
19 the repayment relates.

20 “(B) APPLICABLE PERCENTAGE.—For  
21 purposes of subparagraph (A), the applicable  
22 percentage is 50 percent, reduced by 10 per-  
23 centage points for each year of the 5-year pe-  
24 riod referred to in paragraph (1)(A) which ends  
25 before the date of such sale.

1           “(3) LIEN FOR REPAYMENT AMOUNT.—A  
2 neighborhood homes credit agency receiving an allo-  
3 cation under this section shall place a lien on each  
4 qualified residence that is built or rehabilitated as  
5 part of a qualified project for an amount such agen-  
6 cy deems necessary to ensure potential repayment  
7 pursuant to paragraph (1)(A).

8           “(4) WAIVER.—

9           “(A) IN GENERAL.—The neighborhood  
10 homes credit agency may waive the repayment  
11 required under paragraph (1)(A) if the agency  
12 determines that making a repayment would  
13 constitute a hardship to the seller.

14           “(B) HARDSHIP.—For purposes of sub-  
15 paragraph (A), with respect to the seller, a  
16 hardship may include—

17                   “(i) divorce,

18                   “(ii) disability,

19                   “(iii) illness, or

20                   “(iv) any other hardship identified by  
21 the neighborhood homes credit agency for  
22 purposes of this paragraph.

23           “(h) OTHER DEFINITIONS AND SPECIAL RULES.—

24 For purposes of this section—

1           “(1) NEIGHBORHOOD HOMES CREDIT AGEN-  
2           CY.—The term ‘neighborhood homes credit agency’  
3           means the agency designated by the governor of a  
4           State as the neighborhood homes credit agency of  
5           the State.

6           “(2) QUALIFIED PROJECT.—The term ‘qualified  
7           project’ means a project that a neighborhood homes  
8           credit agency certifies will build or substantially re-  
9           habilitate one or more qualified residences.

10           “(3) DETERMINATIONS OF FAMILY INCOME.—  
11           Rules similar to the rules of section 143(f)(2) shall  
12           apply for purposes of this section.

13           “(4) POSSESSIONS TREATED AS STATES.—The  
14           term ‘State’ includes the District of Columbia and  
15           the possessions of the United States.

16           “(5) SPECIAL RULES RELATED TO CONDOMIN-  
17           IUMS AND COOPERATIVE HOUSING CORPORATIONS.—

18           “(A) DETERMINATION OF DEVELOPMENT  
19           COSTS.—In the case of a qualified residence de-  
20           scribed in clause (ii) or (iii) of subsection  
21           (c)(1)(A), the reasonable development costs and  
22           eligible development costs of such qualified resi-  
23           dence shall be an amount equal to such costs,  
24           respectively, of the entire condominium or coop-

1           erative housing property in which such qualified  
2           residence is located, multiplied by a fraction—

3                   “(i) the numerator of which is the  
4                   total floor space of such qualified resi-  
5                   dence, and

6                   “(ii) the denominator of which is the  
7                   total floor space of all residences within  
8                   such property.

9           “(B) TENANT-STOCKHOLDERS OF COOPER-  
10           ATIVE HOUSING CORPORATIONS TREATED AS  
11           OWNERS.—In the case of a cooperative housing  
12           corporation (as such term is defined in section  
13           216(b)), a tenant-stockholder shall be treated  
14           as owning the house or apartment which such  
15           person is entitled to occupy.

16           “(6) RELATED PARTY SALES NOT TREATED AS  
17           AFFORDABLE SALES.—

18                   “(A) IN GENERAL.—A sale between related  
19                   persons shall not be treated as an affordable  
20                   sale.

21                   “(B) RELATED PERSONS.—For purposes  
22                   of this paragraph, a person (in this subpara-  
23                   graph referred to as the ‘related person’) is re-  
24                   lated to any person if the related person bears  
25                   a relationship to such person specified in sec-

1           tion 267(b) or 707(b)(1), or the related person  
2           and such person are engaged in trades or busi-  
3           nesses under common control (within the mean-  
4           ing of subsections (a) and (b) of section 52).  
5           For purposes of the preceding sentence, in ap-  
6           plying section 267(b) or 707(b)(1), ‘10 percent’  
7           shall be substituted for ‘50 percent’.

8           “(7) INFLATION ADJUSTMENT.—

9                   “(A) IN GENERAL.—In the case of a cal-  
10           endar year after 2026, the dollar amounts in  
11           subsections       (b)(3)(A),       (e)(3)(A)(i)(I),  
12           (e)(3)(A)(i)(II), and (i)(2)(C) shall each be in-  
13           creased by an amount equal to—

14                           “(i) such dollar amount, multiplied by

15                                   “(ii) the cost-of-living adjustment de-  
16           termined under section 1(f)(3) for such  
17           calendar year by substituting ‘calendar  
18           year 2025’ for ‘calendar year 2016’ in sub-  
19           paragraph (A)(ii) thereof.

20           “(B) ROUNDING.—

21                   “(i) In the case of the dollar amounts  
22           in subsections (b)(3)(A) and (i)(2)(C), any  
23           increase under paragraph (1) which is not  
24           a multiple of \$1,000 shall be rounded to  
25           the nearest multiple of \$1,000.

1                   “(ii) In the case of the dollar amount  
2                   in subsection (e)(3)(A)(i)(I), any increase  
3                   under paragraph (1) which is not a mul-  
4                   tiple of \$0.01 shall be rounded to the near-  
5                   est multiple of \$0.01.

6                   “(iii) In the case of the dollar amount  
7                   in subsection (e)(3)(A)(i)(II), any increase  
8                   under paragraph (1) which is not a mul-  
9                   tiple of \$100,000 shall be rounded to the  
10                  nearest multiple of \$100,000.

11                 “(8) REPORT.—

12                   “(A) IN GENERAL.—The Secretary shall  
13                   annually issue a report, to be made available to  
14                   the public, which contains the information sub-  
15                   mitted pursuant to subsection (f)(1)(G).

16                   “(B) DE-IDENTIFICATION.—The Secretary  
17                   shall ensure that any information made public  
18                   pursuant to subparagraph (A) excludes any in-  
19                   formation that would allow for the identification  
20                   of qualified homeowners.

21                 “(9) LIST OF QUALIFIED CENSUS TRACTS.—  
22                 The Secretary of Housing and Urban Development  
23                 shall, for each year, make publicly available a list of  
24                 qualified census tracts under—

1                   “(A) on a combined basis, clauses (i) and  
2                   (ii) of subsection (c)(2)(A),

3                   “(B) clause (iii) of such subsection, and

4                   “(C) subsection (i)(5)(A).

5                   “(10) DENIAL OF DEDUCTIONS IF CONVERTED  
6                   TO RENTAL HOUSING.—If, during the 5-year period  
7                   beginning immediately after the affordable sale of a  
8                   qualified residence referred to in subsection (a), an  
9                   individual who owns a qualified residence (whether  
10                  or not such individual was the purchaser in such af-  
11                  fordable sale) fails to use such qualified residence as  
12                  such individual’s principal residence for any period  
13                  of time, no deduction shall be allowed for expenses  
14                  paid or incurred by such individual with respect to  
15                  renting, during such period of time, such qualified  
16                  residence.

17                  “(i) APPLICATION OF CREDIT WITH RESPECT TO  
18                  OWNER-OCCUPIED REHABILITATIONS.—

19                  “(1) IN GENERAL.—In the case of a qualified  
20                  rehabilitation by the taxpayer of any qualified resi-  
21                  dence which is owned (as of the date that the writ-  
22                  ten binding contract referred to in paragraph (3) is  
23                  entered into) by a specified homeowner, the rules of  
24                  paragraphs (2) through (7) shall apply.

1           “(2) ALTERNATIVE CREDIT DETERMINATION.—

2           In the case of any qualified residence described in  
3           paragraph (1), the neighborhood homes credit deter-  
4           mined under subsection (a) with respect to such res-  
5           idence shall (in lieu of any credit otherwise deter-  
6           mined under subsection (a) with respect to such res-  
7           idence) be allowed in the taxable year during which  
8           the qualified rehabilitation is completed (as deter-  
9           mined by the neighborhood homes credit agency)  
10          and shall be equal to the least of—

11                   “(A) the excess (if any) of—

12                           “(i) the amounts paid or incurred by  
13                           the taxpayer for the qualified rehabilitation  
14                           of the qualified residence to the extent that  
15                           such amounts are certified by the neigh-  
16                           borhood homes credit agency (at the time  
17                           of the completion of such rehabilitation) as  
18                           meeting the standards specified pursuant  
19                           to subsection (f)(1)(D), over

20                           “(ii) any amounts paid to such tax-  
21                           payer for such rehabilitation,

22                           “(B) 50 percent of the amounts described  
23                           in subparagraph (A)(i), or

24                           “(C) \$50,000.

25          “(3) QUALIFIED REHABILITATION.—

1           “(A) IN GENERAL.—For purposes of this  
2 subsection, the term ‘qualified rehabilitation’  
3 means a rehabilitation or reconstruction per-  
4 formed pursuant to a written binding contract  
5 between the taxpayer and the specified home-  
6 owner if the amount paid or incurred by the  
7 taxpayer in the performance of such rehabilita-  
8 tion or reconstruction exceeds the dollar  
9 amount in effect under subsection (b)(3)(A).

10           “(B) APPLICATION OF LIMITATION TO EX-  
11 PENSES PAID OR INCURRED AFTER ALLOCA-  
12 TION.—A rule similar to the rule of section  
13 (b)(4) shall apply for purposes of this sub-  
14 section.

15           “(4) SPECIFIED HOMEOWNER.—For purposes  
16 of this subsection, the term ‘specified homeowner’  
17 means, with respect to a qualified residence, an indi-  
18 vidual—

19           “(A) who owns and uses such qualified res-  
20 idence as the principal residence of such indi-  
21 vidual as of the date that the written binding  
22 contract referred to in paragraph (3) is entered  
23 into, and

24           “(B) whose family income (determined as  
25 of such date) does not exceed the median family

1 income for the applicable area (with respect to  
2 the census tract in which the qualified residence  
3 is located).

4 “(5) ADDITIONAL CENSUS TRACTS IN WHICH  
5 OWNER-OCCUPIED RESIDENCES MAY BE LOCATED.—

6 In the case of any qualified residence described in  
7 paragraph (1), the term ‘qualified census tract’ in-  
8 cludes any census tract which—

9 “(A) meets the requirements of subsection  
10 (c)(2)(A)(i) without regard to subclause (III)  
11 thereof, and

12 “(B) is designated by the neighborhood  
13 homes credit agency for purposes of this para-  
14 graph.

15 “(6) MODIFICATION OF REPAYMENT REQUIRE-  
16 MENT.—In the case of any qualified residence de-  
17 scribed in paragraph (1), subsection (g) shall be ap-  
18 plied by beginning the 5-year period otherwise de-  
19 scribed therein on the date on which the qualified  
20 homeowner acquired such residence.

21 “(7) RELATED PARTIES.—Paragraph (1) shall  
22 not apply if the taxpayer is the owner of the quali-  
23 fied residence described in paragraph (1) or is re-  
24 lated (within the meaning of subsection (h)(6)(B))  
25 to such owner.

1           “(8) PYRRHOTITE REMEDIATION.—The require-  
2           ment of subsection (c)(1)(D) shall not apply to a  
3           qualified rehabilitation under this subsection of a  
4           qualified residence that is documented by an engi-  
5           neer’s report and core testing to have a foundation  
6           that is adversely impacted by pyrrhotite or other  
7           iron sulfide minerals.

8           “(j) REGULATIONS.—The Secretary shall prescribe  
9           such regulations as may be necessary or appropriate to  
10          carry out the purposes of this section, including regula-  
11          tions that prevent avoidance of the rules, and abuse of  
12          the purposes, of this section.”.

13          (c) CREDIT ALLOWED AS PART OF GENERAL BUSI-  
14          NESS CREDIT.—Section 38(b) of the Internal Revenue  
15          Code of 1986, as amended by section 212, is amended by  
16          striking “plus” at the end of paragraph (41), by striking  
17          the period at the end of paragraph (42) and inserting “,  
18          plus”, and by adding at the end the following new para-  
19          graph:

20                 “(43) the neighborhood homes credit deter-  
21                 mined under section 42B(a).”.

22          (d) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-  
23          IMUM TAX.—Section 38(c)(4)(B) of the Internal Revenue  
24          Code of 1986 is amended by redesignating clauses (iv)

1 through (xii) as clauses (v) through (xiii), respectively, and  
2 by inserting after clause (iii) the following new clause:

3 “(iv) the credit determined under sec-  
4 tion 42B.”.

5 (e) EXCLUSION FROM GROSS INCOME.—Part III of  
6 subchapter B of chapter 1 of the Internal Revenue Code  
7 of 1986 is amended by inserting before section 140 the  
8 following new section:

9 **“SEC. 139M. STATE ENERGY SUBSIDIES FOR QUALIFIED**  
10 **RESIDENCES.**

11 “(a) EXCLUSION FROM GROSS INCOME.—Gross in-  
12 come shall not include the value of any subsidy provided  
13 to a taxpayer (whether directly or indirectly) by any State  
14 energy office (as defined in section 124(a) of the Energy  
15 Policy Act of 2005 (42 U.S.C. 15821(a))) for purposes  
16 of any energy improvements made to a qualified residence  
17 (as defined in section 42B(c)(1)).”.

18 (f) CONFORMING AMENDMENTS.—

19 (1) Subsections (i)(3)(C), (i)(6)(B)(i), and  
20 (k)(1) of section 469 of the Internal Revenue Code  
21 of 1986, as amended by section 212, are each  
22 amended by striking “or 42A” and inserting “, 42A,  
23 or 42B”.

24 (2) The table of sections for subpart D of part  
25 IV of subchapter A of chapter 1 of such Code, as

1 amended by section 212, is amended by inserting  
2 after the item relating to section 42A the following  
3 new item:

“Sec. 42B. Neighborhood homes credit.”.

4 (3) The table of sections for part III of sub-  
5 chapter B of chapter 1 of such Code is amended by  
6 inserting before the item relating to section 140 the  
7 following new item:

“Sec. 139M. State energy subsidies for qualified residences.”.

8 (g) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years beginning after  
10 December 31, 2026.

11 **SEC. 214. FIRST-TIME HOMEBUYER REFUNDABLE CREDIT.**

12 (a) IN GENERAL.—Section 36 of the Internal Rev-  
13 enue Code of 1986 is amended to read as follows:

14 **“SEC. 36. FIRST-TIME HOMEBUYER REFUNDABLE CREDIT.**

15 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
16 dividual who is a first-time homebuyer of a principal resi-  
17 dence in the United States during a taxable year, there  
18 shall be allowed as a credit against the tax imposed by  
19 this subtitle for such taxable year an amount equal to 20  
20 percent of the purchase price of the residence.

21 “(b) LIMITATIONS; SPECIAL RULES BASED ON MAR-  
22 ITAL AND FILING STATUS.—

23 “(1) DOLLAR LIMITATION.—The credit allowed  
24 under subsection (a) shall not exceed \$15,000.

1           “(2) LIMITATION BASED ON PURCHASE  
2 PRICE.—The amount allowable as a credit under  
3 subsection (a) (determined without regard to this  
4 paragraph and paragraph (3), and after the applica-  
5 tion of paragraph (1)) for the taxable year shall be  
6 reduced (but not below zero) by the amount which  
7 bears the same ratio to the amount which is so al-  
8 lowable as—

9                   “(A) the excess (if any) of—

10                       “(i) the purchase price of the resi-  
11 dence, over

12                       “(ii) an amount equal to 60 percent of  
13 the conforming loan limit applicable to the  
14 residence, bears to

15                   “(B) \$100,000.

16 For purposes of the preceding sentence, the term  
17 ‘conforming loan limit’ with respect to any residence  
18 means the applicable limitation governing the max-  
19 imum original principal obligation for a mortgage se-  
20 cured by a residence of the same type, as determined  
21 and adjusted annually under section 302(b)(2) of  
22 the Federal National Mortgage Association Charter  
23 Act and section 305(a)(2) of the Federal Home  
24 Loan Mortgage Corporation Act.

1           “(3) LIMITATION BASED ON MODIFIED AD-  
2 JUSTED GROSS INCOME.—

3           “(A) IN GENERAL.—The amount allowable  
4 as a credit under subsection (a) (determined  
5 without regard to this paragraph and after the  
6 application of paragraphs (1) and (2)) for the  
7 taxable year shall be reduced (but not below  
8 zero) by the amount which bears the same ratio  
9 to the amount which is so allowable as—

10                   “(i) the excess (if any) of—

11                           “(I) the taxpayer’s modified ad-  
12 justed gross income for the applicable  
13 taxable year, over

14                           “(II) the applicable threshold,  
15 bears to

16                           “(ii) \$50,000.

17           “(B) MODIFIED ADJUSTED GROSS IN-  
18 COME.—For purposes of subparagraph (A), the  
19 term ‘modified adjusted gross income’ with re-  
20 spect to any taxable year means the adjusted  
21 gross income of the taxpayer for such taxable  
22 year increased by any amount excluded from  
23 gross income under section 911, 931, or 933  
24 for such taxable year.

1           “(C) APPLICABLE THRESHOLD.—For pur-  
2           poses of subparagraph (A), the applicable  
3           threshold is—

4                   “(i) except as provided in clause (ii),  
5                   \$100,000, and

6                   “(ii) an amount equal to 200 percent  
7                   of the amount in effect under clause (i), in  
8                   the case of a head of household (as defined  
9                   in section 2(b)) or a joint return.

10           “(D) APPLICABLE TAXABLE YEAR.—For  
11           purposes of subparagraph (A), the term ‘appli-  
12           cable taxable year’ means—

13                   “(i) the taxable year with respect to  
14                   which the credit allowable under subsection  
15                   (a) is being claimed, or

16                   “(ii) for purposes of the application of  
17                   subsection (g)(3), the most recent taxable  
18                   year for which a return of tax has been  
19                   filed by the taxpayer, provided that such  
20                   taxable year is either—

21                   “(I) the taxable year preceding  
22                   the taxable year described in clause  
23                   (i), or

1                   “(II) the taxable year preceding  
2                   the taxable year described in sub-  
3                   clause (I).

4                   “(4) ADDITIONAL LIMITATIONS.—No credit  
5                   shall be allowed under subsection (a) with respect to  
6                   the purchase of any residence for a taxable year—

7                   “(A) if the taxpayer is a nonresident alien,

8                   or

9                   “(B) if—

10                   “(i) the taxpayer has not attained age  
11                   18 as of the date of such purchase, or

12                   “(ii) a deduction under section 151  
13                   with respect to the taxpayer is allowable to  
14                   another taxpayer for the taxable year.

15                   In the case of a taxpayer who is married, the tax-  
16                   payer shall be treated as meeting the age require-  
17                   ment of subparagraph (B)(i) if the taxpayer or the  
18                   taxpayer’s spouse meets such age requirement.

19                   “(5) MULTIPLE PURCHASERS.—If 2 or more in-  
20                   dividuals who are not married purchase a principal  
21                   residence—

22                   “(A) the amount of the credit under sub-  
23                   section (a) shall be allocated among such indi-  
24                   viduals in such manner as the Secretary may

1           prescribe by taking into account the require-  
2           ments of paragraphs (2) and (3),

3           “(B) for purposes of subparagraph (A),  
4           with respect to the requirements of paragraph  
5           (3)—

6                   “(i) such paragraph shall be applied  
7                   by aggregating the modified adjusted gross  
8                   income of all such individuals, and

9                   “(ii) the applicable threshold shall be  
10                  the amount described in subparagraph  
11                  (C)(ii) of such paragraph,

12                  “(C) the total amount of the credits al-  
13                  lowed to all such individuals shall not exceed  
14                  the limitation under paragraph (1) (as modified  
15                  by paragraph (7)), and

16                  “(D) with respect to each such individual,  
17                  no credit shall be allowed under subsection (a)  
18                  unless such individual includes the taxpayer  
19                  identification numbers for all such individuals  
20                  on their return of tax for the taxable year.

21                  “(6) MARRIED COUPLES MUST FILE JOINT RE-  
22                  TURN.—If an individual is married at the close of  
23                  the taxable year, the credit shall be allowed under  
24                  subsection (a) only if the individual and the individ-  
25                  ual’s spouse file a joint return for the taxable year.

1           “(7) ADJUSTMENT FOR INFLATION.—In the  
2 case of any taxable year beginning after December  
3 31, 2027, each of the dollar amounts in paragraphs  
4 (1) and (3)(C)(i) shall be increased by an amount  
5 equal to—

6                   “(A) such dollar amount, multiplied by

7                   “(B) the cost-of-living adjustment deter-  
8 mined under section 1(f)(3) for the calendar  
9 year in which the taxable year begins, deter-  
10 mined by substituting ‘calendar year 2026’ for  
11 ‘calendar year 2016’ in subparagraph (A)(ii)  
12 thereof.

13 Any increase determined under the preceding sen-  
14 tence shall be rounded to the next lowest multiple of  
15 \$50.

16           “(c) DEFINITIONS.—For purposes of this section—

17                   “(1) FIRST-TIME HOMEBUYER.—

18                   “(A) IN GENERAL.—The term ‘first-time  
19 homebuyer’ means any individual who acquires  
20 a principal residence located in the United  
21 States by purchase if such individual (and, if  
22 married, such individual’s spouse)—

23                   “(i) has not claimed any credit or de-  
24 duction under this title for any previous  
25 taxable year with respect to the purchase

1 or ownership of any residence or residen-  
2 tial real estate (including for any expendi-  
3 tures relating to the placing in service of  
4 any property on, in connection with, or for  
5 use in such a residence or real estate), and

6 “(ii) attests under penalty of perjury  
7 that—

8 “(I) the individual (and, if mar-  
9 ried, the individual’s spouse) has not  
10 owned a principal residence at any  
11 time prior to the purchase of the prin-  
12 cipal residence to which this section  
13 applies, and

14 “(II) the principal residence to  
15 which this section applies was not ac-  
16 quired from a person related to such  
17 individual or spouse.

18 “(B) WAIVER IN CASE OF CERTAIN  
19 CHANGES IN STATUS.—The Secretary may, in  
20 such manner as the Secretary may prescribe,  
21 waive the requirements of subparagraph (A) for  
22 a taxable year in the case of an individual who  
23 is not eligible to file a joint return for the tax-  
24 able year, and who was married at the time the

1 individual or the individual's former spouse pur-  
2 chased a previous residence.

3 “(C) MULTIPLE PURCHASERS.—If 2 or  
4 more individuals who are not married purchase  
5 a principal residence, no credit shall be allowed  
6 under subsection (a) unless each individual sat-  
7 isfies the requirements under subparagraph  
8 (A).

9 “(2) PRINCIPAL RESIDENCE.—The term ‘prin-  
10 cipal residence’ has the same meaning as when used  
11 in section 121.

12 “(3) PURCHASE.—

13 “(A) IN GENERAL.—The term ‘purchase’  
14 means any acquisition, but only if—

15 “(i) the property is not acquired from  
16 a person related to the person acquiring  
17 such property (or, if either such person is  
18 married, such individual's spouse), and

19 “(ii) the basis of the property in the  
20 hands of the person acquiring such prop-  
21 erty is not determined—

22 “(I) in whole or in part by ref-  
23 erence to the adjusted basis of such  
24 property in the hands of the person  
25 from whom acquired, or

1 “(II) under section 1014(a).

2 “(B) CONSTRUCTION.—A residence which  
3 is constructed by the taxpayer shall be treated  
4 as purchased by the taxpayer on the date the  
5 taxpayer first occupies such residence.

6 “(4) PURCHASE PRICE.—The term ‘purchase  
7 price’ means the adjusted basis (without regard to  
8 any reduction under section 1016(a)(39)) of the  
9 principal residence on the date such residence is pur-  
10 chased.

11 “(5) RELATED PERSONS.—A person shall be  
12 treated as related to another person if the relation-  
13 ship between such persons would result in the dis-  
14 allowance of losses under section 267 or 707(b) (but,  
15 in applying subsections (b) and (c) of section 267  
16 for purposes of this section, paragraph (4) of section  
17 267(c) shall be treated as providing that the family  
18 of an individual shall include only the individual’s  
19 spouse, ancestors, lineal descendants, and spouse’s  
20 ancestors and lineal descendants).

21 “(6) MARITAL STATUS.—An individual’s mar-  
22 ital status shall be determined in accordance with  
23 section 7703.

24 “(d) DENIAL AND RECAPTURE RULES IN CASE OF  
25 DISPOSAL OF RESIDENCE WITHIN 6 TAXABLE YEARS.—

1           “(1) DENIAL OF CREDIT IN CASE OF DISPOSAL  
2           WITHIN TAXABLE YEAR.—

3           “(A) IN GENERAL.—No credit under sub-  
4           section (a) shall be allowed to any taxpayer for  
5           any taxable year with respect to the purchase of  
6           a residence if the taxpayer disposes of their in-  
7           terest in such residence (or such residence  
8           ceases to be the principal residence of the tax-  
9           payer (and, if married, the taxpayer’s spouse))  
10          before the close of such taxable year.

11          “(B) RECAPTURE IN CASES OF CREDIT  
12          TRANSFER.—In the case of a taxpayer which—

13                 “(i) has made an election under sub-  
14                 section (g)(1), and

15                 “(ii) disposes of their interest in such  
16                 residence (or such residence ceases to be  
17                 the principal residence of the taxpayer  
18                 (and, if married, the taxpayer’s spouse))  
19                 before the close of the taxable year de-  
20                 scribed in subparagraph (A),

21          the tax imposed by this chapter for the taxable  
22          year in which such disposal (or cessation) oc-  
23          curs shall be increased by an amount equal to  
24          100 percent of the amount of the credit allowed  
25          under subsection (a).

1 “(2) PHASED-OUT RECAPTURE.—

2 “(A) IN GENERAL.—Except as provided in  
3 subparagraph (D), if the taxpayer disposes of  
4 their interest in a residence with respect to  
5 which a credit was allowed under subsection (a)  
6 (or such residence ceases to be the principal  
7 residence of the taxpayer (and, if married, the  
8 taxpayer’s spouse)) during the 5-taxable-year  
9 period beginning with the taxable year imme-  
10 diately following the credit year, the tax im-  
11 posed by this chapter for the taxable year in  
12 which such disposal (or cessation) occurs shall  
13 be increased by an amount equal to the recap-  
14 ture percentage of the amount of the credit so  
15 allowed.

16 “(B) CREDIT YEAR.—For purposes of sub-  
17 paragraph (A), the term ‘credit year’ means the  
18 taxable year in which the credit under sub-  
19 section (a) was allowed.

20 “(C) RECAPTURE PERCENTAGE.—For pur-  
21 poses of subparagraph (A), the recapture per-  
22 centage with respect to any disposal or ces-  
23 sation described in such subparagraph shall be  
24 determined in accordance with the following  
25 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.

1                   “(D) EXCEPTIONS.—This paragraph shall  
2                   not apply in the case of a disposal or cessation  
3                   described in subparagraph (A) which occurs  
4                   after or incident to any of the following:

5                   “(i) Death of the taxpayer or the tax-  
6                   payer’s spouse.

7                   “(ii) Divorce or separation of the tax-  
8                   payer.

9                   “(iii) Involuntary conversion of the  
10                  residence (within the meaning of section  
11                  121(d)(5)(A)).

12                  “(iv) Relocation of duty station or  
13                  qualified official extended duty (as defined  
14                  in section 121(d)(9)(C)) of the taxpayer or  
15                  the taxpayer’s spouse who is a member of  
16                  the uniformed services (as defined in sec-  
17                  tion 121(d)(9)(C)(ii)), a member of the  
18                  Foreign Service of the United States (as  
19                  defined in section 121(d)(9)(C)(iii)), or an  
20                  employee of the intelligence community (as  
21                  defined in section 121(d)(9)(C)(iv)).

1                   “(v) Change of employment of the  
2 taxpayer or the taxpayer’s spouse which  
3 meets the conditions of section 217(c).

4                   “(vi) Change in the number of people  
5 residing in the residence of the taxpayer,  
6 including the addition of a child.

7                   “(vii) Loss of employment, health con-  
8 ditions, caregiving needs, or such other un-  
9 foreseen circumstances as may be specified  
10 by the Secretary.

11           “(e) ADJUSTMENT TO BASIS.—For purposes of this  
12 subtitle, if a credit is allowed under this section with re-  
13 spect to any property, the taxpayer’s basis in such prop-  
14 erty shall be reduced by the amount of the credit so al-  
15 lowed.

16           “(f) REPORTING.—

17                   “(1) IN GENERAL.—A credit shall be allowed  
18 under this section only if the following are included  
19 on the return of tax:

20                   “(A) The individual’s social security num-  
21 ber issued by the Social Security Administra-  
22 tion.

23                   “(B) The street address (not including a  
24 post office box) of the principal residence pur-  
25 chased.

1           “(C) The purchase price of the principal  
2           residence.

3           “(D) The date of purchase of the principal  
4           residence.

5           “(E) The closing disclosure relating to the  
6           purchase (in the case of a purchase financed by  
7           a mortgage).

8           “(2) REPORTING OF REAL ESTATE TRANS-  
9           ACTIONS.—If the Secretary requires information re-  
10          porting under section 6045 by a person described in  
11          subsection (e)(2) thereof to verify the eligibility of  
12          taxpayers for the credit allowable by this section, the  
13          exception provided by section 6045(e)(5) shall not  
14          apply.

15          “(g) TRANSFER OF CREDIT.—

16                 “(1) IN GENERAL.—Subject to such regulations  
17                 or other guidance as the Secretary determines nec-  
18                 essary, if the taxpayer who acquires a principal resi-  
19                 dence by purchase using a qualified residential mort-  
20                 gage loan elects the application of this subsection  
21                 with respect to such residence, 100 percent of the  
22                 credit which would (but for this subsection) be al-  
23                 lowed to such taxpayer with respect to such resi-  
24                 dence shall, at the time of purchase of such resi-  
25                 dence, be allowed to the eligible entity specified in



1 lowable to the taxpayer under  
2 subsection (a),

3 “(bb) pursuant to the elec-  
4 tion under paragraph (1), the  
5 amount of the credit allowed to  
6 such entity,

7 “(cc) the terms of the quali-  
8 fied residential mortgage loan,  
9 which shall take into account the  
10 payment made by such entity  
11 pursuant to subclause (V),

12 “(IV) prior to the closing date  
13 for such purchase and in such manner  
14 as the Secretary may prescribe,  
15 verified—

16 “(aa) the eligibility of the  
17 taxpayer for the credit under  
18 subsection (a), and

19 “(bb) the amount of such  
20 credit to which the election under  
21 paragraph (1) is applicable,

22 “(V) on the closing date for the  
23 purchase of the residence, reduces the  
24 down payment otherwise required to  
25 be made by the taxpayer by making

1 payment to the person selling such  
2 residence to the taxpayer in an  
3 amount equal to the amount of the  
4 credit allowable to the taxpayer under  
5 subsection (a) to which the election  
6 under paragraph (1) applies, and

7 “(VI) has not provided any terms  
8 or conditions (such as higher fees,  
9 closing costs, interest rates, or other  
10 incentives) with respect to the quali-  
11 fied residential mortgage loan to  
12 which an election under paragraph (1)  
13 applies which are less favorable than  
14 the terms and conditions for residen-  
15 tial mortgage loans that would other-  
16 wise be provided to the taxpayer if an  
17 election described in such paragraph  
18 was not made by the taxpayer.

19 “(ii) SPECIAL RULES.—

20 “(I) TIMING; REVOCATION.—  
21 Rules similar to the rules under para-  
22 graphs (3) and (4) of section 30D(g)  
23 shall apply for purposes of this sub-  
24 paragraph.

1                   “(II) TAX TREATMENT OF PAY-  
2                   MENTS.—With respect to any pay-  
3                   ment described in clause (i)(V), such  
4                   payment—

5                   “(aa) shall not be includible  
6                   in the gross income of the tax-  
7                   payer, and

8                   “(bb) with respect to the eli-  
9                   gible entity, shall not be deduct-  
10                  ible under this title.

11                  “(III) ADVANCE PAYMENT TO  
12                  ELIGIBLE ENTITIES.—

13                  “(aa) IN GENERAL.—The  
14                  Secretary shall establish a pro-  
15                  gram to make advance payments  
16                  to any eligible entity in an  
17                  amount equal to the cumulative  
18                  amount of the credits allowed to  
19                  such entity pursuant to an elec-  
20                  tion under paragraph (1).

21                  “(bb) EXCESSIVE PAY-  
22                  MENTS; TREATMENT OF AD-  
23                  VANCE PAYMENTS.—Rules simi-  
24                  lar to the rules under subpara-  
25                  graphs (B) and (C) of section

1                   30D(g)(7) shall apply for pur-  
2                   poses of this subclause.

3                   “(IV) RECAPTURE.—In the case  
4                   of any taxpayer who has made an  
5                   election described in paragraph (1)  
6                   with respect to the purchase of a prin-  
7                   cipal residence and for which a pay-  
8                   ment described in clause (i)(V) was  
9                   made by an eligible entity, if the cred-  
10                  it under subsection (a) is subsequently  
11                  determined to not be allowable to such  
12                  taxpayer with respect to such pur-  
13                  chase, the tax imposed on such tax-  
14                  payer under this chapter for the tax-  
15                  able year in which such residence was  
16                  purchased shall be increased by the  
17                  amount of the payment described in  
18                  clause (i)(V).

19                  “(B) QUALIFIED RESIDENTIAL MORTGAGE  
20                  LOAN.—The term ‘qualified residential mort-  
21                  gage loan’ means a residential mortgage loan  
22                  (as defined in section 1503 of the S.A.F.E.  
23                  Mortgage Licensing Act of 2008 (12 U.S.C.  
24                  5102)) which—

1 “(i) does not exceed the conforming  
2 loan limit (as defined in subsection (b)(2)),

3 “(ii) was originated by a registered  
4 loan originator or State-licensed loan origi-  
5 nator (as defined in section 1503 of the  
6 S.A.F.E. Mortgage Licensing Act of 2008  
7 (12 U.S.C. 5102)) who is not, with respect  
8 to the taxpayer—

9 “(I) a person specified in section  
10 267(b), or

11 “(II) a partnership described in  
12 section 707(b), and

13 “(iii) does not require a down pay-  
14 ment in an amount which is greater than  
15 the amount equal to—

16 “(I) 20 percent of the purchase  
17 price of the residence, minus

18 “(II) the amount of the credit al-  
19 lowable to the taxpayer under sub-  
20 section (a) to which the election under  
21 paragraph (1) applies.

22 “(3) APPLICATION OF LIMITATION BASED ON  
23 MODIFIED ADJUSTED GROSS INCOME.—

24 “(A) IN GENERAL.—



1                   respect to the amount allowable as a  
2                   credit under subsection (a), and

3                   “**(III)** the modified adjusted  
4                   gross income of the taxpayer for the  
5                   taxable year described in clause (i) of  
6                   subsection (b)(3)(D) is less than the  
7                   modified adjusted gross income of the  
8                   taxpayer for the taxable year de-  
9                   scribed in clause (ii) of such section,  
10                  notwithstanding the application of para-  
11                  graph (1), there shall be a credit allowed  
12                  to the taxpayer against the tax imposed by  
13                  this subtitle for the taxable year described  
14                  in clause (i) of such subsection equal to the  
15                  amount described in clause (ii).

16                  “**(ii)** **DIFFERENCE IN CREDIT**  
17                  **AMOUNTS.**—The amount described in this  
18                  clause is equal to—

19                  “**(I)** the amount allowable as a  
20                  credit under subsection (a), as re-  
21                  duced pursuant to subsection (b)(3)  
22                  based on the modified adjusted gross  
23                  income of the taxpayer for the taxable  
24                  year described in clause (i) of sub-  
25                  section (b)(3)(D), minus

1                   “(II) the amount of the payment  
2                   made by the eligible entity pursuant  
3                   to paragraph (2)(A)(i)(V).

4                   “(4) REPORTING.—

5                   “(A) IN GENERAL.—In the case of a tax-  
6                   payer that has made an election under para-  
7                   graph (1), not later than 3 days after the clos-  
8                   ing date for the purchase of the residence, the  
9                   eligible entity shall report to the Secretary (in  
10                  such manner as the Secretary may prescribe)  
11                  the following:

12                  “(i) The name and taxpayer identi-  
13                  fication number of the taxpayer.

14                  “(ii) The amount of the credit allowed  
15                  under subsection (a) to which the election  
16                  under paragraph (1) applied.

17                  “(B) INFORMATION PROVIDED TO TAX-  
18                  PAYER.—At such time, and in such form and  
19                  manner, as the Secretary may prescribe, the eli-  
20                  gible entity shall provide the information de-  
21                  scribed in subparagraph (A) to the taxpayer.

22                  “(5) ONLINE PORTAL.—The Secretary shall es-  
23                  tablish an online portal which permits—

24                  “(A) a taxpayer to—

1                   “(i) determine the amount of the  
2                   credit allowable under subsection (a) and  
3                   the amount of such credit to which para-  
4                   graph (1) may apply, and

5                   “(ii) elect the application of this sub-  
6                   section with respect to the purchase of a  
7                   residence, and

8                   “(B) an eligible entity to—

9                   “(i) verify the amount of the credit al-  
10                  lowable under subsection (a) with respect  
11                  to the taxpayer and the amount of such  
12                  credit to which paragraph (1) may apply,  
13                  and

14                  “(ii) comply with the requirements  
15                  under paragraph (4).

16                  “(h) REGULATIONS AND GUIDANCE.—The Secretary  
17                  shall prescribe such regulations or other guidance as may  
18                  be necessary or appropriate to carry out the purposes of  
19                  this section, including rules for the application of sub-  
20                  section (d) in the case of a residence purchased by 2 or  
21                  more individuals who are not married.”.

22                  (b) CONFORMING AMENDMENT RELATING TO BASIS  
23                  ADJUSTMENT.—Subsection (a) of section 1016 of the In-  
24                  ternal Revenue Code of 1986, as amended by section 212,  
25                  is amended—

1           (1) by redesignating paragraphs (38) and (39)  
2           as paragraphs (39) and (40), respectively, and

3           (2) by inserting after paragraph (37) the fol-  
4           lowing new paragraph:

5           “(38) to the extent provided in section 36(e),”.

6           (c) CONFORMING AMENDMENT.—Section 26(b)(2) of  
7           the Internal Revenue Code of 1986 is amended by striking  
8           subparagraph (W) and by redesignating subparagraphs  
9           (X), (Y), and (Z) as subparagraphs (W), (X), and (Y),  
10          respectively.

11          (d) CLERICAL AMENDMENT.—The item relating to  
12          section 36 in the table of sections for subpart C of part  
13          IV of subchapter A of chapter 1 of the Internal Revenue  
14          Code of 1986 is amended to read as follows:

          “Sec. 36. First-time homebuyer refundable credit.”.

15          (e) AUTHORITY TO TREAT CLAIM OF CREDIT AS  
16          ERROR, ETC.—Subparagraph (N) of section 6213(g)(2) of  
17          the Internal Revenue Code of 1986 is amended to read  
18          as follows:

19                   “(N) in the case of a return claiming the  
20                   credit under section 36—

21                           “(i) the omission of a social security  
22                           number required under section 36(f)(1)(A),

23                           “(ii) the inclusion of a social security  
24                           number so required if—

1                   “(I) the claim of the credit on  
2                   the return reflects the treatment of  
3                   such individual as being of an age dif-  
4                   ferent from the individual’s age based  
5                   on such social security number, or

6                   “(II) except as provided in sec-  
7                   tion 36(c)(1)(B), such social security  
8                   number has been included (other than  
9                   as a dependent for purposes of section  
10                  151) on a return for any previous tax-  
11                  able year claiming any credit or de-  
12                  duction described in section  
13                  36(c)(1)(A)(i),

14                  “(iii) the omission of any other re-  
15                  quired information or documentation de-  
16                  scribed in section 36(f)(1), including the  
17                  inclusion of a post office box instead of a  
18                  street address for the purchased residence,

19                  “(iv) the inclusion of any information  
20                  or documentation described in clause (iii)  
21                  if such information or documentation does  
22                  not support a valid claim for the credit, or

23                  “(v) a claim of such credit for a tax-  
24                  able year with respect to the purchase of

1                   a residence made after the last day of such  
2                   taxable year.”.

3           (f) **IRS RECORDKEEPING.**—Notwithstanding the lim-  
4 itations on assessment and collection under section 6501  
5 of the Internal Revenue Code of 1986, the Commissioner  
6 of Internal Revenue shall maintain records of returns and  
7 return information (as defined in section 6103(b)(2) of  
8 such Code) of any taxpayer claiming the credit under sec-  
9 tion 36 of such Code (as amended by this section) for the  
10 taxable year in which such credit is claimed and suc-  
11 ceeding taxable years in the individual master files of the  
12 Internal Revenue Service.

13           (g) **EFFECTIVE DATE.**—The amendments made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 2026.

16 **SEC. 215. LOSSES FROM THE SALE OF PRINCIPAL RESI-**  
17 **DENCES.**

18           (a) **ALLOWANCE OF LOSS.**—

19                   (1) **IN GENERAL.**—Section 165(c) of the Inter-  
20 nal Revenue Code of 1986 is amended by striking  
21 “and” at the end of paragraph (2), by striking the  
22 period at the end of paragraph (3) and inserting “;  
23 and”, and by adding at the end the following new  
24 paragraph:

25                   “(4) any—

1 “(A) qualified principal residence loss, and

2 “(B) any qualified principal residence loss

3 carryforward (as determined under section

4 1212(b)(3)).”.

5 (2) DEFINITIONS AND LIMITATIONS.—Section

6 165 of such Code is amended by redesignating sub-

7 section (m) as subsection (n) and by inserting after

8 subsection (l) the following new subsection:

9 “(m) RULES RELATED TO QUALIFIED PRINCIPAL  
10 RESIDENCE LOSSES.—

11 “(1) QUALIFIED PRINCIPAL RESIDENCE  
12 LOSS.—For purposes of subsection (c)(4)—

13 “(A) IN GENERAL.—The term ‘qualified  
14 principal residence loss’ means any loss from  
15 the sale or exchange of a residence of the tax-  
16 payer located in the United States if, during  
17 the 5-year period ending on the date such resi-  
18 dence is sold or exchanged, such property has  
19 been owned and used by the taxpayer as the  
20 taxpayer’s principal residence (within the mean-  
21 ing of section 121) for periods aggregating 2  
22 years or more.

23 “(B) APPLICATION TO ONLY 1 SALE OR  
24 EXCHANGE EVERY 2 YEARS.—Rules similar to

1 the rules of section 121(b)(3) shall apply for  
2 purposes of this paragraph.

3 “(C) EXCLUSION OF LOSS ALLOCATED TO  
4 NONQUALIFIED USE.—

5 “(i) IN GENERAL.—Paragraph (1)  
6 shall not apply to so much of the loss from  
7 the sale or exchange of property as is allo-  
8 cated to periods of nonqualified use (as de-  
9 fined in section 121(b)(5)(C)).

10 “(ii) ALLOCATION RULES.—For pur-  
11 poses of this clause, loss shall be attrib-  
12 utable to periods of nonqualified use under  
13 the principles of section 121(b)(5)(B).

14 “(D) TAXPAYERS FAILING TO MEET CER-  
15 TAIN REQUIREMENTS.—Rules similar to the  
16 rules of section 121(c) shall apply for purposes  
17 of this paragraph (determined by substituting  
18 ‘section 165(m)(2)’ for ‘paragraph (1) or (2) of  
19 subsection (b), whichever is applicable’ in para-  
20 graph (1) thereof).

21 “(E) SPECIAL RULES.—

22 “(i) IN GENERAL.—Rules similar to  
23 the rules of paragraphs (1), (2), (3), (4),  
24 (5) (applied without regard to the phrase  
25 ‘destruction, theft’ in subparagraph (A)

1                   thereof), (7), (8), (9), (10), and (12) of  
2                   section 121(d) shall apply for purposes of  
3                   this paragraph.

4                   “(F) EXPATRIATES.—Rules similar to the  
5                   rules of subsection (e) of section 121 shall  
6                   apply for purposes of this paragraph.

7                   “(2) DOLLAR LIMITATION.—The amount of any  
8                   qualified principal residence loss shall not exceed  
9                   \$100,000 (\$50,000 in the case of a married indi-  
10                  vidual filing a separate return).

11                  “(3) INCOME LIMITATION.—

12                   “(A) IN GENERAL.—The amount of quali-  
13                   fied principal residence loss (determined after  
14                   application of paragraph (2) and without regard  
15                   to this paragraph) shall be reduced (but not  
16                   below zero) by the amount which bears the  
17                   same ratio to such loss (as so determined) as—

18                   “(i) the excess of—

19                   “(I) the taxpayer’s modified ad-  
20                   justed gross income for such taxable  
21                   year, over

22                   “(II) \$200,000 (50 percent of  
23                   such amount in the case of a married  
24                   individual filing a separate return),  
25                   bears to

1                   “(ii) \$50,000 (50 percent of such  
2                   amount in the case of a married individual  
3                   filing a separate return).

4                   “(B) MODIFIED ADJUSTED GROSS IN-  
5                   COME.—For purposes of this paragraph, the  
6                   term ‘modified adjusted gross income’ means  
7                   the adjusted gross income of the taxpayer for  
8                   the taxable year determined without regard to  
9                   subsection (c)(4) and increased by any amount  
10                  excluded from gross income under section 911,  
11                  931, or 933.”.

12                  (3) COORDINATION WITH EXCLUSION FOR  
13                  GAIN.—

14                         (A) IN GENERAL.—Section 121(b)(3) of  
15                         such Code is amended by inserting “or section  
16                         165(c)(4)” after “subsection (a)”.

17                         (B) CONFORMING AMENDMENT.—Section  
18                         121(c)(1)(B)(i)(II) of such Code is amended by  
19                         inserting “or section 165(c)(4)” after “sub-  
20                         section (a)”.

21                  (4) APPLICATION OF RULES LIMITING  
22                  LOSSES.—

23                         (A) IN GENERAL.—Section 1211 of such  
24                         Code is amended by adding at the end the fol-  
25                         lowing new subsection:

1           “(c) SPECIAL RULES FOR TAXPAYERS WITH QUALI-  
2 FIED PRINCIPAL RESIDENCE LOSS.—

3           “(1) IN GENERAL.—In the case of a taxpayer  
4 (other than a corporation) which has a qualified  
5 principal residence loss for any taxable year—

6           “(A) this subsection shall be applied before  
7 subsection (b), and

8           “(B) such loss shall be allowed only to the  
9 extent of the sum of—

10           “(i) gains from sales or exchanges of  
11 capital assets during such taxable year,  
12 plus

13           “(ii) if such loss exceeds such gains,  
14 the amount of such excess.

15           “(2) COORDINATION WITH SUBSECTION (b).—In  
16 applying subsection (b) to any taxable year to which  
17 this subsection applies—

18           “(A) qualified principal residence losses  
19 shall not be taken into account, and

20           “(B) gains from sales or exchanges of cap-  
21 ital assets during such taxable year taken into  
22 account under such subsection shall be reduced  
23 by the amount of such gains taken into account  
24 under paragraph (1)(B)(i).

1           “(3) QUALIFIED PRINCIPAL RESIDENCE  
2 LOSS.—For purposes of this paragraph, the term  
3 ‘qualified principal residence loss’ means, with re-  
4 spect to any taxable year, any loss allowed for such  
5 taxable year by reason of section 165(c)(4) (includ-  
6 ing any qualified principal residence loss  
7 carryforward taken into account for such taxable  
8 year under subparagraph (B) thereof).”.

9           (B) CARRYFORWARDS.—Section 1212(b)  
10 of such Code is amended is amended by adding  
11 at the end the following new paragraph:

12           “(3) SPECIAL RULE FOR QUALIFIED PRINCIPAL  
13 RESIDENCE LOSSES.—

14           “(A) IN GENERAL.—For purposes of sec-  
15 tion 165(c)(4)(B), the amount of qualified prin-  
16 cipal residence loss carryforward determined  
17 under this paragraph is the excess (if any) of—

18                   “(i) the excess determined under sec-  
19 tion 1211(c)(1)(B)(ii) for the taxable year,  
20 over

21                   “(ii) taxable income (computed with-  
22 out regard to any loss allowed with respect  
23 to such excess or any amount or deduction  
24 described in paragraph (2)(B)).

1                   “(B) COORDINATION WITH OTHER CAP-  
2                   ITAL LOSSES.—For purposes of this sub-  
3                   section—

4                   “(i) a qualified principal residence loss  
5                   (as defined in section 1211(c)(3)) shall not  
6                   be taken into account for purposes of para-  
7                   graph (1) or (2), and

8                   “(ii) taxable income for purposes of  
9                   paragraph (2)(B) shall be computed after  
10                  the allowance for any qualified personal  
11                  residence loss (as so defined).”.

12           (b) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to sales in taxable years beginning  
14 after the date of the enactment of this Act.

15 **SEC. 216. REPEAL OF LIMITATION ON PERSONAL CASUALTY**  
16 **LOSS DEDUCTION.**

17           (a) IN GENERAL.—Section 165(h) of the Internal  
18 Revenue Code of 1986 is amended by striking paragraph  
19 (5).

20           (b) EFFECTIVE DATE.—The amendment made by  
21 this section shall apply to taxable years beginning after  
22 the date of the enactment of this Act.

1 **SEC. 217. PERMANENT EXCLUSION FROM GROSS INCOME**  
2 **OF DISCHARGE OF QUALIFIED PRINCIPAL**  
3 **RESIDENCE INDEBTEDNESS.**

4 (a) **IN GENERAL.**—Section 108(a)(1)(E) of the Inter-  
5 nal Revenue Code of 1986 is amended by striking “which  
6 is discharged” and all that follows through “evidenced in  
7 writing before January 1, 2026”.

8 (b) **EFFECTIVE DATE.**—The amendment made by  
9 this section shall apply to discharges of indebtedness after  
10 December 31, 2025.