

119TH CONGRESS
1ST SESSION

H. R. 893

To amend the Internal Revenue Code of 1986 to provide a credit for working families housing development, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 31, 2025

Mr. RYAN introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Energy and Commerce, and Transportation and Infrastructure, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to provide a credit for working families housing development, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Working Families
5 Housing Tax Credit Act”.

6 **SEC. 2. SENSE OF CONGRESS RELATING TO THE WORKING**
7 **FAMILIES HOUSING TAX CREDIT.**

8 It is the sense of Congress that—

1 (1) the working family housing tax credit under
 2 section 42A of the Internal Revenue Code of 1986
 3 is a critically important Federal Government policy
 4 tool to encourage the production of quality housing
 5 for our teachers, firefighters, police officers, vet-
 6 erans, and all hard-working Americans; and

7 (2) Congress should further improve and en-
 8 hance the working families housing tax credit by
 9 passing pro-housing legislation.

10 **SEC. 3. WORKING FAMILIES HOUSING TAX CREDIT.**

11 (a) IN GENERAL.—Subpart D of part IV of sub-
 12 chapter A of chapter 1 of the Internal Revenue Code of
 13 1986 is amended by inserting after section 42 the fol-
 14 lowing new section:

15 **“SEC. 42A. WORKING FAMILIES HOUSING CREDIT.**

16 “(a) IN GENERAL.—For purposes of section 38, the
 17 amount of the working families housing credit determined
 18 under this section for any taxable year in the credit period
 19 shall be an amount equal to—

20 “(1) the applicable percentage, of

21 “(2) the qualified basis of each qualified work-
 22 ing families building.

23 “(b) APPLICABLE PERCENTAGE.—

24 “(1) DETERMINATION OF APPLICABLE PER-
 25 CENTAGE.—For purposes of this section—

1 “(A) IN GENERAL.—The term ‘applicable
2 percentage’ means, with respect to any building,
3 the appropriate percentage prescribed by the
4 Secretary for the earlier of—

5 “(i) the month in which such building
6 is placed in service, or

7 “(ii) at the election of the taxpayer,
8 the month in which the taxpayer and the
9 housing credit agency enter into an agree-
10 ment with respect to such building (which
11 is binding on such agency, the taxpayer,
12 and all successors in interest) as to the
13 housing credit dollar amount to be allo-
14 cated to such building.

15 A month may be elected under clause (ii) only
16 if the election is made not later than the 5th
17 day after the close of such month. Such an elec-
18 tion, once made, shall be irrevocable.

19 “(B) METHOD OF PRESCRIBING PERCENT-
20 AGES.—The percentages prescribed by the Sec-
21 retary for any month shall be percentages which
22 will yield over a 15-year period amounts of
23 credit under subsection (a) which have a
24 present value equal to—

1 “(i) 50 percent of the qualified basis
2 of a new building, and

3 “(ii) 60 percent of the qualified basis
4 of a building not described in clause (i).

5 “(C) METHOD OF DISCOUNTING.—The
6 present value under subparagraph (B) shall be
7 determined—

8 “(i) as of the last day of the 1st year
9 of the 15-year period referred to in sub-
10 paragraph (B),

11 “(ii) by using a discount rate equal to
12 72 percent of the average of the annual
13 Federal mid-term rate and the annual
14 Federal long-term rate applicable under
15 section 1274(d)(1) to the month applicable
16 under clause (i) or (ii) of subparagraph
17 (A) and compounded annually, and

18 “(iii) by assuming that the credit al-
19 lowable under this section for any year is
20 received on the last day of such year.

21 “(2) MINIMUM CREDIT RATE.—

22 “(A) IN GENERAL.—The applicable per-
23 centage for any building which is not Federally
24 subsidized for the taxable year shall not be less
25 than 5 percent.

1 “(B) MINIMUM CREDIT RATE FOR FEDER-
2 ALLY SUBSIDIZED BUILDINGS.—In the case of
3 any building to which subparagraph (A) does
4 not apply, except as provided in paragraph (3),
5 the applicable percentage shall not be less than
6 2 percent.

7 “(3) EXCEPTION FOR CERTAIN FEDERALLY
8 SUBSIDIZED BUILDINGS.—In the case of any build-
9 ing to which paragraph (2)(A) does not apply, the
10 applicable percentage is zero unless—

11 “(A) a credit is allowed under section 42
12 with respect to such building for the taxable
13 year, and

14 “(B) such building is financed by tax-ex-
15 empt bonds as described in section 42(h)(4).

16 “(4) CROSS REFERENCES.—

17 “(A) For treatment of certain rehabilita-
18 tion expenditures as separate new buildings, see
19 subsection (e).

20 “(B) For determination of applicable per-
21 centage for increases in qualified basis after the
22 1st year of the credit period, see subsection
23 (f)(3).

24 “(C) For authority of housing credit agen-
25 cy to limit applicable percentage and qualified

1 basis which may be taken into account under
 2 this section with respect to any building, see
 3 subsection (h)(6).

4 “(c) QUALIFIED BASIS; QUALIFIED WORKING FAMI-
 5 LIES BUILDING.—For purposes of this section—

6 “(1) QUALIFIED BASIS.—

7 “(A) DETERMINATION.—The qualified
 8 basis of any qualified working families building
 9 for any taxable year is an amount equal to—

10 “(i) the applicable fraction (deter-
 11 mined as of the close of such taxable year)
 12 of

13 “(ii) the eligible basis of such building
 14 (determined under subsection (d)).

15 “(B) APPLICABLE FRACTION.—For pur-
 16 poses of subparagraph (A), the term ‘applicable
 17 fraction’ means the smaller of the unit fraction
 18 or the floor space fraction.

19 “(C) UNIT FRACTION.—For purposes of
 20 subparagraph (B), the term ‘unit fraction’
 21 means the fraction—

22 “(i) the numerator of which is the
 23 number of working families units in the
 24 building, and

1 “(ii) the denominator of which is the
 2 number of residential rental units (whether
 3 or not occupied) in such building.

4 “(D) FLOOR SPACE FRACTION.—For pur-
 5 poses of subparagraph (B), the term ‘floor
 6 space fraction’ means the fraction—

7 “(i) the numerator of which is the
 8 total floor space of the working families
 9 units in such building, and

10 “(ii) the denominator of which is the
 11 total floor space of the residential rental
 12 units (whether or not occupied) in such
 13 building.

14 “(2) QUALIFIED WORKING FAMILIES BUILD-
 15 ING.—The term ‘qualified working families building’
 16 means any building which is part of a qualified
 17 working families housing project at all times during
 18 the period—

19 “(A) beginning on the 1st day in the credit
 20 period on which such building is part of such a
 21 project, and

22 “(B) ending on the last day of the credit
 23 period with respect to such building.

24 “(d) ELIGIBLE BASIS.—For purposes of this sec-
 25 tion—

1 “(1) NEW BUILDINGS.—The eligible basis of a
2 new building is its adjusted basis as of the close of
3 the 1st taxable year of the credit period.

4 “(2) EXISTING BUILDINGS.—

5 “(A) IN GENERAL.—The eligible basis of
6 an existing building is—

7 “(i) in the case of a building which
8 meets the requirements of subparagraph
9 (B), its adjusted basis as of the close of
10 the 1st taxable year of the credit period,
11 and

12 “(ii) zero in any other case.

13 “(B) REQUIREMENTS.—A building meets
14 the requirements of this subparagraph if—

15 “(i) the building is acquired by pur-
16 chase (as defined in section 179(d)(2)),

17 “(ii) there is a period of at least 10
18 years between the date of its acquisition by
19 the taxpayer and the date the building was
20 last placed in service,

21 “(iii) the building was not previously
22 placed in service by the taxpayer or by any
23 person who was a related person with re-
24 spect to the taxpayer as of the time pre-
25 viously placed in service, and

1 “(iv) except as provided in subsection
2 (f)(5), a credit is allowable under sub-
3 section (a) by reason of subsection (e) with
4 respect to the building.

5 “(C) ADJUSTED BASIS.—For purposes of
6 subparagraph (A), the adjusted basis of any
7 building shall not include so much of the basis
8 of such building as is determined by reference
9 to the basis of other property held at any time
10 by the person acquiring the building.

11 “(D) SPECIAL RULES.—

12 “(i) SPECIAL RULES FOR CERTAIN
13 TRANSFERS.—For purposes of determining
14 under subparagraph (B)(ii) when a build-
15 ing was last placed in service, there shall
16 not be taken into account any placement in
17 service—

18 “(I) in connection with the acqui-
19 sition of the building in a transaction
20 in which the basis of the building in
21 the hands of the person acquiring it is
22 determined in whole or in part by ref-
23 erence to the adjusted basis of such
24 building in the hands of the person
25 from whom acquired,

1 “(II) by a person whose basis in
2 such building is determined under sec-
3 tion 1014(a) (relating to property ac-
4 quired from a decedent),

5 “(III) by any governmental unit
6 or qualified nonprofit organization if
7 the requirements of subparagraph
8 (B)(ii) are met with respect to the
9 placement in service by such unit or
10 organization and all the income from
11 such property is exempt from Federal
12 income taxation,

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

1 “(V) of a single-family residence
2 by any individual who owned and used
3 such residence for no other purpose
4 than as his principal residence.

5 “(ii) RELATED PERSON.—For pur-
6 poses of subparagraph (B)(iii), a person
7 (hereinafter in this subclause referred to as
8 the ‘related person’) is related to any per-
9 son if the related person bears a relation-
10 ship to such person specified in section
11 267(b) or 707(b)(1), or the related person
12 and such person are engaged in trades or
13 businesses under common control (within
14 the meaning of subsections (a) and (b) of
15 section 52).

16 “(3) SPECIAL RULES RELATING TO DETER-
17 MINATION OF ADJUSTED BASIS.—For purposes of
18 this subsection—

19 “(A) IN GENERAL.—Except as provided in
20 subparagraph (B), the adjusted basis of any
21 building shall be determined without regard to
22 the adjusted basis of any property which is not
23 residential rental property.

24 “(B) BASIS OF PROPERTY IN COMMON
25 AREAS, ETC., INCLUDED.—

1 “(i) IN GENERAL.—Except as pro-
2 vided in clause (ii), the adjusted basis of
3 any building shall be determined by taking
4 into account the adjusted basis of property
5 (of a character subject to the allowance for
6 depreciation) used in common areas or
7 provided as comparable amenities to all
8 residential rental units in such building.

9 “(ii) SPECIAL RULE.—In the case of
10 any building for which the low-income
11 housing tax credit is allowable under sec-
12 tion 42, the adjusted basis of the building
13 under this section shall be determined
14 without regard to property used in com-
15 mon areas or provided as comparable
16 amenities to all residential rental units in
17 such building.

18 “(C) NO REDUCTION FOR DEPRECIA-
19 TION.—The adjusted basis of any building shall
20 be determined without regard to paragraphs (2)
21 and (3) of section 1016(a).

22 “(4) SPECIAL RULES FOR DETERMINING ELIGI-
23 BLE BASIS.—

24 “(A) FEDERAL GRANTS NOT TAKEN INTO
25 ACCOUNT IN DETERMINING ELIGIBLE BASIS.—

1 The eligible basis of a building shall not include
2 any costs financed with the proceeds of a Fed-
3 erally funded grant.

4 “(B) INCREASE IN CREDIT FOR BUILDINGS
5 IN HIGH COST AREAS.—

6 “(i) IN GENERAL.—In the case of any
7 building located in a difficult development
8 area which is designated for purposes of
9 this subparagraph—

10 “(I) in the case of a new build-
11 ing, the eligible basis of such building
12 shall be 130 percent of such basis de-
13 termined without regard to this sub-
14 paragraph, and

15 “(II) in the case of an existing
16 building, the rehabilitation expendi-
17 tures taken into account under sub-
18 section (e) shall be 130 percent of
19 such expenditures determined without
20 regard to this subparagraph.

21 “(ii) LIMITATION.—Clause (i) shall
22 not apply to any building if paragraph (1)
23 of subsection (h) does not apply to any
24 portion of the eligible basis of such build-

ing by reason of paragraph (9) of such subsection.

“(iii) DIFFICULT DEVELOPMENT AREAS.—

“(I) IN GENERAL.—The term ‘difficult development areas’ means any area designated by the Secretary of Housing and Urban Development as an area which has high construction, land, or utility costs relative to area median gross income, any rural area, and any Indian area.

“(II) RURAL AREA.—For purposes of subclause (I), the term ‘rural area’ means any non-metropolitan area, or any rural area as defined by section 520 of the Housing Act of 1949, which is identified by the qualified allocation plan under subsection (m)(1)(B).

“(III) INDIAN AREA.—For purposes of subclause (I), the term ‘Indian area’ means any Indian area (as defined in section 4(11) of the Native American Housing Assistance and

1 Self Determination Act of 1996 (25
2 U.S.C. 4103(11))).

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

21 “(V) LIMIT ON AREAS DES-
22 IGNATED.—The portions of metropoli-
23 tan statistical areas which may be
24 designated for purposes of this sub-
25 paragraph shall not exceed an aggre-

1 gate area having 20 percent of the
2 population of such metropolitan sta-
3 tistical areas. A comparable rule shall
4 apply to nonmetropolitan areas.

5 “(iv) SPECIAL RULES AND DEFINI-
6 TIONS.—For purposes of this subpara-
7 graph—

8 “(I) population shall be deter-
9 mined on the basis of the most recent
10 decennial census for which data are
11 available,

12 “(II) area median gross income
13 shall be determined in accordance
14 with subsection (g)(4),

15 “(III) the term ‘metropolitan sta-
16 tistical area’ has the same meaning as
17 when used in section 143(k)(2)(B),
18 and

19 “(IV) the term ‘nonmetropolitan
20 area’ means any county (or portion
21 thereof) which is not within a metro-
22 politan statistical area.

23 “(v) BUILDINGS DESIGNATED BY
24 STATE HOUSING CREDIT AGENCY.—Any
25 building which is designated by the State

1 housing credit agency as requiring the in-
2 crease in credit under this subparagraph in
3 order for such building to be financially
4 feasible as part of a qualified working fam-
5 ilies housing project shall be treated for
6 purposes of this subparagraph as located
7 in a difficult development area which is
8 designated for purposes of this subpara-
9 graph.

10 “(5) CREDIT ALLOWABLE FOR CERTAIN BUILD-
11 INGS ACQUIRED DURING 10-YEAR PERIOD.—On ap-
12 plication by the taxpayer, the Secretary may waive
13 paragraph (2)(B)(ii) with respect to any building ac-
14 quired from an insured depository institution in de-
15 fault (as defined in section 3 of the Federal Deposit
16 Insurance Act) or from a receiver or conservator of
17 such an institution.

18 “(6) ACQUISITION OF BUILDING BEFORE END
19 OF PRIOR CREDIT PERIOD.—

20 “(A) IN GENERAL.—Under regulations
21 prescribed by the Secretary, in the case of a
22 building described in subparagraph (B) (or in-
23 terest therein) which is acquired by the tax-
24 payer—

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

3 “(ii) the credit allowable by reason of
4 subsection (a) to the taxpayer for any pe-
5 riod after such acquisition shall be equal to
6 the amount of credit which would have
7 been allowable under subsection (a) for
8 such period to the prior owner referred to
9 in subparagraph (B) had such owner not
10 disposed of the building.

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

13 “(i) a credit was allowed by reason of
14 subsection (a) to any prior owner of such
15 building, and

16 “(ii) the taxpayer acquired such build-
17 ing before the end of the credit period for
18 such building with respect to such prior
19 owner (determined without regard to any
20 disposition by such prior owner).

21 “(e) REHABILITATION EXPENDITURES TREATED AS
22 SEPARATE NEW BUILDING.—

23 “(1) IN GENERAL.—Rehabilitation expenditures
24 paid or incurred by the taxpayer with respect to any

1 building shall be treated for purposes of this section
2 as a separate building which is not a new building.

3 “(2) REHABILITATION EXPENDITURES.—For
4 purposes of paragraph (1)—

5 “(A) IN GENERAL.—The term ‘rehabilita-
6 tion expenditures’ means amounts chargeable to
7 capital account and incurred for property (or
8 additions or improvements to property) of a
9 character subject to the allowance for deprecia-
10 tion in connection with the rehabilitation of a
11 building.

12 “(B) COST OF ACQUISITION, ETC., NOT IN-
13 CLUDED.—Such term does not include the cost
14 of acquiring any building (or interest therein)
15 or any amount not permitted to be taken into
16 account under paragraph (3) of subsection (d).

17 “(C) CERTAIN RELOCATION COSTS.—In
18 the case of a rehabilitation of a building to
19 which section 280B does not apply, costs relat-
20 ing to the relocation of occupants, including—

21 “(i) amounts paid to occupants,

22 “(ii) amounts paid to third parties for
23 services relating to such relocation, and

24 “(iii) amounts paid for temporary
25 housing for occupants,

1 shall be treated as chargeable to capital account
2 and taken into account as rehabilitation ex-
3 penditures.

4 “(3) MINIMUM EXPENDITURES TO QUALIFY.—

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

8 “(i) the expenditures are allocable to
9 1 or more working families units or sub-
10 stantially benefit such units, and

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

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

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

1 vided by the number of working fami-
2 lies units in the building, is equal to
3 or greater than the dollar amount in
4 effect under section 42(e)(3)(A)(ii)(II)
5 for the calendar year in which such
6 expenditures are treated as placed in
7 service under paragraph (4).

8 “(B) DATE OF DETERMINATION.—The de-
9 termination under subparagraph (A) shall be
10 made as of the close of the 1st taxable year in
11 the credit period with respect to such expendi-
12 tures.

13 “(4) SPECIAL RULES.—For purposes of apply-
14 ing this section with respect to expenditures which
15 are treated as a separate building by reason of this
16 subsection—

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

20 “(B) the applicable fraction under sub-
21 section (c)(1) shall be the applicable fraction for
22 the building (without regard to paragraph (1))
23 with respect to which the expenditures were in-
24 curred.

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

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

8 “(6) REGULATIONS TO APPLY SUBSECTION
 9 WITH RESPECT TO GROUP OF UNITS IN BUILDING.—
 10 The Secretary may prescribe regulations, consistent
 11 with the purposes of this subsection, treating a
 12 group of units with respect to which rehabilitation
 13 expenditures are incurred as a separate new build-
 14 ing.

15 “(f) DEFINITION AND SPECIAL RULES RELATING TO
 16 CREDIT PERIOD.—

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

21 “(A) the taxable year in which the building
 22 is placed in service, or

23 “(B) at the election of the taxpayer, the
 24 succeeding taxable year,

but only if the building is a qualified working families building as of the close of the 1st year of such period. The election under subparagraph (B), once made, shall be irrevocable.

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

“(A) IN GENERAL.—The credit allowable under subsection (a) with respect to any building for the 1st taxable year of the credit period shall be determined by substituting for the applicable fraction under subsection (c)(1) the fraction—

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

“(ii) the denominator of which is 12.

“(B) DISALLOWED 1ST-YEAR CREDIT ALLOWED IN 16TH YEAR.—Any reduction by reason of subparagraph (A) in the credit allowable (without regard to subparagraph (A)) for the 1st taxable year of the credit period shall be allowable under subsection (a) for the 1st taxable year following the credit period.

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

4 “(A) IN GENERAL.—In the case of any
5 building which was a qualified working families
6 building as of the close of the 1st year of the
7 credit period, if—

8 “(i) as of the close of any taxable year
9 in the credit period (after the 1st year of
10 such period) the qualified basis of such
11 building, exceeds

12 “(ii) the qualified basis of such build-
13 ing as of the close of the 1st year of the
14 credit period,

15 the applicable percentage which shall apply
16 under subsection (a) for the taxable year to
17 such excess shall be the percentage equal to $\frac{2}{3}$
18 of the applicable percentage which (after the
19 application of subsection (h)) would but for this
20 paragraph apply to such basis.

21 “(B) 1ST YEAR COMPUTATION APPLIES.—
22 A rule similar to the rule of paragraph (2)(A)
23 shall apply to any increase in qualified basis to
24 which subparagraph (A) applies for the 1st year
25 of such increase.

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

7 “(5) CREDIT PERIOD FOR EXISTING BUILDINGS
 8 NOT TO BEGIN BEFORE REHABILITATION CREDIT
 9 ALLOWED.—

10 “(A) IN GENERAL.—The credit period for
 11 an existing building shall not begin before the
 12 1st taxable year of the credit period for reha-
 13 bilitation expenditures with respect to the build-
 14 ing.

15 “(B) ACQUISITION CREDIT ALLOWED FOR
 16 CERTAIN BUILDINGS NOT ALLOWED A REHA-
 17 BILITATION CREDIT.—

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

20 “(I) subsection (d)(2)(B)(iv)
 21 shall not apply, and

22 “(II) the credit period for such
 23 building shall not begin before the
 24 taxable year which would be the 1st
 25 taxable year of the credit period for

1 rehabilitation expenditures with re-
 2 spect to the building under the modi-
 3 fications described in clause (ii)(II).

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

6 “(I) a waiver is granted under
 7 subsection (d)(4) with respect to the
 8 acquisition of the building, and

9 “(II) a credit would be allowed
 10 for rehabilitation expenditures with
 11 respect to such building if subsection
 12 (e)(3)(A)(ii)(I) did not apply and if
 13 the dollar amount in effect under sub-
 14 section (e)(3)(A)(ii)(II) were two-
 15 thirds of such amount.

16 “(g) QUALIFIED WORKING FAMILIES HOUSING
 17 PROJECT.—For purposes of this section—

18 “(1) QUALIFIED WORKING FAMILIES HOUSING
 19 PROJECT.—

20 “(A) IN GENERAL.—The term ‘qualified
 21 working families housing project’ means any
 22 project for residential rental property if such
 23 project meets the low-income requirements of
 24 subparagraph (B) and the working families re-
 25 quirements of subparagraph (C).

1 “(B) LOW-INCOME REQUIREMENTS.—The
2 project meets the low-income requirements of
3 this subparagraph if 20 percent or more of the
4 residential units in such project are both rent-
5 restricted and occupied by individuals whose in-
6 come is 60 percent or less of area median gross
7 income.

8 “(C) WORKING FAMILIES REQUIRE-
9 MENTS.—

10 “(i) IN GENERAL.—The project meets
11 the working families requirements of this
12 subparagraph if 40 percent or more of the
13 residential units in such project are both
14 rent-restricted and occupied by individuals
15 whose income does not exceed the imputed
16 income limitation designated by the tax-
17 payer with respect to the respective unit.

18 “(ii) SPECIAL RULES RELATING TO
19 INCOME LIMITATION.—For purposes of
20 clause (i)—

21 “(I) DESIGNATION.—The tax-
22 payer shall designate the imputed in-
23 come limitation of each unit taken
24 into account under such clause.

1 “(II) AVERAGE TEST.—The aver-
 2 age of the imputed income limitations
 3 designated under subclause (I) shall
 4 not exceed 100 percent of area me-
 5 dian gross income.

6 “(III) PERMITTED INCRE-
 7 MENTS.—The designated imputed in-
 8 come limitation of any unit under sub-
 9 clause (I) shall be 70, 80, 90, 100,
 10 110, 120, 130, 140, 150, 160, 170, or
 11 180 percent of area median gross in-
 12 come.

13 Any designation under this paragraph, once made,
 14 shall be irrevocable. For purposes of this paragraph,
 15 any property shall not be treated as failing to be res-
 16 idential rental property merely because part of the
 17 building in which such property is located is used for
 18 purposes other than residential rental purposes.

19 “(2) RENT-RESTRICTED UNITS.—

20 “(A) IN GENERAL.—For purposes of para-
 21 graph (1), a residential unit is rent-restricted if
 22 the gross rent with respect to such unit does
 23 not exceed 30 percent of the imputed income
 24 limitation applicable to such unit. For purposes
 25 of the preceding sentence, the amount of the in-

1 come limitation under paragraph (1) applicable
2 for any period shall not be less than such limi-
3 tation applicable for the earliest period the
4 building (which contains the unit) was included
5 in the determination of whether the project is
6 a qualified working families housing project.

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

9 “(i) includes any utility allowance de-
10 termined by the Secretary after taking into
11 account such determinations under section
12 8 of the United States Housing Act of
13 1937,

14 “(ii) does not include any fee for a
15 supportive service which is paid to the
16 owner of the unit (on the basis of the
17 working families status of the tenant of the
18 unit) by any governmental program of as-
19 sistance (or by an organization described
20 in section 501(c)(3) and exempt from tax
21 under section 501(a)) if such program (or
22 organization) provides assistance for rent
23 and the amount of assistance provided for
24 rent is not separable from the amount of

1 assistance provided for supportive services,
2 and

3 “(iii) does not include any rental pay-
4 ment to the owner of the unit to the extent
5 such owner pays an equivalent amount to
6 the Farmers’ Home Administration under
7 section 515 of the Housing Act of 1949.

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

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

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

1 “(ii) In the case of a unit which has
2 1 or more separate bedrooms, 1.5 individ-
3 uals for each separate bedroom.

4 In the case of a project with respect to which
5 a credit is allowable by reason of this section
6 and for which financing is provided by a bond
7 described in section 142(a)(7), the imputed in-
8 come limitation shall apply in lieu of the other-
9 wise applicable income limitation for purposes
10 of applying section 142(d)(4)(B)(ii).

11 “(D) TREATMENT OF UNITS OCCUPIED BY
12 INDIVIDUALS WHOSE INCOMES RISE ABOVE
13 LIMIT.—

14 “(i) IN GENERAL.—Except as pro-
15 vided in clause (ii), notwithstanding an in-
16 crease in the income of the occupants of a
17 working families unit above the income
18 limitation applicable under paragraph (1),
19 such unit shall continue to be treated as a
20 working families unit if the income of such
21 occupants initially met such income limita-
22 tion and such unit continues to be rent-re-
23 stricted.

24 “(ii) NEXT AVAILABLE UNIT MUST BE
25 RENTED TO WORKING FAMILIES TENANT

1 IF INCOME RISES ABOVE 140 PERCENT OF
2 INCOME LIMIT.—If the income of the occu-
3 pants of the unit increases above 140 per-
4 cent of the income limitation applicable
5 under paragraph (1), clause (i) shall cease
6 to apply to such unit if any residential
7 rental unit in the building (of a size com-
8 parable to, or smaller than, such unit) is
9 occupied by a new resident whose income
10 exceeds such income limitation.

11 “(3) DATE FOR MEETING REQUIREMENTS.—

12 “(A) IN GENERAL.—Except as otherwise
13 provided in this paragraph, a building shall be
14 treated as a qualified working families building
15 only if the project (of which such building is a
16 part) meets the requirements of paragraph (1)
17 not later than the close of the 1st year of the
18 credit period for such building.

19 “(B) BUILDINGS WHICH RELY ON LATER
20 BUILDINGS FOR QUALIFICATION.—

21 “(i) IN GENERAL.—In determining
22 whether a building (hereinafter in this sub-
23 paragraph referred to as the ‘prior build-
24 ing’) is a qualified working families build-
25 ing, the taxpayer may take into account 1

1 or more additional buildings placed in serv-
 2 ice during the 12-month period described
 3 in subparagraph (A) with respect to the
 4 prior building only if the taxpayer elects to
 5 apply clause (ii) with respect to each addi-
 6 tional building taken into account.

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

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

23 “(C) SPECIAL RULE.—A building—

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

1 “(ii) other than a building which is
 2 placed in service during the 12-month pe-
 3 riod described in subparagraph (A) with
 4 respect to a prior building which becomes
 5 a qualified working families building,
 6 shall in no event be treated as a qualified work-
 7 ing families building unless the project is a
 8 qualified working families housing project
 9 (without regard to such building) on the date
 10 such building is placed in service.

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

20 “(4) CERTAIN RULES MADE APPLICABLE.—
 21 Paragraphs (2) (other than subparagraph (A) there-
 22 of), (3), and (7) of section 142(d), and section
 23 6652(j), shall apply for purposes of determining
 24 whether any project is a qualified working families
 25 housing project and whether any unit is a working

1 families unit; except that, in applying such provi-
2 sions for such purposes—

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

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

9 “(5) ELECTION TO TREAT BUILDING AFTER
10 CREDIT PERIOD AS NOT PART OF A PROJECT.—For
11 purposes of this section, the taxpayer may elect to
12 treat any building as not part of a qualified working
13 families housing project for any period beginning
14 after the credit period for such building.

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

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

1 “(B) the purchase of the unit is not per-
2 mitted until after the close of the credit period
3 with respect to the building in which the unit
4 is located.

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

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

15 “(8) WAIVER OF CERTAIN RECERTIFI-
16 CATIONS.—On application by the taxpayer, the Sec-
17 retary may waive any annual recertification of ten-
18 ant income for purposes of this subsection, if the en-
19 tire building is occupied by working families tenants.

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

25 “(A) with special needs, or

1 “(B) who are members of a specified group
 2 under a Federal program or State program or
 3 policy that supports housing for such a speci-
 4 fied group.

5 “(10) PREVAILING WAGE REQUIREMENTS.—No
 6 credit shall be determined under this section with re-
 7 spect to any building (including any rehabilitation
 8 expenditures treated as a separate building under
 9 subsection (e)) unless such building meets require-
 10 ments similar the requirements described in section
 11 45(b)(7).

12 “(h) LIMITATION ON AGGREGATE CREDIT ALLOW-
 13 ABLE WITH RESPECT TO PROJECTS LOCATED IN A
 14 STATE.—

15 “(1) CREDIT MAY NOT EXCEED CREDIT
 16 AMOUNT ALLOCATED TO BUILDING.—

17 “(A) IN GENERAL.—The amount of the
 18 credit determined under this section for any
 19 taxable year with respect to any building shall
 20 not exceed the housing credit dollar amount al-
 21 located to such building under this subsection.

22 “(B) TIME FOR MAKING ALLOCATION.—
 23 Except in the case of an allocation which meets
 24 the requirements of subparagraph (C), (D),
 25 (E), or (F), an allocation shall be taken into ac-

count under subparagraph (A) only if it is made not later than the close of the calendar year in which the building is placed in service.

“(C) EXCEPTION WHERE BINDING COMMITMENT.—An allocation meets the requirements of this subparagraph if there is a binding commitment (not later than the close of the calendar year in which the building is placed in service) by the housing credit agency to allocate a specified housing credit dollar amount to such building beginning in a specified later taxable year.

“(D) EXCEPTION WHERE INCREASE IN QUALIFIED BASIS.—

“(i) IN GENERAL.—An allocation meets the requirements of this subparagraph if such allocation is made not later than the close of the calendar year in which ends the taxable year to which it will 1st apply but only to the extent the amount of such allocation does not exceed the limitation under clause (ii).

“(ii) LIMITATION.—The limitation under this clause is the amount of credit allowable under this section (without re-

gard to this subsection) for a taxable year with respect to an increase in the qualified basis of the building equal to the excess of—

“(I) the qualified basis of such building as of the close of the 1st taxable year to which such allocation will apply, over

“(II) the qualified basis of such building as of the close of the 1st taxable year to which the most recent prior housing credit allocation with respect to such building applied.

“(iii) HOUSING CREDIT DOLLAR AMOUNT REDUCED BY FULL ALLOCATION.—Notwithstanding clause (i), the full amount of the allocation shall be taken into account under paragraph (2).

“(E) EXCEPTION WHERE 10 PERCENT OF COST INCURRED.—

“(i) IN GENERAL.—An allocation meets the requirements of this subparagraph if such allocation is made with respect to a qualified building which is placed in service not later than the close of

1 the second calendar year following the cal-
2 endar year in which the allocation is made.

3 “(ii) QUALIFIED BUILDING.—For pur-
4 poses of clause (i), the term ‘qualified
5 building’ means any building which is part
6 of a project if the taxpayer’s basis in such
7 project (as of the date which is 1 year
8 after the date that the allocation was
9 made) is more than 10 percent of the tax-
10 payer’s reasonably expected basis in such
11 project (as of the close of the second cal-
12 endar year referred to in clause (i)). Such
13 term does not include any existing building
14 unless a credit is allowable under sub-
15 section (e) for rehabilitation expenditures
16 paid or incurred by the taxpayer with re-
17 spect to such building for a taxable year
18 ending during the second calendar year re-
19 ferred to in clause (i) or the prior taxable
20 year.

21 “(F) ALLOCATION OF CREDIT ON A
22 PROJECT BASIS.—

23 “(i) IN GENERAL.—In the case of a
24 project which includes (or will include)

1 more than 1 building, an allocation meets
2 the requirements of this subparagraph if—

3 “(I) the allocation is made to the
4 project for a calendar year during the
5 project period,

6 “(II) the allocation only applies
7 to buildings placed in service during
8 or after the calendar year for which
9 the allocation is made, and

10 “(III) the portion of such alloca-
11 tion which is allocated to any building
12 in such project is specified not later
13 than the close of the calendar year in
14 which the building is placed in service.

15 “(ii) PROJECT PERIOD.—For pur-
16 poses of clause (i), the term ‘project pe-
17 riod’ means the period—

18 “(I) beginning with the 1st cal-
19 endar year for which an allocation
20 may be made for the 1st building
21 placed in service as part of such
22 project, and

23 “(II) ending with the calendar
24 year the last building is placed in
25 service as part of such project.

1 “(2) ALLOCATED CREDIT AMOUNT TO APPLY
2 TO ALL TAXABLE YEARS ENDING DURING OR AFTER
3 CREDIT ALLOCATION YEAR.—Any housing credit dol-
4 lar amount allocated to any building for any cal-
5 endar year—

6 “(A) shall apply to such building for all
7 taxable years in the credit period ending during
8 or after such calendar year, and

9 “(B) shall reduce the aggregate housing
10 credit dollar amount of the allocating agency
11 only for such calendar year.

12 “(3) HOUSING CREDIT DOLLAR AMOUNT FOR
13 AGENCIES.—

14 “(A) IN GENERAL.—The aggregate hous-
15 ing credit dollar amount which a housing credit
16 agency may allocate for any calendar year is
17 the portion of the State housing credit ceiling
18 allocated under this paragraph for such cal-
19 endar year to such agency.

20 “(B) STATE CEILING INITIALLY ALLO-
21 CATED TO STATE HOUSING CREDIT AGEN-
22 CIES.—Except as provided in subparagraph
23 (D), the State housing credit ceiling for each
24 calendar year shall be allocated to the housing
25 credit agency of such State. If there is more

1 than 1 housing credit agency of a State, all
2 such agencies shall be treated as a single agen-
3 cy.

4 “(C) STATE HOUSING CREDIT CEILING.—

5 The State housing credit ceiling applicable to
6 any State for any calendar year shall be an
7 amount equal to the sum of—

8 “(i) the unused State housing credit
9 ceiling (if any) of such State for the pre-
10 ceding calendar year,

11 “(ii) the greater of—

12 “(I) \$1.00 multiplied by the
13 State population, or

14 “(II) \$1,500,000, plus

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

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

25 For purposes of clause (iii), the amount of

1 State housing credit ceiling returned in the cal-
2 endar year equals the housing credit dollar
3 amount previously allocated within the State to
4 any project which fails to meet the 10 percent
5 test under paragraph (1)(E)(ii) on a date after
6 the close of the calendar year in which the allo-
7 cation was made or which does not become a
8 qualified working families housing project with-
9 in the period required by this section or the
10 terms of the allocation or to any project with
11 respect to which an allocation is cancelled by
12 mutual consent of the housing credit agency
13 and the allocation recipient.

14 “(D) STATE MAY PROVIDE FOR DIF-
15 FERENT ALLOCATION.—Rules similar to the
16 rules of section 146(e) (other than paragraph
17 (2)(B) thereof) shall apply for purposes of this
18 paragraph.

19 “(E) POPULATION.—For purposes of this
20 paragraph, population shall be determined in
21 accordance with section 146(j).

22 “(F) COST-OF-LIVING ADJUSTMENT.—

23 “(i) IN GENERAL.—In the case of a
24 calendar year after 2026, the \$1,500,000
25 and \$1.00 amounts in subparagraph (C)

1 shall each be increased by an amount equal
2 to—

3 “(I) such dollar amount, multi-
4 plied by

5 “(II) the cost-of-living adjust-
6 ment determined under section 1(f)(3)
7 for such calendar year by substituting
8 ‘calendar year 2025’ for ‘calendar
9 year 2016’ in subparagraph (A)(ii)
10 thereof.

11 “(ii) ROUNDING.—

12 “(I) In the case of the
13 \$1,140,000 amount, any increase
14 under clause (i) which is not a mul-
15 tiple of \$5,000 shall be rounded to the
16 next lowest multiple of \$5,000.

17 “(II) In the case of the \$1.00
18 amount, any increase under clause (i)
19 which is not a multiple of 5 cents
20 shall be rounded to the next lowest
21 multiple of 5 cents.

22 “(4) PORTION OF STATE CEILING SET-ASIDE
23 FOR CERTAIN PROJECTS INVOLVING QUALIFIED
24 NONPROFIT ORGANIZATIONS.—

1 “(A) IN GENERAL.—Not more than 90
2 percent of the State housing credit ceiling (de-
3 termined without regard to paragraph (7)) for
4 any State for any calendar year shall be allo-
5 cated to projects other than qualified working
6 families housing projects described in subpara-
7 graph (B).

8 “(B) PROJECTS INVOLVING QUALIFIED
9 NONPROFIT ORGANIZATIONS.—For purposes of
10 subparagraph (A), a qualified working families
11 housing project is described in this subpara-
12 graph if a qualified nonprofit organization is to
13 own an interest in the project (directly or
14 through a partnership) and materially partici-
15 pate (within the meaning of section 469(h)) in
16 the development and operation of the project
17 throughout the credit period.

18 “(C) QUALIFIED NONPROFIT ORGANIZA-
19 TION.—For purposes of this paragraph, the
20 term ‘qualified nonprofit organization’ means
21 any organization if—

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

1 “(ii) such organization is determined
 2 by the State housing credit agency not to
 3 be affiliated with or controlled by a for-
 4 profit organization, and

5 “(iii) one of the exempt purposes of
 6 such organization includes the fostering of
 7 working families housing.

8 “(D) TREATMENT OF CERTAIN SUBSIDI-
 9 ARIES.—

10 “(i) IN GENERAL.—For purposes of
 11 this paragraph, a qualified nonprofit orga-
 12 nization shall be treated as satisfying the
 13 ownership and material participation test
 14 of subparagraph (B) if any qualified cor-
 15 poration in which such organization holds
 16 stock satisfies such test.

17 “(ii) QUALIFIED CORPORATION.—For
 18 purposes of clause (i), the term ‘qualified
 19 corporation’ means any corporation if 100
 20 percent of the stock of such corporation is
 21 held by 1 or more qualified nonprofit orga-
 22 nizations at all times during the period
 23 such corporation is in existence.

24 “(E) STATE MAY NOT OVERRIDE SET-
 25 ASIDE.—Nothing in subparagraph (E) of para-

1 graph (3) shall be construed to permit a State
 2 not to comply with subparagraph (A) of this
 3 paragraph.

4 “(5) BUILDINGS ELIGIBLE FOR CREDIT ONLY
 5 IF MINIMUM LONG-TERM COMMITMENT TO WORKING
 6 FAMILIES HOUSING.—

7 “(A) IN GENERAL.—No credit shall be al-
 8 lowed by reason of this section with respect to
 9 any building for the taxable year unless an ex-
 10 tended working families housing commitment is
 11 in effect as of the end of such taxable year.

12 “(B) EXTENDED WORKING FAMILIES
 13 HOUSING COMMITMENT.—For purposes of this
 14 paragraph, the term ‘extended working families
 15 housing commitment’ means any agreement be-
 16 tween the taxpayer and the housing credit agen-
 17 cy—

18 “(i) which requires that the applicable
 19 fraction (as defined in subsection (c)(1))
 20 for the building for each taxable year in
 21 the extended use period will not be less
 22 than the applicable fraction specified in
 23 such agreement and which prohibits the
 24 actions described in subclauses (I) and (II)
 25 of subparagraph (E)(ii),

1 “(ii) which allows individuals who
2 meet the income limitation applicable to
3 the building under subsection (g) (whether
4 prospective, present, or former occupants
5 of the building) the right to enforce in any
6 State court the requirement and prohibi-
7 tions of clause (i),

8 “(iii) which prohibits the disposition
9 to any person of any portion of the build-
10 ing to which such agreement applies unless
11 all of the building to which such agreement
12 applies is disposed of to such person,

13 “(iv) which prohibits the refusal to
14 lease to a holder of a voucher or certificate
15 of eligibility under section 8 of the United
16 States Housing Act of 1937 because of the
17 status of the prospective tenant as such a
18 holder,

19 “(v) which is binding on all successors
20 of the taxpayer, and

21 “(vi) which, with respect to the prop-
22 erty, is recorded pursuant to State law as
23 a restrictive covenant.

24 “(C) ALLOCATION OF CREDIT MAY NOT
25 EXCEED AMOUNT NECESSARY TO SUPPORT

1 COMMITMENT.—The housing credit dollar
2 amount allocated to any building may not ex-
3 ceed the amount necessary to support the appli-
4 cable fraction specified in the extended working
5 families housing commitment for such building,
6 including any increase in such fraction pursu-
7 ant to the application of subsection (f)(3) if
8 such increase is reflected in an amended work-
9 ing families housing commitment.

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

13 “(i) beginning on the 1st day in the
14 credit period on which such building is
15 part of a qualified working families hous-
16 ing project, and

17 “(ii) ending on the later of—

18 “(I) the date specified by such
19 agency in such agreement, or

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

22 “(E) EXCEPTIONS IF FORECLOSURE OR IF
23 NO BUYER WILLING TO MAINTAIN WORKING
24 FAMILIES STATUS.—

1 “(i) IN GENERAL.—The extended use
2 period for any building shall terminate on
3 the 61st day after the taxpayer (or a suc-
4 cessor in interest) provides notice to the
5 Secretary and the housing credit agency
6 that the building has been acquired by
7 foreclosure (or instrument in lieu of fore-
8 closure) and that the taxpayer intends the
9 termination of such period, unless, before
10 such date, the Secretary or the housing
11 credit agency determines that such acquisi-
12 tion is part of an arrangement with the
13 taxpayer a purpose of which is to termi-
14 nate such period.

15 “(ii) EVICTION, ETC., OF EXISTING
16 WORKING FAMILIES TENANTS NOT PER-
17 MITTED.—The termination of an extended
18 use period under clause (i) shall not be
19 construed to permit before the close of the
20 3-year period following such termination—

21 “(I) the eviction or the termi-
22 nation of tenancy (other than for good
23 cause) of an existing tenant of any
24 working families unit, or

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

4 “(F) EFFECT OF NONCOMPLIANCE.—If,
5 during a taxable year, there is a determination
6 that an extended working families housing
7 agreement was not in effect as of the beginning
8 of such year, such determination shall not apply
9 to any period before such year and subpara-
10 graph (A) shall be applied without regard to
11 such determination if the failure is corrected
12 within 1 year from the date of the determina-
13 tion.

14 “(G) PROJECTS WHICH CONSIST OF MORE
15 THAN 1 BUILDING.—The application of this
16 paragraph to projects which consist of more
17 than 1 building shall be made under regulations
18 prescribed by the Secretary.

19 “(6) SPECIAL RULES.—

20 “(A) BUILDING MUST BE LOCATED WITH-
21 IN JURISDICTION OF CREDIT AGENCY.—A hous-
22 ing credit agency may allocate its aggregate
23 housing credit dollar amount only to buildings
24 located in the jurisdiction of the governmental
25 unit of which such agency is a part.

1 “(B) AGENCY ALLOCATIONS IN EXCESS OF
2 LIMIT.—If the aggregate housing credit dollar
3 amounts allocated by a housing credit agency
4 for any calendar year exceed the portion of the
5 State housing credit ceiling allocated to such
6 agency for such calendar year, the housing
7 credit dollar amounts so allocated shall be re-
8 duced (to the extent of such excess) for build-
9 ings in the reverse of the order in which the al-
10 locations of such amounts were made.

11 “(C) CREDIT REDUCED IF ALLOCATED
12 CREDIT DOLLAR AMOUNT IS LESS THAN CREDIT
13 WHICH WOULD BE ALLOWABLE WITHOUT RE-
14 GARD TO PLACED IN SERVICE CONVENTION,
15 ETC.—

16 “(i) IN GENERAL.—The amount of
17 the credit determined under this section
18 with respect to any building shall not ex-
19 ceed the clause (ii) percentage of the
20 amount of the credit which would (but for
21 this subparagraph) be determined under
22 this section with respect to such building.

23 “(ii) DETERMINATION OF PERCENT-
24 AGE.—For purposes of clause (i), the

1 clause (ii) percentage with respect to any
 2 building is the percentage which—

3 “(I) the housing credit dollar
 4 amount allocated to such building,
 5 bears to

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

8 “(iii) DETERMINATION OF CREDIT
 9 AMOUNT.—The credit amount determined
 10 in accordance with this clause is the
 11 amount of the credit which would (but for
 12 this subparagraph) be determined under
 13 this section with respect to the building
 14 if—

15 “(I) this section were applied
 16 without regard to paragraphs (2)(A)
 17 and (3)(B) of subsection (f), and

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

21 “(D) HOUSING CREDIT AGENCY TO SPECI-
 22 FY APPLICABLE PERCENTAGE AND MAXIMUM
 23 QUALIFIED BASIS.—In allocating a housing
 24 credit dollar amount to any building, the hous-
 25 ing credit agency shall specify the applicable

percentage and the maximum qualified basis which may be taken into account under this section with respect to such building. The applicable percentage and maximum qualified basis so specified shall not exceed the applicable percentage and qualified basis determined under this section without regard to this subsection.

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

“(A) IN GENERAL.—The State housing credit ceiling for any calendar year shall be increased by an amount equal to 20 percent of the amount determined under paragraph (3)(C)(ii).

“(B) USE OF INCREASED AMOUNT.—

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

“(ii) RURAL AREA.—For purposes of clause (i), the term ‘rural area’ means any non-metropolitan area, or any rural area as defined by section 520 of the Housing Act of 1949, which is identified by the

1 qualified allocation plan under subsection
2 (l)(1)(B).

3 “(iii) EXURBAN AREA.—For purposes
4 of clause (i), the term ‘exurban area’ has
5 the meaning given such term by the Sec-
6 retary after consultation with the Bureau
7 of the Census.

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

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

13 “(B) POSSESSIONS TREATED AS STATES.—
14 The term ‘State’ includes a possession of the
15 United States.

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

22 “(10) ELECTION TO TRANSFER STATE HOUSING
23 CREDIT CEILING FOR ALLOCATIONS TO LOW-INCOME
24 BUILDINGS.—

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

4 “(i) the State housing credit ceiling
5 for such calendar year under paragraph
6 (3) (determined before application of para-
7 graph (7)) shall be reduced by the amount
8 specified in such election,

9 “(ii) the amount determined under
10 paragraph (7) for such calendar year shall
11 be reduced by the amount specified in such
12 election, and

13 “(iii) the amount determined under
14 section 42(h)(3)(C)(ii) for such calendar
15 year shall be increased by the sum of the
16 amounts specified in clauses (i) and (ii),
17 except that any amount specified under
18 clause (ii)—

19 “(I) may only be allocated under
20 such section to qualified low-income
21 buildings (as defined in section 42) lo-
22 cated in a rural area or exurban area
23 (as defined in paragraph (7)), and

24 “(II) shall not be taken into ac-
25 count for purposes of determining the

1 unused housing credit ceiling under
2 the second sentence of section
3 42(h)(3)(C).

4 “(B) TIME AND MANNER FOR MAKING
5 ELECTION.—

6 “(i) IN GENERAL.—An election under
7 this paragraph—

8 “(I) shall be made before the end
9 of the calendar year with respect to
10 which such election applies,

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

13 “(III) shall separately specify the
14 amount of reductions to be made
15 under paragraph (3) and paragraph
16 (7).

17 “(ii) FREQUENCY.—A State housing
18 credit agency may make more than one
19 election under this section with respect to
20 any calendar year, and any such election,
21 once made, shall be revocable only if such
22 revocation is made before the end of the
23 calendar year with respect to which such
24 election is made.

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

5 “(i) the amount determined under
 6 paragraph (3)(C)(ii) for such calendar
 7 year, plus

8 “(ii) the amount determined under
 9 paragraph (7) for such calendar year.

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

12 “(1) WORKING FAMILIES UNIT.—

13 “(A) IN GENERAL.—The term ‘working
 14 families unit’ means any unit in a building if—

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

17 “(ii) the individuals occupying such
 18 unit meet the income limitation applicable
 19 under subsection (g)(1) to the project of
 20 which such building is a part.

21 “(B) EXCEPTIONS.—

22 “(i) EXCLUSION OF LOW-INCOME
 23 UNITS.—A unit shall not be treated as a
 24 working families unit if such unit is a low-

1 income unit (as defined under section
2 42(i)(3)).

3 “(ii) UNIT MUST BE SUITABLE FOR
4 PERMANENT OCCUPANCY.—

5 “(I) IN GENERAL.—A unit shall
6 not be treated as a working families
7 unit unless the unit is suitable for oc-
8 cupancy and used other than on a
9 transient basis.

10 “(II) SUITABILITY FOR OCCU-
11 PANCY.—For purposes of subclause
12 (I), the suitability of a unit for occu-
13 pancy shall be determined under regu-
14 lations prescribed by the Secretary
15 taking into account local health, safe-
16 ty, and building codes.

17 “(III) SINGLE-ROOM OCCUPANCY
18 UNITS.—For purposes of subclause
19 (I), a single-room occupancy unit shall
20 not be treated as used on a transient
21 basis merely because it is rented on a
22 month-by-month basis.

23 “(C) SPECIAL RULE FOR BUILDINGS HAV-
24 ING 4 OR FEWER UNITS.—In the case of any
25 building which has 4 or fewer residential rental

units, no unit in such building shall be treated as a working families unit if the units in such building are owned by—

“(i) any individual who occupies a residential unit in such building, or

“(ii) any person who is related (as defined in subsection (d)(2)(D)(ii)) to such individual.

“(D) RULES RELATING TO STUDENTS.—

“(i) IN GENERAL.—A unit occupied solely by individuals who—

“(I) have not attained age 24,

and

“(II) are enrolled in a full-time course of study at an institution of higher education (as defined in section 3304(f)),

shall not be treated as a working families unit.

“(ii) EXCEPTION FOR CERTAIN FEDERAL PROGRAMS.—In the case of a Federally-assisted building (as defined in subsection (d)(6)(C)(i) of section 42), clause (i) shall not apply to a unit all of the occupants of which meet all applicable require-

ments under the housing program described in such subsection through which the building is assisted, financed, or operated.

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

“(I) is married, if such individual’s spouse also occupies the unit,

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

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

“(IV) has one or more qualifying children (as defined in section 152(c)), if such children also occupy the unit, the individual is not a dependent (as defined in section 152, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of another individual, and such children are not claimed as de-

pendents (as so defined) of another individual, or

“(V) is, or was immediately prior to attaining the age of majority—

“(aa) an emancipated minor or in legal guardianship as determined by a court of competent jurisdiction in the individual’s State of legal residence,

“(bb) under the care and placement responsibility of the State agency responsible for administering a plan under part B or part E of title IV of the Social Security Act, or

“(cc) was an unaccompanied youth (within the meaning of section 725(6) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a(6))) or a homeless child or youth (within the meaning of section 725(2) of such Act (42 U.S.C. 11434a(2))).

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

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

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

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

21 “(2) NEW BUILDING.—The term ‘new building’
22 means a building the original use of which begins
23 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 OPTION TO ACQUIRE
11 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 working
15 families building merely by reason of an option
16 held by the tenants (in cooperative form or oth-
17 erwise) or resident management corporation of
18 such building or by a qualified nonprofit organi-
19 zation or government agency to purchase the
20 property or all of the partnership interests
21 (other than interests of the person exercising
22 such option or a related party thereto (within
23 the meaning of section 267(b) or 707(b)(1)))
24 relating to the property after the close of the
25 credit period for a price which is not less than

1 the minimum purchase price determined under
2 subparagraph (B).

3 “(B) MINIMUM PURCHASE PRICE.—For
4 purposes of subparagraph (A), the minimum
5 purchase price under this subparagraph is an
6 amount equal to the principal amount of out-
7 standing indebtedness secured by the building
8 (other than indebtedness incurred within the 5-
9 year period ending on the date of the sale to
10 the tenants). In the case of a purchase of a
11 partnership interest, the minimum purchase
12 price is an amount equal to such interest’s rat-
13 able share of the amount determined under the
14 preceding sentence.

15 “(6) TREATMENT OF RURAL PROJECTS.—For
16 purposes of this section, in the case of any project
17 for residential rental property located in a rural area
18 (as defined in section 520 of the Housing Act of
19 1949), any income limitation measured by reference
20 to area median gross income shall be measured by
21 reference to the greater of area median gross income
22 or national non-metropolitan median income.

23 “(7) DETERMINATION OF WHETHER BUILDING
24 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) SPECIAL RULE FOR SUBSIDIZED CON-
12 STRUCTION FINANCING.—Subparagraph (A)
13 shall not apply to any tax-exempt obligation
14 used to provide construction financing for any
15 building if—

16 “(i) such obligation (when issued)
17 identified the building for which the pro-
18 ceeds of such obligation would be used,
19 and

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

22 “(8) REDUCTION IN BASIS.—In the case of any
23 building for which a credit is allowable under this
24 section and section 42, the basis of the building shall

1 be reduced by the amount of such credit allowed
2 under subsection (a).

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

5 “(1) IN GENERAL.—Except as otherwise pro-
6 vided in this subsection, rules similar to the rules of
7 section 49(a)(1) (other than subparagraphs
8 (D)(ii)(II) and (D)(iv)(I) thereof), section 49(a)(2),
9 and section 49(b)(1) shall apply in determining the
10 qualified basis of any building in the same manner
11 as such sections apply in determining the credit base
12 of property.

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

15 “(A) IN GENERAL.—If the requirements of
16 subparagraphs (B), (C), and (D) are met with
17 respect to any financing borrowed from a quali-
18 fied nonprofit organization, the determination
19 of whether such financing is qualified commer-
20 cial financing with respect to any qualified
21 working families building shall be made without
22 regard to whether such organization—

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

1 “(ii) is a person described in section
2 49(a)(1)(D)(iv)(II).

3 “(B) FINANCING SECURED BY PROP-
4 ERTY.—The requirements of this subparagraph
5 are met with respect to any financing if such fi-
6 nancing is secured by the qualified working
7 families building, except that this subparagraph
8 shall not apply in the case of a federally as-
9 sisted building described in section 42(d)(6)(C)
10 if—

11 “(i) a security interest in such build-
12 ing is not permitted by a Federal agency
13 holding or insuring the mortgage secured
14 by such building, and

15 “(ii) the proceeds from the financing
16 (if any) are applied to acquire or improve
17 such building.

18 “(C) PORTION OF BUILDING ATTRIB-
19 UTABLE TO FINANCING.—The requirements of
20 this subparagraph are met with respect to any
21 financing for any taxable year in the credit pe-
22 riod if, as of the close of such taxable year, not
23 more than 60 percent of the eligible basis of the
24 qualified working families building is attrib-
25 utable to such financing (reduced by the prin-

1 cipal and interest of any governmental financ-
2 ing which is part of a wrap-around mortgage
3 involving such financing).

4 “(D) REPAYMENT OF PRINCIPAL AND IN-
5 TEREST.—The requirements of this subpara-
6 graph are met with respect to any financing if
7 such financing is fully repaid on or before the
8 earliest of—

9 “(i) the date on which such financing
10 matures,

11 “(ii) the 90th day after the close of
12 the credit period with respect to the quali-
13 fied working families building, or

14 “(iii) the date of its refinancing or the
15 sale of the building to which such financ-
16 ing relates.

17 In the case of a qualified nonprofit organization
18 which is not described in section
19 49(a)(1)(D)(iv)(II) with respect to a building,
20 clause (ii) of this subparagraph shall be applied
21 as if the date described therein were the 90th
22 day after the earlier of the date the building
23 ceases to be a qualified working families build-
24 ing or the date which is 15 years after the close
25 of a credit period with respect thereto.

1 “(3) PRESENT VALUE OF FINANCING.—If the
2 rate of interest on any financing described in para-
3 graph (2)(A) is less than the rate which is 1 per-
4 centage point below the applicable Federal rate as of
5 the time such financing is incurred, then the quali-
6 fied basis (to which such financing relates) of the
7 qualified working families building shall be the
8 present value of the amount of such financing, using
9 as the discount rate such applicable Federal rate.
10 For purposes of the preceding sentence, the rate of
11 interest on any financing shall be determined by
12 treating interest to the extent of government sub-
13 sidies as not payable.

14 “(4) FAILURE TO FULLY REPAY.—

15 “(A) IN GENERAL.—To the extent that the
16 requirements of paragraph (2)(D) are not met,
17 then the taxpayer’s tax under this chapter for
18 the taxable year in which such failure occurs
19 shall be increased by an amount equal to the
20 applicable portion of the credit under this sec-
21 tion with respect to such building, increased by
22 an amount of interest for the period—

23 “(i) beginning with the due date for
24 the filing of the return of tax imposed by

1 chapter 1 for the 1st taxable year for
 2 which such credit was allowable, and

3 “(ii) ending with the due date for the
 4 taxable year in which such failure occurs,
 5 determined by using the underpayment rate and
 6 method under section 6621.

7 “(B) APPLICABLE PORTION.—For pur-
 8 poses of subparagraph (A), the term ‘applicable
 9 portion’ means the aggregate decrease in the
 10 credits allowed to a taxpayer under section 38
 11 for all prior taxable years which would have re-
 12 sulted if the eligible basis of the building were
 13 reduced by the amount of financing which does
 14 not meet requirements of paragraph (2)(D).

15 “(C) CERTAIN RULES TO APPLY.—Rules
 16 similar to the rules of subparagraphs (A) and
 17 (D) of section 42(j)(4) shall apply for purposes
 18 of this subsection.

19 “(k) CERTIFICATIONS AND OTHER REPORTS TO SEC-
 20 RETARY.—

21 “(1) CERTIFICATION WITH RESPECT TO 1ST
 22 YEAR OF CREDIT PERIOD.—Following the close of
 23 the 1st taxable year in the credit period with respect
 24 to any qualified working families building, the tax-
 25 payer shall certify to the Secretary (at such time

1 and in such form and in such manner as the Sec-
2 retary prescribes)—

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

5 “(B) the adjusted basis and eligible basis
6 of such building as of the close of the 1st year
7 of the credit period,

8 “(C) the maximum applicable percentage
9 and qualified basis permitted to be taken into
10 account by the appropriate housing credit agen-
11 cy under subsection (h), and

12 “(D) such other information as the Sec-
13 retary may require.

14 In the case of a failure to make the certification re-
15 quired by the preceding sentence on the date pre-
16 scribed therefor, unless it is shown that such failure
17 is due to reasonable cause and not to willful neglect,
18 no credit shall be allowable by reason of subsection
19 (a) with respect to such building for any taxable
20 year ending before such certification is made.

21 “(2) ANNUAL REPORTS TO THE SECRETARY.—

22 The Secretary may require taxpayers to submit an
23 information return (at such time and in such form
24 and manner as the Secretary prescribes) for each
25 taxable year setting forth—

1 “(A) the qualified basis for the taxable
2 year of each qualified working families building
3 of the taxpayer,

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

6 “(C) such other information as the Sec-
7 retary may require.

8 The penalty under section 6652(j) shall apply to any
9 failure to submit the return required by the Sec-
10 retary under the preceding sentence on the date pre-
11 scribed therefor.

12 “(3) ANNUAL REPORTS FROM HOUSING CREDIT
13 AGENCIES.—Each agency which allocates any hous-
14 ing credit amount to any building for any calendar
15 year shall submit to the Secretary (at such time and
16 in such manner as the Secretary shall prescribe) an
17 annual report specifying—

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

20 “(B) sufficient information to identify each
21 such building and the taxpayer with respect
22 thereto, and

23 “(C) such other information as the Sec-
24 retary may require.

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

4 “(1) RESPONSIBILITIES OF HOUSING CREDIT AGEN-
5 CIES.—

6 “(1) PLANS FOR ALLOCATION OF CREDIT
7 AMONG PROJECTS.—

8 “(A) IN GENERAL.—Notwithstanding any
9 other provision of this section, the housing cred-
10 it dollar amount with respect to any building
11 shall be zero unless—

12 “(i) such amount was allocated pursu-
13 ant to a qualified allocation plan of the
14 housing credit agency which is approved by
15 the governmental unit (in accordance with
16 rules similar to the rules of section
17 42(m)(1)) of which such agency is a part,

18 “(ii) a comprehensive market study of
19 the housing needs of working family indi-
20 viduals in the area to be served by the
21 project is conducted before the credit allo-
22 cation is made and at the developer’s ex-
23 pense by a disinterested party who is ap-
24 proved by such agency, and

1 “(iii) a written explanation is available
2 to the general public for any allocation of
3 a housing credit dollar amount which is
4 not made in accordance with established
5 priorities and selection criteria of the hous-
6 ing credit agency.

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

10 “(i) which sets forth selection criteria
11 to be used to determine housing priorities
12 of the housing credit agency which are ap-
13 propriate to local conditions,

14 “(ii) which also gives preference in al-
15 locating housing credit dollar amounts
16 among selected projects to—

17 “(I) projects obligated to serve
18 qualified tenants for the longest peri-
19 ods,

20 “(II) projects in areas with insuf-
21 ficient supply of housing affordable to
22 median income households,

23 “(III) projects which target hous-
24 ing to tenants at a range of incomes

1 between 60 and 100 percent of area
2 median gross income, and

3 “(IV) projects located near tran-
4 sit hubs, and

5 “(iii) which provides a procedure that
6 the agency (or an agent or other private
7 contractor of such agency) will follow in
8 monitoring for noncompliance with the
9 provisions of this section and in notifying
10 the Internal Revenue Service of such non-
11 compliance which such agency becomes
12 aware of and in monitoring for noncompli-
13 ance with habitability standards through
14 regular site visits.

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

18 “(i) project location,

19 “(ii) housing needs characteristics,

20 “(iii) project characteristics, including
21 whether the project includes the use of ex-
22 isting housing as part of a community revi-
23 talization plan,

24 “(iv) sponsor characteristics,

1 “(v) tenant populations with special
2 housing needs,

3 “(vi) tenant populations of individuals
4 with children,

5 “(vii) projects intended for eventual
6 tenant ownership,

7 “(viii) the energy efficiency of the
8 project, and

9 “(ix) the historic nature of the
10 project.

11 “(D) CERTAIN SELECTION CRITERIA PRO-
12 HIBITED.—The selection criteria set forth in a
13 qualified allocation plan shall not include a re-
14 quirement of local approval or local contribu-
15 tions, either as a threshold qualification re-
16 quirement or as part of a point system to be
17 considered for allocations of housing credit dol-
18 lar amount.

19 “(2) CREDIT ALLOCATED TO BUILDING NOT TO
20 EXCEED AMOUNT NECESSARY TO ASSURE PROJECT
21 FEASIBILITY.—

22 “(A) IN GENERAL.—The housing credit
23 dollar amount allocated to a project shall not
24 exceed the amount the housing credit agency
25 determines is necessary for the financial feasi-

1 bility of the project and its viability as a quali-
2 fied working families housing project through-
3 out the credit period.

4 “(B) AGENCY EVALUATION.—In making
5 the determination under subparagraph (A), the
6 housing credit agency shall consider—

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

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

11 “(iii) the percentage of the housing
12 credit dollar amount used for project costs
13 other than the cost of intermediaries, and

14 “(iv) the reasonableness of the devel-
15 opmental and operational costs of the
16 project.

17 Clause (iii) shall not be applied so as to impede
18 the development of projects in hard-to-develop
19 areas. Such a determination shall not be con-
20 strued to be a representation or warranty as to
21 the feasibility or viability of the project.

22 “(C) DETERMINATION MADE WHEN CRED-
23 IT AMOUNT APPLIED FOR AND WHEN BUILDING
24 PLACED IN SERVICE.—

1 “(i) IN GENERAL.—A determination
2 under subparagraph (A) shall be made as
3 of each of the following times:

4 “(I) The application for the
5 housing credit dollar amount.

6 “(II) The allocation of the hous-
7 ing credit dollar amount.

8 “(III) The date the building is
9 placed in service.

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

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

21 “(1) regulations dealing with—

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

24 “(B) buildings which are placed in service
25 in portions,

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

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

5 “(4) regulations providing the opportunity for
6 housing credit agencies to correct administrative er-
7 rors and omissions with respect to allocations and
8 record keeping within a reasonable period after their
9 discovery, taking into account the availability of reg-
10 ulations and other administrative guidance from the
11 Secretary, and

12 “(5) in consultation with the Secretary of
13 Housing and Urban Development, regulations or
14 guidance to promote uniform definitions and to
15 streamline requirements for with respect to qualified
16 working families buildings which receive funding
17 from programs administrated by the Department of
18 Housing and Urban Development, including pro-
19 grams authorized by Native American Housing As-
20 sistance and Self-Determination Act of 1996.”.

21 (b) TREATMENT AS PART OF GENERAL BUSINESS
22 CREDIT.—Section 38(b) of the Internal Revenue Code of
23 1986 is amended by striking “plus” at the end of para-
24 graph (40), by striking the period at the end of paragraph

1 (41) and inserting “, plus”, and by adding at the end the
 2 following new paragraph:

3 “(42) the working families housing credit deter-
 4 mined under section 42A(a).”.

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

7 (1) by striking “and” at the end of paragraph
 8 (37);

9 (2) by redesignating paragraph (38) as para-
 10 graph (39); and

11 (3) by inserting after paragraph (37) the fol-
 12 lowing new paragraph:

13 “(38) to the extent provided in section
 14 42A(i)(8), and”.

15 (d) TREATMENT UNDER BASE EROSION MINIMUM
 16 TAX.—Section 59A(b)(4) of the Internal Revenue Code of
 17 1986 is amended by redesignating subparagraphs (B) and
 18 (C) as subparagraphs (C) and (D), respectively, and by
 19 inserting after subparagraphs (A) the following new sub-
 20 paragraph:

21 “(B) the working families housing credit
 22 determined under section 42A(a).”.

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

1 (1) by striking “regulations” in the matter pre-
2 ceding paragraph (1),

3 (2) by inserting “regulations” before “dealing
4 with” in paragraph (1),

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

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

9 (5) by striking “and” at the end of paragraph
10 (3),

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

13 (7) by adding at the end the following new
14 paragraph:

15 “(5) in consultation with the Secretary of
16 Housing and Urban Development, regulations or
17 guidance to promote uniform definitions and to
18 streamline requirements with respect to qualified
19 low-income buildings which receive funding from
20 programs administrated by the Department of Hous-
21 ing and Urban Development, including programs au-
22 thorized by Native American Housing Assistance
23 and Self-Determination Act of 1996.”.

24 (f) CONFORMING AMENDMENTS.—

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

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

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

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

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

“Sec. 42A. Working families housing credit.”.

15 (g) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to buildings placed in service after
17 December 31, 2025, in taxable years ending after such
18 date.

19 **SEC. 4. LOANS AND GRANTS FOR INFRASTRUCTURE**
20 **PROJECTS IN CONNECTION WITH QUALIFIED**
21 **WORKING FAMILIES HOUSING PROJECTS.**

22 (a) IN GENERAL.—The Secretary shall make grants
23 and below-market-rate loans (as the Secretary determines
24 appropriate) to local governments in rural and exurban
25 areas for covered infrastructure projects carried out in

1 connection with the development of qualified working fam-
2 ilies housing projects.

3 (b) COVERED INFRASTRUCTURE PROJECTS.—For
4 purposes of this section—

5 (1) IN GENERAL.—The term “covered infra-
6 structure project” means projects for electricity,
7 waters, sewers, local access roads, and such other
8 projects as the Secretary determines appropriate.

9 (2) CLEAN ENERGY PRIORITIZATION.—With re-
10 spect to any infrastructure project for electricity, the
11 Secretary shall give priority to clean energy projects.

12 (c) OTHER DEFINITIONS AND SPECIAL RULES.—
13 Terms used in this section which are also used in section
14 42A of the Internal Revenue Code of 1986 shall have the
15 same meaning when used in this section as when used in
16 such section of such Code. Requirements similar to the
17 requirements of section 45(b)(7) of such Code shall apply
18 with respect to infrastructure projects with respect to
19 which grants or loans are made under this section.

20 (d) AUTHORIZATION OF APPROPRIATIONS.—There
21 are authorized to be appropriated \$100,000,000 to carry
22 out the purposes of this section.

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