

**AMENDMENT TO RULES COMMITTEE PRINT 119–****3****OFFERED BY MR. GOMEZ OF CALIFORNIA**

At the end of part 2 of subtitle B, add the following new section:

**1 SEC. 111113. INVESTMENT CREDIT FOR CONVERSION OF**  
**2 NON-RESIDENTIAL BUILDINGS TO AFFORD-**  
**3 ABLE HOUSING.**

**4 (a) IN GENERAL.**—Subpart E of part IV of sub-  
**5 chapter A of chapter 1 of subtitle A is amended by insert-**  
**6 ing after section 48E the following new section:**

**7 “SEC. 48F. AFFORDABLE HOUSING CONVERSION CREDIT.**

**8 “(a) ALLOWANCE OF CREDIT.**—For purposes of sec-  
**9 tion 46, the affordable housing conversion credit for any**  
**10 taxable year is an amount equal to 20 percent of the quali-**  
**11 fied conversion expenditures of the taxpayer with respect**  
**12 to a qualified affordable housing building placed in service**  
**13 by the taxpayer during the taxable year.**

**14 “(b) QUALIFIED CONVERSION EXPENDITURES.**—For  
**15 purposes of this section—**

**16 “(1) IN GENERAL.**—The term ‘qualified conver-  
**17 sion expenditures’ means, with respect to any quali-**

1       fied affordable housing building, any amount prop-  
2       erly chargeable to capital account—

3               “(A) for property for which depreciation is  
4       allowable under section 168, and

5               “(B) in connection with the qualified con-  
6       version of a qualified affordable housing build-  
7       ing.

8               “(2) CERTAIN EXPENDITURES NOT IN-  
9       CLUDED.—The term ‘qualified conversion expendi-  
10      tures’ does not include—

11              “(A) LIMITATION ON PERIOD OF CONVER-  
12      SION.—Except as provided in subsection (f),  
13      any amount paid or incurred other than during  
14      the 2-year period ending on the date on which  
15      the taxpayer places the qualified affordable  
16      housing building in service.

17              “(B) COST OF ACQUISITION.—The cost of  
18      acquiring any building or interest therein.

19              “(3) SPECIAL RULE FOR BROWNFIELDS.—  
20      Paragraph (1)(A) shall not apply with respect to any  
21      expenditure for clean up of qualifying brownfield  
22      property (as defined in section 512(b)(19)).

23              “(4) COORDINATION WITH REHABILITATION  
24      CREDIT.—In the case of any qualified conversion ex-  
25      penditures which are taken into account for pur-

1 poses of determining the rehabilitation credit under  
2 section 47, the amount of such expenditures taken  
3 into account under this section (determined without  
4 regard to this paragraph) shall be reduced by 50  
5 percent.

6 “(c) QUALIFIED CONVERSION.—For purposes of this  
7 section—

8 “(1) IN GENERAL.—The term ‘qualified conver-  
9 sion’ means the conversion of an eligible commercial  
10 building into a qualified affordable housing building  
11 if the qualified conversion expenditures of the tax-  
12 payer with respect to such conversion exceed the  
13 greater of—

14 “(A) an amount equal to 50 percent of the  
15 adjusted basis of such building (determined im-  
16 mediately prior to such conversion), or

17 “(B) \$100,000.

18 “(2) ELIGIBLE COMMERCIAL BUILDING.—The  
19 term ‘eligible commercial building’ means any build-  
20 ing which, with respect to any conversion—

21 “(A) was originally placed in service not  
22 less than 20 years before the date on which  
23 such conversion begins, and

1                   “(B) immediately prior to such conversion,  
2                   was nonresidential real property (as defined in  
3                   section 168).

4           “(d) QUALIFIED AFFORDABLE HOUSING BUILD-  
5   ING.—For purposes of this section—

6                   “(1) IN GENERAL.—The term ‘qualified afford-  
7                   able housing building’ means any residential building  
8                   if during the 30-year period beginning on the date  
9                   on which such building is placed in service by the  
10                  taxpayer, not less than 20 percent of the residential  
11                  units in the building are both rent-restricted and re-  
12                  served for individuals whose income is 80 percent or  
13                  less of the area median income.

14                  “(2) RENT AND INCOME LIMITATION.—For  
15                  purposes of this subsection, rules similar to the rules  
16                  of subsection (g) of section 42 shall apply to deter-  
17                  mine whether a unit is rent-restricted, treatment of  
18                  units occupied by individuals whose incomes rise  
19                  above the limit, and the treatment of units where  
20                  Federal rental assistance is reduced as tenant’s in-  
21                  come increases.

22                  “(e) LIMITATION ON AGGREGATE CREDIT ALLOW-  
23   ABLE.—

24                   “(1) CREDIT MAY NOT EXCEED CREDIT  
25                   AMOUNT ALLOCATED TO BUILDING.—

1           “(A) IN GENERAL.—The amount of the  
2           credit determined under this section with re-  
3           spect to any building shall not exceed the quali-  
4           fied conversion credit dollar amount allocated to  
5           such building under this subsection by the  
6           housing credit agency of the State in which  
7           such building is located.

8           “(B) TIME FOR MAKING ALLOCATION.—  
9           Except in the case of an allocation which meets  
10          the requirements of subparagraph (C), an allo-  
11          cation shall be taken into account under sub-  
12          paragraph (A) only if it is made not later than  
13          the close of the calendar year in which the  
14          building is placed in service.

15          “(C) EXCEPTION WHERE BINDING COM-  
16          MITMENT.—An allocation meets the require-  
17          ments of this subparagraph if there is a binding  
18          commitment (not later than the close of the cal-  
19          endar year in which the building is placed in  
20          service) by the housing credit agency to allocate  
21          a specified housing credit dollar amount to such  
22          building beginning in a later taxable year.

23          “(2) STATE LIMITATION.—

24                 “(A) IN GENERAL.—The aggregate quali-  
25                 fied conversion credit dollar amount which a

1           housing credit agency of any State may allocate  
2           is the sum of—

3                   “(i) the amount which bears the same  
4                   ratio to the national qualified conversion  
5                   credit limitation as—

6                           “(I) the population of such State,  
7                           bears to

8                           “(II) the population of all States,  
9                           plus

10                   “(ii) the sum of any amounts deter-  
11                   mined under subparagraph (C).

12                   “(B) NATIONAL QUALIFIED CONVERSION  
13                   CREDIT LIMITATION.—The national qualified  
14                   conversion credit limitation is \$12,000,000,000.

15                   “(C) ADDITIONAL AMOUNTS PROVIDED  
16                   FOR CERTAIN BUILDINGS IN ECONOMICALLY  
17                   DISTRESSED AREAS.—

18                           “(i) IN GENERAL.—For purposes of  
19                           subparagraph (A)(ii), in any case in  
20                           which—

21                                   “(I) the housing credit agency of  
22                                   a State allocates an amount to a  
23                                   building which is located in an eco-  
24                                   nomically distressed area, and

1                   “(II) the Secretary subsequently  
2                   designates such amount for purposes  
3                   of this paragraph,  
4                   the amount determined under this para-  
5                   graph with respect to such building shall  
6                   be the amount originally allocated by the  
7                   housing credit agency of the State under  
8                   clause (i).

9                   “(ii) LIMITATION.—The aggregate  
10                  amount which the Secretary may designate  
11                  under clause (i)(II) shall not exceed  
12                  \$3,000,000,000.

13                  “(iii) MANNER OF DESIGNATION.—  
14                  Not later than 120 days after the date of  
15                  the enactment of this section, the Sec-  
16                  retary shall establish a program for deter-  
17                  mining the designation of amounts that  
18                  may be designated under this subpara-  
19                  graph.

20                  “(D) REALLOCATION OF CERTAIN  
21                  AMOUNTS.—

22                  “(i) IN GENERAL.—Notwithstanding  
23                  subparagraph (A)—

24                         “(I) no amount may be allocated  
25                         under paragraph (1) by a housing

1 credit agency of an undersubscribed  
2 State after December 31, 2028, and

3 “(II) the dollar amount deter-  
4 mined under subparagraph (A) with  
5 respect to any oversubscribed State  
6 after such date shall be increased by  
7 such State’s share of the reallocation  
8 amount.

9 “(ii) STATE SHARE.—For purposes of  
10 clause (i), an oversubscribed State’s share  
11 of the reallocation amount is the amount  
12 which bears the same ratio to the realloca-  
13 tion amount as—

14 “(I) the population of such State,  
15 bears to

16 “(II) the population of all over-  
17 subscribed States.

18 “(iii) DEFINITIONS.—For purposes of  
19 this subparagraph—

20 “(I) UNDERSUBSCRIBED  
21 STATE.—The term ‘undersubscribed  
22 State’ means any State that is not an  
23 oversubscribed State.

24 “(II) OVERSUBSCRIBED  
25 STATE.—The term ‘oversubscribed

1 State' means any State the housing  
2 credit agency of which has allocated  
3 all of the qualified conversion credit  
4 dollar amount which may be allocated  
5 by it before the date described in  
6 clause (i)(I).

7 “(III) REALLOCATION  
8 AMOUNT.—The term ‘reallocation  
9 amount’ means the sum of the  
10 amounts described in subparagraph  
11 (A) which have not been allocated by  
12 undersubscribed States before the  
13 date described in clause (i)(I).

14 “(3) MANNER OF ALLOCATION.—

15 “(A) PLAN FOR ALLOCATION.—

16 “(i) IN GENERAL.—Notwithstanding  
17 any other provision of this section, the  
18 qualified conversion credit dollar amount  
19 with respect to any building shall be zero  
20 unless such amount was allocated pursuant  
21 to a conversion credit allocation plan of the  
22 housing credit agency which is approved by  
23 the governmental unit (in accordance with  
24 rules similar to the rules of section

1 147(f)(2) (other than subparagraph (B)(ii)  
2 thereof)) of which such agency is a part.

3 “(ii) CONVERSION CREDIT ALLOCA-  
4 TION PLAN.—For purposes of this sub-  
5 paragraph, the term ‘conversion credit allo-  
6 cation plan’ means a plan—

7 “(I) which sets selection criteria  
8 for allocations, taking into account—

9 “(aa) whether the credit is  
10 needed to assure the financial  
11 feasibility of the conversion,

12 “(bb) the extent to which  
13 the conversion results in the cre-  
14 ation of affordable housing,

15 “(cc) the extent to which the  
16 conversion results in the creation  
17 of housing near transportation,  
18 employment, and commercial op-  
19 portunities,

20 “(dd) the extent to which  
21 the conversion will support small  
22 businesses and economic revital-  
23 ization in the surrounding area,

1 “(ee) the degree of local gov-  
2 ernment support for the conver-  
3 sion, and

4 “(ff) the readiness of the  
5 building for a qualified conver-  
6 sion, and

7 “(II) which provides a procedure  
8 that the agency (or an agent or other  
9 private contractor of such agency) will  
10 follow in monitoring for noncompli-  
11 ance with the requirements of sub-  
12 section (d) and in notifying the Inter-  
13 nal Revenue Service of such non-  
14 compliance.

15 “(B) BINDING ALLOCATION AGREEMENTS;  
16 REPORTING.—In making allocations of qualified  
17 conversion credit dollar amounts, each housing  
18 credit agency shall—

19 “(i) enter into binding agreements  
20 with taxpayers for the allocation of quali-  
21 fied conversion credit dollar amounts,  
22 which agreements shall specify the amount  
23 of qualified conversion credit dollar amount  
24 allocated to the building and the terms for

1 any modifications or withdrawal of such al-  
2 location, and

3 “(ii) report to the Secretary, at such  
4 time and in such manner as the Secretary  
5 may require, the amount of allocations  
6 made with respect to any building.

7 “(C) STATE EXTENDED USE REQUIRE-  
8 MENTS PERMITTED PAST 30 YEARS.—For pur-  
9 poses of this paragraph, a housing credit agen-  
10 cy’s plan shall not fail to be treated as a con-  
11 version credit allocation plan merely because it  
12 includes, and nothing in this section shall be  
13 construed to limit a binding allocation agree-  
14 ment from including, affordability or rent re-  
15 striction requirements with respect to the build-  
16 ing that apply for a longer period than the 30-  
17 year period described in subsections (d) and  
18 (g)(1)(B).

19 “(4) DEFINITIONS AND OTHER RULES.—

20 “(A) HOUSING CREDIT AGENCY.—The  
21 term ‘housing credit agency’ means, with re-  
22 spect to any State, the housing credit agency  
23 authorized under section 42(h)(8) or such other  
24 agency as authorized by the State for purposes  
25 of this section.

1 “(B) ECONOMICALLY DISTRESSED AREA.—

2 The term ‘economically distressed area’ means  
3 any area which—

4 “(i) has been designated as a qualified  
5 census tract under section 42(d)(5)(B)(ii)  
6 or as a difficult development area under  
7 section 42(d)(5)(B)(iii), or

8 “(ii) meets the requirement of section  
9 301(a)(3) of the Public Works and Eco-  
10 nomic Development Act of 1965.

11 “(C) STATE.—The term ‘State’ includes a  
12 possession of the United States.

13 “(D) OTHER RULES.—Rules similar to the  
14 rules of subparagraphs (A) and (B) of section  
15 42(h)(7) shall apply for purposes of this sec-  
16 tion.

17 “(f) PROGRESS EXPENDITURES.—If the Secretary  
18 determines, on the basis of architectural plans and speci-  
19 fications that a qualified conversion is reasonably expected  
20 to exceed 2 years, rules similar to the rules of section  
21 47(d) shall apply with respect to such conversion for pur-  
22 poses of this section.

23 “(g) SPECIAL RULES FOR CERTAIN AREAS.—

1           “(1) QUALIFIED CENSUS TRACTS AND DIF-  
2       FICULT DEVELOPMENT AREAS.—In the case of a  
3       qualified affordable housing building—

4           “(A) which is located in any area which is  
5       designated as a qualified census tract under  
6       section 42(d)(5)(B)(ii) or as a difficult develop-  
7       ment area under section 42(d)(5)(B)(iii)), and

8           “(B) with respect to which during 30-year  
9       period beginning on the date on which such  
10      building is placed in service by the taxpayer,  
11      not less than 20 percent of the residential units  
12      in the building are both rent-restricted and re-  
13      served for individuals whose income is 60 per-  
14      cent or less of the area median income,  
15      subsection (a) shall be applied by substituting ‘30  
16      percent’ for ‘20 percent’.

17          “(2) HISTORIC PRESERVATION IN RURAL  
18      AREAS.—

19          “(A) IN GENERAL.—In the case of a quali-  
20      fied affordable housing building which is in a  
21      rural area and is part of an historic preserva-  
22      tion project, the taxpayer may elect to sub-  
23      stitute ‘35 percent’ for ‘20 percent’ under sub-  
24      section (a) with respect to such portion of the  
25      aggregate qualified conversion expenditures

1           taken into account under such subsection as  
2           does not exceed \$2,000,000.

3           “(B) DEFINITIONS.—For purposes of this  
4           paragraph—

5                 “(i) RURAL AREA.—The term ‘rural  
6                 area’ shall have the meaning given such  
7                 term under section 1393(a)(2).

8                 “(ii) HISTORIC PRESERVATION  
9                 PROJECT.—The term ‘historic preservation  
10                project’ means a qualified conversion which  
11                involves the certified rehabilitation of a  
12                certified historic structure. Whether con-  
13                version of a certified historic structure in-  
14                volves certified rehabilitation shall be de-  
15                termined under rules similar to the rules of  
16                section 47(c)(2)(C).

17           “(h) REGULATIONS.—The Secretary shall issue such  
18           regulations or other guidance as may be necessary or ap-  
19           propriate to carry out the purposes of this section, includ-  
20           ing regulations or other guidance—

21                 “(1) providing for the recapture of the credit  
22                 determined under subsection (a) if the qualified af-  
23                 fordable housing building ceases to be a qualified af-  
24                 fordable housing building during the 30-year period

1       beginning on the date that such building is placed  
2       in service by the taxpayer,

3           “(2) detailing any certifications required from  
4       the taxpayer or any housing credit agency of a  
5       State,

6           “(3) with respect to the application of sub-  
7       section (b)(4),

8           “(4) with respect to information reporting on  
9       allocations of qualified conversion credit dollar  
10      amounts,

11          “(5) providing rules for making a determination  
12      as to whether an area is described in subsection  
13      (e)(4)(B), and

14          “(6) which encourages housing credit agencies  
15      to allocate, to the extent practicable, qualified con-  
16      version credit dollar amounts to non-metropolitan  
17      counties within a State in proportion to the non-  
18      metropolitan population of the State, but only to the  
19      extent it is demonstrated within such non-metropoli-  
20      tan counties that there are sufficient qualified con-  
21      version expenditures to warrant such allocations.”.

22      (b)   TRANSFERABILITY    OF    CREDIT.—Section  
23   6418(f)(1)(A) is amended by adding at the end the fol-  
24   lowing new clause:

1 “(xii) The affordable housing conver-  
2 sion credit determined under section  
3 48F.”.

4 (c) CONFORMING AMENDMENTS.—

5 (1) Section 46 is amended in paragraph (5) by  
6 striking “and” at the end, in paragraph (6) by strik-  
7 ing the period at the end and inserting “, and”, and  
8 by adding at the end the following new paragraph:

9 “(7) the affordable housing conversion credit.”.

10 (2) Section 49(a)(1)(C) is amended by striking  
11 “and” at the end of clause (v), in clause (vi) by  
12 striking the period at the end and inserting “, and”,  
13 and by adding at the end the follow new clause:

14 “(vii) the basis of any property which  
15 is being converted as part of a qualified  
16 conversion under section 48F.”.

17 (3) Section 50(a)(2)(E) is amended by striking  
18 “or 48E(e)” and inserting “48E(e), or 48F(f)”.

19 (4) The table of sections for subpart E of part  
20 IV of subchapter A of chapter 1 of subtitle A is  
21 amended by adding at the end the following new  
22 item:

“Sec. 48F. Affordable housing conversion credit.”.

23 (d) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to qualified affordable housing  
25 buildings (as defined in section 48F of the Internal Rev-

1 enue Code of 1986, as added by this section) placed in  
2 service after the date of the enactment of this Act.

