

114TH CONGRESS
2D SESSION

S. 3237

To amend the Internal Revenue Code of 1986 to reform the low-income housing credit, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 14, 2016

Ms. CANTWELL (for herself, Mr. HATCH, and Mr. WYDEN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to reform the low-income housing credit, 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 “Affordable Housing Credit Improvement Act of 2016”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—REFORM OF STATE ALLOCATION FORMULAS

Sec. 101. Increases in State allocations.

TITLE II—REFORMS RELATING TO TENANT ELIGIBILITY

- Sec. 201. Average income test.
 Sec. 202. Uniform income eligibility for rural projects.
 Sec. 203. Codification of rules relating to increased tenant income.
 Sec. 204. Modification of student occupancy rules.
 Sec. 205. Tenant voucher payments taken into account as rent for certain purposes.

TITLE III—CREDIT RATE AND OTHER RULES RELATING TO
 CREDIT ELIGIBILITY AND DETERMINATION

- Sec. 301. Minimum credit rate.
 Sec. 302. Reconstruction or replacement period after casualty loss.
 Sec. 303. Modification of rights relating to building purchase.
 Sec. 304. Modification of 10-year rule; limitation on acquisition basis.
 Sec. 305. Certain relocation costs taken into account as rehabilitation expenditures.
 Sec. 306. Repeal of qualified census tract population cap.
 Sec. 307. Determination of community revitalization plan to be made by State housing credit agency.
 Sec. 308. Prohibition of local approval and contribution requirements.
 Sec. 309. Increase in credit for certain projects designated to serve extremely low-income households.
 Sec. 310. Increase in credit for bond-financed projects designated by State agency.
 Sec. 311. Elimination of basis reduction for low-income housing properties receiving certain energy benefits.

TITLE IV—REFORMS RELATING TO NATIVE AMERICAN
 ASSISTANCE

- Sec. 401. Selection criteria under qualified allocation plans.
 Sec. 402. Inclusion of Indian areas as difficult development areas for purposes of certain buildings.

TITLE V—AFFORDABLE HOUSING TAX CREDIT

- Sec. 501. Affordable housing tax credit.

1 **TITLE I—REFORM OF STATE**
 2 **ALLOCATION FORMULAS**

3 **SEC. 101. INCREASES IN STATE ALLOCATIONS.**

4 (a) PHASE-IN OF INCREASES.—

5 (1) IN GENERAL.—Clause (ii) of section
 6 42(h)(3)(C) of the Internal Revenue Code of 1986
 7 is amended—

1 (A) by striking “\$1.75” in subclause (I)
2 and inserting “the per capita dollar amount”,
3 and

4 (B) by striking “\$2,000,000” in subclause
5 (II) and inserting “the minimum ceiling
6 amount”.

7 (2) PER CAPITA DOLLAR AMOUNT; MINIMUM
8 CEILING AMOUNT.—Subparagraph (I) of section
9 42(h)(3) of such Code is amended to read as follows:

10 “(I) PER CAPITA DOLLAR AMOUNT; MIN-
11 IMUM CEILING AMOUNT.—For purposes of this
12 paragraph—

13 “(i) PER CAPITA DOLLAR AMOUNT.—
14 The per capita dollar amount is—

15 “(I) for calendar year 2016,
16 \$2.35,

17 “(II) for calendar year 2017,
18 \$2.59,

19 “(III) for calendar year 2018,
20 \$2.82,

21 “(IV) for calendar year 2019,
22 \$3.06,

23 “(V) for calendar year 2020,
24 \$3.29, and

25 “(VI) \$3.53 thereafter.

1 “(ii) MINIMUM CEILING AMOUNT.—

2 The minimum ceiling amount is—

3 “(I) for calendar year 2016,
4 \$2,690,000,

5 “(II) for calendar year 2017,
6 \$2,959,000,

7 “(III) for calendar year 2018,
8 \$3,228,000,

9 “(IV) for calendar year 2019,
10 \$3,497,000,

11 “(V) for calendar year 2020,
12 \$3,766,000, and

13 “(VI) \$4,035,000 thereafter.”.

14 (3) MODIFICATION OF COST-OF-LIVING ADJUST-
15 MENT.—Subparagraph (H) of section 42(h)(3) of
16 such Code is amended—

17 (A) by striking “2002” in clause (i) and
18 inserting “2016”,

19 (B) by striking “the \$2,000,000 and \$1.75
20 amounts in subparagraph (C)” in clause (i) and
21 inserting “the dollar amounts applicable to such
22 calendar year under clauses (i) and (ii) of sub-
23 paragraph (I)”,

24 (C) by striking “2001” in clause (i)(II)
25 and inserting “2015”,

1 (D) by striking “\$2,000,000” in clause
2 (ii)(I) and inserting “minimum ceiling”, and
3 (E) by striking “\$1.75” in clause (ii)(II)
4 and inserting “per capita dollar”.

5 (4) EFFECTIVE DATE.—The amendments made
6 by this subsection shall apply to calendar years be-
7 ginning after December 31, 2016.

8 (b) PERMANENT INCREASES.—

9 (1) IN GENERAL.—Clause (ii) of section
10 42(h)(3)(C) of the Internal Revenue Code of 1986,
11 as amended by subsection (a)(1), is amended—

12 (A) by striking “the per capita dollar
13 amount” in subclause (I) and inserting
14 “\$3.53”, and

15 (B) by striking “the minimum ceiling
16 amount” in subclause (II) and inserting
17 “\$4,035,000”.

18 (2) CONFORMING AMENDMENT.—Paragraph (3)
19 of section 42(h) of such Code is amended by striking
20 subparagraph (I), as amended by subsection (a)(2).

21 (3) COST-OF-LIVING ADJUSTMENT.—Subpara-
22 graph (H) of section 42(h)(3) of such Code, as
23 amended by subsection (a)(3), is amended—

24 (A) by striking “the dollar amounts appli-
25 cable to such calendar year under clauses (i)

1 and (ii) of subparagraph (I)” in clause (i) and
 2 inserting “the \$4,035,000 and \$3.53 amounts
 3 in subparagraph (C)”,

4 (B) by striking “minimum ceiling” in
 5 clause (ii)(I) and inserting “\$4,035,000”, and

6 (C) by striking “per capita dollar” in
 7 clause (ii)(II) and inserting “\$3.53”.

8 (4) EFFECTIVE DATE.—The amendments made
 9 by this subsection shall apply to calendar years be-
 10 ginning after December 31, 2021.

11 **TITLE II—REFORMS RELATING** 12 **TO TENANT ELIGIBILITY**

13 **SEC. 201. AVERAGE INCOME TEST.**

14 (a) IN GENERAL.—Paragraph (1) of section 42(g) of
 15 the Internal Revenue Code of 1986 is amended—

16 (1) by striking “subparagraph (A) or (B)” and
 17 inserting “subparagraph (A), (B), or (C)”, and

18 (2) by inserting after subparagraph (B) the fol-
 19 lowing new subparagraph:

20 “(C) AVERAGE INCOME TEST.—

21 “(i) IN GENERAL.—The project meets
 22 the minimum requirements of this sub-
 23 paragraph if 40 percent or more (25 per-
 24 cent or more in the case of a project de-
 25 scribed in section 142(d)(6)) of the resi-

1 dential units in such project are both rent-
2 restricted and occupied by individuals
3 whose income does not exceed the imputed
4 income limitation designated by the tax-
5 payer with respect to the respective unit.

6 “(ii) SPECIAL RULES RELATING TO
7 INCOME LIMITATION.—For purposes of
8 clause (i)—

9 “(I) DESIGNATION.—The tax-
10 payer shall designate the imputed in-
11 come limitation of each unit taken
12 into account under such clause.

13 “(II) AVERAGE TEST.—The aver-
14 age of the imputed income limitations
15 designated under subclause (I) shall
16 not exceed 60 percent of area median
17 gross income.

18 “(III) 10-PERCENT INCRE-
19 MENTS.—The designated imputed in-
20 come limitation of any unit under sub-
21 clause (I) shall be 20 percent, 30 per-
22 cent, 40 percent, 50 percent, 60 per-
23 cent, 70 percent, or 80 percent of
24 area median gross income.”.

1 (b) RULES RELATING TO NEXT AVAILABLE UNIT.—
2 Subparagraph (D) of section 42(g)(2) of the Internal Rev-
3 enue Code of 1986 is amended—

4 (1) in clause (i), by striking “clause (ii)” and
5 inserting “clauses (ii), (iii), and (iv)”,

6 (2) in clause (ii)—

7 (A) by striking “If” and inserting “In the
8 case of a project with respect to which the tax-
9 payer elects the requirements of subparagraph
10 (A) or (B) of paragraph (1), if”,

11 (B) by striking the second sentence, and

12 (C) by striking “NEXT AVAILABLE UNIT
13 MUST BE RENTED TO LOW-INCOME TENANT IF
14 INCOME RISES ABOVE 140 PERCENT OF INCOME
15 LIMIT” in the heading and inserting “RENTAL
16 OF NEXT AVAILABLE UNIT IN CASE OF 20–50 OR
17 40–60 TEST”, and

18 (3) by adding at the end the following new
19 clauses:

20 “(iii) RENTAL OF NEXT AVAILABLE
21 UNIT IN CASE OF AVERAGE INCOME
22 TEST.—In the case of a project with re-
23 spect to which the taxpayer elects the re-
24 quirements of subparagraph (C) of para-
25 graph (1), if the income of the occupants

1 of the unit increases above 140 percent of
2 the greater of—

3 “(I) 60 percent of area median
4 gross income, or

5 “(II) the imputed income limita-
6 tion designated with respect to the
7 unit under paragraph (1)(C)(ii)(I),
8 clause (i) shall cease to apply to any such
9 unit if any residential rental unit in the
10 building (of a size comparable to, or small-
11 er than, such unit) is occupied by a new
12 resident whose income exceeds the limita-
13 tion described in clause (v).

14 “(iv) DEEP RENT SKEWED
15 PROJECTS.—In the case of a project de-
16 scribed in section 142(d)(4)(B), clause (ii)
17 or (iii), whichever is applicable, shall be
18 applied by substituting ‘170 percent’ for
19 ‘140 percent’, and—

20 “(I) in the case of clause (ii), by
21 substituting ‘any low-income unit in
22 the building is occupied by a new resi-
23 dent whose income exceeds 40 percent
24 of area median gross income’ for ‘any

1 residential rental unit’ and all that
2 follows in such clause, and

3 “(II) in the case of clause (iii),
4 by substituting ‘any low-income unit
5 in the building is occupied by a new
6 resident whose income exceeds the
7 lesser of 40 percent of area median
8 gross income or the imputed income
9 limitation designated with respect to
10 such unit under paragraph
11 (1)(C)(ii)(I)’ for ‘any residential rent-
12 al unit’ and all that follows in such
13 clause.

14 “(v) LIMITATION DESCRIBED.—For
15 purposes of clause (iii), the limitation de-
16 scribed in this clause with respect to any
17 unit is—

18 “(I) the imputed income limita-
19 tion designated with respect to such
20 unit under paragraph (1)(C)(ii)(I), in
21 the case of a unit which was taken
22 into account as a low-income unit
23 prior to becoming vacant, and

24 “(II) the imputed income limita-
25 tion which would have to be des-

1 ignated with respect to such unit
2 under such paragraph in order for the
3 project to continue to meet the re-
4 quirements of paragraph
5 (1)(C)(ii)(II), in the case of any other
6 unit.”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to elections made under section
9 42(g)(1) of the Internal Revenue Code of 1986 after the
10 date of the enactment of this Act.

11 **SEC. 202. UNIFORM INCOME ELIGIBILITY FOR RURAL**
12 **PROJECTS.**

13 (a) IN GENERAL.—Paragraph (8) of section 42(i) of
14 the Internal Revenue Code of 1986 is amended by striking
15 the second sentence.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to taxable years beginning after
18 December 31, 2016.

19 **SEC. 203. CODIFICATION OF RULES RELATING TO IN-**
20 **CREASED TENANT INCOME.**

21 (a) IN GENERAL.—Clause (i) of section 42(g)(2)(D)
22 of the Internal Revenue Code of 1986, as amended by this
23 Act, is amended by striking “clauses (ii), (iii), and (iv)”
24 and all that follows and inserting “clauses (ii), (iii), (iv),
25 and (vi), notwithstanding an increase in the income of the

1 occupants above the income limitation applicable under
2 paragraph (1)—

3 “(I) a low-income unit shall con-
4 tinue to be treated as a low-income
5 unit if the income of such occupants
6 initially was 60 percent or less of area
7 median gross income and such unit
8 continues to be rent-restricted, and

9 “(II) a unit to which, at the time
10 of initial occupancy by such occu-
11 pants, any Federal, State, or local
12 government income restriction ap-
13 plied, and which subsequently becomes
14 part of a building with respect to
15 which rehabilitation expenditures are
16 taken into account under subsection
17 (e), shall be treated as a low-income
18 unit if the income of such occupants
19 initially was 60 percent or less of area
20 median gross income and does not ex-
21 ceed 120 percent of area median gross
22 income as of the date of acquisition of
23 the property by the taxpayer.”.

24 (b) EXCEPTION.—Subparagraph (D) of section
25 42(g)(2) of the Internal Revenue Code of 1986, as amend-

1 ed by this Act, is amended by adding at the end the fol-
 2 lowing new clause:

3 “(vi) EXCEPTION TO RULE RELATING
 4 TO INCREASED TENANT INCOME.—In the
 5 case of an occupant of a low-income unit
 6 who initially qualified to occupy such unit
 7 by reason of paragraph (1)(C) with an in-
 8 come in excess of 60 percent of area me-
 9 dian gross income but not in excess of 80
 10 percent of area median gross income,
 11 clause (i) shall be applied for substituting
 12 ‘80 percent’ for ‘60 percent’ each place it
 13 appears.”.

14 (c) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to taxable years beginning after
 16 December 31, 2015.

17 **SEC. 204. MODIFICATION OF STUDENT OCCUPANCY RULES.**

18 (a) IN GENERAL.—Subparagraph (D) of section
 19 42(i)(3) of the Internal Revenue Code of 1986 is amended
 20 to read as follows:

21 “(D) RULES RELATING TO STUDENTS.—
 22 “(i) IN GENERAL.—A unit occupied
 23 solely by individuals who—
 24 “(I) have not attained age 24,
 25 and

1 “(II) are enrolled in a full-time
2 course of study at an institution of
3 higher education (as defined in section
4 3304(f)),
5 shall not be treated as a low-income unit.

6 “(ii) EXCEPTION FOR CERTAIN FED-
7 ERAL PROGRAMS.—In the case of a feder-
8 ally assisted building (as defined in sub-
9 section (d)(6)(C)(i)), clause (i) shall not
10 apply to a unit the occupants of which
11 meet all requirements applicable under the
12 housing program described in subsection
13 (d)(6)(C)(i) through which the building is
14 assisted, financed, or operated.

15 “(iii) OTHER EXCEPTIONS.—Clause
16 (i) shall not apply to a unit occupied by an
17 individual who—

18 “(I) is married,

19 “(II) is a person with disabilities
20 (as defined in section 3(b)(3)(E) of
21 the United States Housing Act of
22 1937),

23 “(III) is a veteran (as defined in
24 section 101(2) of title 38, United
25 States Code),

1 “(IV) has one or more qualifying
2 children (as defined in section
3 152(c)), or

4 “(V) meets the income limitation
5 applicable under subsection (g)(1) to
6 the project of which the building is a
7 part and is, or was immediately prior
8 to attaining the age of majority—

9 “(aa) an emancipated minor
10 or in legal guardianship as deter-
11 mined by a court of competent
12 jurisdiction in the individual’s
13 State of legal residence,

14 “(bb) under the care and
15 placement responsibility of the
16 State agency responsible for ad-
17 ministering a plan under part B
18 or part E of title IV of the Social
19 Security Act, or

20 “(cc) was an unaccompanied
21 youth (within the meaning of sec-
22 tion 725(6) of the McKinney-
23 Vento Homeless Assistance Act
24 (42 U.S.C. 11434a(6))) or a
25 homeless child or youth (within

1 the meaning of section 725(2) of
2 such Act (42 U.S.C.
3 11434a(2)).”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply to taxable years beginning after
6 December 31, 2016.

7 **SEC. 205. TENANT VOUCHER PAYMENTS TAKEN INTO AC-**
8 **COUNT AS RENT FOR CERTAIN PURPOSES.**

9 (a) IN GENERAL.—Subparagraph (B) of section
10 42(g)(2) is amended by adding at the end the following
11 new sentence: “In the case of a project with respect to
12 which the taxpayer elects the requirements of subpara-
13 graph (C) of paragraph (1), or the portion of a project
14 to which subsection (d)(5)(C) applies, clause (i) shall not
15 apply with respect to any tenant-based assistance (as de-
16 fined in section 8(f)(7) of the United States Housing Act
17 of 1937 (42 U.S.C. 1437f(f)(7))).”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to rent paid in taxable years begin-
20 ning after December 31, 2016.

1 **TITLE III—CREDIT RATE AND**
2 **OTHER RULES RELATING TO**
3 **CREDIT ELIGIBILITY AND DE-**
4 **TERMINATION**

5 **SEC. 301. MINIMUM CREDIT RATE.**

6 (a) IN GENERAL.—Subsection (b) of section 42 of the
7 Internal Revenue Code of 1986 is amended—

8 (1) by redesignating paragraph (3) as para-
9 graph (4), and

10 (2) by inserting after paragraph (2) the fol-
11 lowing new paragraph:

12 “(3) MINIMUM CREDIT RATE.—In the case of
13 any new or existing building to which paragraph (2)
14 does not apply and which is placed in service by the
15 taxpayer after December 31, 2015, the applicable
16 percentage shall not be less than 4 percent.”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to buildings placed in service after
19 December 31, 2015.

20 **SEC. 302. RECONSTRUCTION OR REPLACEMENT PERIOD**
21 **AFTER CASUALTY LOSS.**

22 (a) IN GENERAL.—Subparagraph (E) of section
23 42(j)(4) of the Internal Revenue Code of 1986 is amended
24 by striking “a reasonable period established by the Sec-
25 retary” and inserting “a reasonable period established by

1 the applicable housing credit agency (not to exceed 25
2 months from the date on which the casualty loss arises).
3 The determination under paragraph (1) shall not be made
4 with respect to a property the basis of which is affected
5 by a casualty loss until the period described in the pre-
6 ceding sentence with respect to such property has ex-
7 pired.”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to casualty losses arising after the
10 date of the enactment of this Act.

11 **SEC. 303. MODIFICATION OF RIGHTS RELATING TO BUILD-**
12 **ING PURCHASE.**

13 (a) IN GENERAL.—Subparagraph (A) of section
14 42(i)(7) of the Internal Revenue Code of 1986 is amend-
15 ed—

16 (1) by striking “a right of 1st refusal” and in-
17 serting “an option”, and

18 (2) by striking “the property” and inserting
19 “the property or a partnership interest relating to
20 the property”.

21 (b) CONFORMING AMENDMENT.—Subparagraph (B)
22 of section 42(i)(7) of the Internal Revenue Code of 1986
23 is amended by adding at the end the following new sen-
24 tence: “In the case of a purchase of a partnership interest,
25 the minimum purchase price is an amount equal to such

1 interest's ratable share of the amount determined under
2 the first sentence of this subparagraph.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to agreements entered into or
5 amended after the date of the enactment of this Act.

6 **SEC. 304. MODIFICATION OF 10-YEAR RULE; LIMITATION ON**
7 **ACQUISITION BASIS.**

8 (a) IN GENERAL.—Clause (ii) of section 42(d)(2)(B)
9 of the Internal Revenue Code of 1986 is amended by in-
10 serting “, or the taxpayer elects the application of sub-
11 paragraph (C)(ii)” after “service”.

12 (b) LIMITATION ON ACQUISITION BASIS.—Subpara-
13 graph (C) of section 42(d)(2) of the Internal Revenue
14 Code of 1986 is amended—

15 (1) by striking “For purposes of subparagraph
16 (A), the adjusted basis” and inserting “For pur-
17 poses of subparagraph (A)—

18 “(i) IN GENERAL.—The adjusted
19 basis”, and

20 (2) by adding at the end the following new
21 clauses:

22 “(ii) BUILDINGS IN SERVICE WITHIN
23 PREVIOUS 10 YEARS.—If the period be-
24 tween the date of acquisition of the build-
25 ing by the taxpayer and the date the build-

1 ing was last placed in service is less than
2 10 years, the taxpayer's basis attributable
3 to the acquisition of the building which is
4 taken into account in determining the ad-
5 justed basis shall not exceed the sum of—

6 “(I) the lowest amount paid for
7 acquisition of the building by any per-
8 son during the 10 years preceding the
9 date of the acquisition of the building
10 by the taxpayer, adjusted as provided
11 in clause (iii), and

12 “(II) the value of any capital im-
13 provements made by the person who
14 sells the building to the taxpayer
15 which are reflected in such seller's
16 basis.

17 “(iii) ADJUSTMENT.—With respect to
18 a basis determination made in any taxable
19 year, the amount described in clause (ii)(I)
20 shall be increased by an amount equal to—

21 “(I) such amount, multiplied by

22 “(II) a cost-of-living adjustment,
23 determined in the same manner as
24 under section 1(f)(3) for the calendar
25 year in which the taxable year begins

1 by taking into account the acquisition
2 year in lieu of calendar year 1992.

3 For purposes of the preceding sentence,
4 the acquisition year is the calendar year in
5 which the lowest amount referenced in
6 clause (ii)(I) was paid for the acquisition
7 of the building.”.

8 (c) CONFORMING AMENDMENTS.—Clause (i) of sec-
9 tion 42(d)(2)(D) of the Internal Revenue Code of 1986
10 is amended—

11 (1) by striking “FOR SUBPARAGRAPH (B)” in
12 the heading, and

13 (2) by striking “subparagraph (B)(ii)” in the
14 matter preceding subclause (I) and inserting “sub-
15 paragraph (B)(ii) or (C)(ii)”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to buildings placed in service after
18 December 31, 2015.

19 **SEC. 305. CERTAIN RELOCATION COSTS TAKEN INTO AC-**
20 **COUNT AS REHABILITATION EXPENDITURES.**

21 (a) IN GENERAL.—Paragraph (2) of section 42(e) of
22 the Internal Revenue Code of 1986 is amended by adding
23 at the end the following new subparagraph:

24 “(C) CERTAIN RELOCATION COSTS.—In
25 the case of a rehabilitation of a building to

1 which section 280B does not apply, costs relat-
 2 ing to the relocation of occupants, including—
 3 “(i) amounts paid to occupants,
 4 “(ii) amounts paid to third parties for
 5 services relating to such relocation, and
 6 “(iii) amounts paid for temporary
 7 housing for occupants,
 8 shall be treated as chargeable to capital account
 9 and taken into account as rehabilitation ex-
 10 penditures.”.

11 (b) **EFFECTIVE DATE.**—The amendment made by
 12 this section shall apply to expenditures paid or incurred
 13 after December 31, 2015.

14 **SEC. 306. REPEAL OF QUALIFIED CENSUS TRACT POPU-**
 15 **LATION CAP.**

16 (a) **IN GENERAL.**—Clause (ii) of section 42(d)(5)(B)
 17 of the Internal Revenue Code of 1986 is amended—

18 (1) by striking subclauses (II) and (III), and
 19 (2) by striking “QUALIFIED CENSUS TRACT.—
 20 “(I) IN GENERAL.—The term”,
 21 and inserting “QUALIFIED CENSUS TRACT.—The
 22 term”.

23 (b) **TECHNICAL CORRECTIONS.**—Sections
 24 42(d)(4)(C)(i) and 42(m)(1)(B)(ii)(III) of the Internal
 25 Revenue Code of 1986 are each amended by striking “as

1 defined in paragraph (5)(C)” and inserting “as defined
2 in paragraph (5)(B)(ii)”.

3 (c) **EFFECTIVE DATE.**—The amendment made by
4 subsection (a) shall apply to designations of qualified cen-
5 sus tracts under section 42(d)(5)(B)(ii) of the Internal
6 Revenue Code of 1986 after December 31, 2016.

7 **SEC. 307. DETERMINATION OF COMMUNITY REVITALIZA-**
8 **TION PLAN TO BE MADE BY STATE HOUSING**
9 **CREDIT AGENCY.**

10 (a) **IN GENERAL.**—Subclause (III) of section
11 42(m)(1)(B)(ii) of the Internal Revenue Code of 1986 is
12 amended by inserting “, as determined by the State hous-
13 ing credit agency,” after “the development of which”.

14 (b) **EFFECTIVE DATE.**—The amendment made by
15 this section shall apply to allocations of housing credit dol-
16 lar amounts made after December 31, 2016.

17 **SEC. 308. PROHIBITION OF LOCAL APPROVAL AND CON-**
18 **TRIBUTION REQUIREMENTS.**

19 Not later than 120 days after the date of the enact-
20 ment of this Act, the Secretary of the Treasury shall issue
21 guidance prohibiting States from including a requirement
22 of local approval or local contributions, either as a thresh-
23 old qualification requirement or as part of a point system
24 to be considered for allocations of housing credit dollar
25 amount under the State’s qualified allocation plan for pur-

1 poses of section 42(m)(1)(B) of the Internal Revenue Code
 2 of 1986 (other than the requirement of section
 3 42(m)(1)(A)(ii) of such Code).

4 **SEC. 309. INCREASE IN CREDIT FOR CERTAIN PROJECTS**
 5 **DESIGNATED TO SERVE EXTREMELY LOW-IN-**
 6 **COME HOUSEHOLDS.**

7 (a) IN GENERAL.—Paragraph (5) of section 42(d) of
 8 the Internal Revenue Code of 1986 is amended by adding
 9 at the end the following new subparagraph:

10 “(C) INCREASE IN CREDIT FOR PROJECTS
 11 DESIGNATED TO SERVE EXTREMELY LOW-IN-
 12 COME HOUSEHOLDS.—In the case of any build-
 13 ing—

14 “(i) 20 percent or more of the resi-
 15 dential units in which are designated by
 16 the taxpayer for occupancy by households
 17 the aggregate household income of which
 18 does not exceed the greater of—

19 “(I) 30 percent of area median
 20 gross income, or

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

1 “(ii) which is designated by the State
2 housing credit agency as requiring the in-
3 crease in credit under this subparagraph in
4 order for such building to be financially
5 feasible as part of a qualified low-income
6 housing project,
7 subparagraph (B) shall not apply to the portion
8 of such building which is comprised of such
9 units, and the eligible basis of such portion of
10 the building shall be 150 percent of such basis
11 determined without regard to this subpara-
12 graph.”.

13 (b) **EFFECTIVE DATE.**—The amendment made by
14 this section shall apply to buildings placed in service after
15 December 31, 2015.

16 **SEC. 310. INCREASE IN CREDIT FOR BOND-FINANCED**
17 **PROJECTS DESIGNATED BY STATE AGENCY.**

18 (a) **IN GENERAL.**—Clause (v) of section 42(d)(5)(B)
19 is amended by striking the second sentence.

20 (b) **EFFECTIVE DATE.**—The amendment made by
21 this section shall apply to buildings placed in service after
22 December 31, 2015.

1 **SEC. 311. ELIMINATION OF BASIS REDUCTION FOR LOW-IN-**
2 **COME HOUSING PROPERTIES RECEIVING**
3 **CERTAIN ENERGY BENEFITS.**

4 (a) **NEW ENERGY EFFICIENT HOME CREDIT.**—Sub-
5 section (e) of section 45L of the Internal Revenue Code
6 of 1986 is amended—

7 (1) by striking “**ADJUSTMENT.**—For purposes”
8 and inserting “**ADJUSTMENT.**—

9 “(1) **IN GENERAL.**—For purposes”, and

10 (2) by adding at the end the following new
11 paragraph:

12 “(2) **EXCEPTION FOR LOW-INCOME HOUSING**
13 **PROPERTIES.**—Paragraph (1) shall not apply to any
14 property with respect to which a credit is allowed
15 under section 42.”.

16 (b) **ENERGY EFFICIENT COMMERCIAL BUILDINGS**
17 **DEDUCTION.**—Subsection (e) of section 179D of the In-
18 ternal Revenue Code of 1986 is amended—

19 (1) by striking “**REDUCTION.**—For purposes”
20 and inserting “**REDUCTION.**—

21 “(1) **IN GENERAL.**—For purposes”, and

22 (2) by adding at the end the following new
23 paragraph:

24 “(2) **EXCEPTION FOR LOW-INCOME HOUSING**
25 **PROPERTIES.**—Paragraph (1) shall not apply to any

1 property with respect to which a credit is allowed
2 under section 42.”.

3 (c) ENERGY CREDIT.—Paragraph (3) of section
4 50(c) of the Internal Revenue Code of 1986 is amended—

5 (1) by striking “and” at the end of subpara-
6 graph (A),

7 (2) by striking the period at the end of sub-
8 paragraph (B) and inserting “, and”, and

9 (3) by adding at the end the following new sub-
10 paragraph:

11 “(C) paragraph (1) shall not apply to any
12 property with respect to which a credit is al-
13 lowed under section 42.”.

14 (d) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to property placed in service after
16 December 31, 2015.

17 **TITLE IV—REFORMS RELATING**
18 **TO NATIVE AMERICAN AS-**
19 **SISTANCE**

20 **SEC. 401. SELECTION CRITERIA UNDER QUALIFIED ALLO-**
21 **CATION PLANS.**

22 (a) IN GENERAL.—Subparagraph (C) of section
23 42(m)(1) of the Internal Revenue Code of 1986 is amend-
24 ed by striking “and” at the end of clause (ix), by striking

1 the period at the end of clause (x) and inserting “, and”,
 2 and by adding at the end the following new clause:

3 “(xi) the affordable housing needs of
 4 individuals in the State who are members
 5 of Indian tribes (as defined in section
 6 45A(c)(6)).”.

7 (b) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to allocations of credits under sec-
 9 tion 42 of the Internal Revenue Code of 1986 made after
 10 December 31, 2016.

11 **SEC. 402. INCLUSION OF INDIAN AREAS AS DIFFICULT DE-**
 12 **VELOPMENT AREAS FOR PURPOSES OF CER-**
 13 **TAIN BUILDINGS.**

14 (a) IN GENERAL.—Subclause (I) of section
 15 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986 is
 16 amended by inserting before the period the following: “,
 17 and any Indian area”.

18 (b) INDIAN AREA.—Clause (iii) of section
 19 42(d)(5)(B) of the Internal Revenue Code of 1986 is
 20 amended by redesignating subclause (II) as subclause
 21 (III) and by inserting after subclause (I) the following new
 22 subclause:

23 “(II) INDIAN AREA.—For pur-
 24 poses of subclause (I), the term ‘In-
 25 dian area’ means any Indian area (as

1 defined in section 4(11) of the Native
2 American Housing Assistance and
3 Self Determination Act of 1996 (25
4 U.S.C. 4103(11)).”.

5 (c) ELIGIBLE BUILDINGS.—Clause (iii) of section
6 42(d)(5)(B) of the Internal Revenue Code of 1986, as
7 amended by subsection (b), is amended by adding at the
8 end the following new subclause:

9 “(IV) SPECIAL RULE FOR BUILD-
10 INGS IN INDIAN AREAS.—In the case
11 of an area which is a difficult develop-
12 ment area solely because it is an In-
13 dian area, a building shall not be
14 treated as located in such area unless
15 such building is assisted or financed
16 under the Native American Housing
17 Assistance and Self Determination
18 Act of 1996 (25 U.S.C. 4101 et seq.)
19 or the project sponsor is an Indian
20 tribe (as defined in section
21 45A(c)(6)), a tribally designated hous-
22 ing entity (as defined in section 4(22)
23 of such Act (25 U.S.C. 4103(22))), or
24 wholly owned or controlled by such an

1 Indian tribe or tribally designated
2 housing entity.”.

3 (d) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to buildings placed in service after
5 December 31, 2016.

6 **TITLE V—AFFORDABLE**
7 **HOUSING TAX CREDIT**

8 **SEC. 501. AFFORDABLE HOUSING TAX CREDIT.**

9 (a) IN GENERAL.—The heading of section 42 of the
10 Internal Revenue Code of 1986 is amended by striking
11 “**LOW-INCOME**” and inserting “**AFFORDABLE**”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Subsection (a) of section 42 of the Internal
14 Revenue Code of 1986 is amended by striking “low-
15 income” and inserting “affordable”.

16 (2) Paragraph (5) of section 38(b) of such Code
17 is amended by striking “low-income” and inserting
18 “affordable”.

19 (3) The heading of subparagraph (D) of section
20 469(i)(3) of such Code is amended by striking
21 “LOW-INCOME” and inserting “AFFORDABLE”.

22 (4) The heading of subparagraph (B) of section
23 469(i)(6) of such Code is amended by striking
24 “LOW-INCOME” and inserting “AFFORDABLE”.

1 (5) Paragraph (7) of section 772(a) of such
2 Code is amended by striking “low-income” and in-
3 sserting “affordable”.

4 (6) Paragraph (5) of section 772(d) of such
5 Code is amended by striking “low-income” and in-
6 sserting “affordable”.

7 (c) CLERICAL AMENDMENT.—The item relating to
8 section 42 in the table of sections for subpart D of part
9 IV of subchapter A of chapter 1 of the Internal Revenue
10 Code of 1986 is amended to read as follows:

“Sec. 42. Affordable housing credit.”.

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