

115TH CONGRESS
1ST SESSION

H. R. 1661

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

IN THE HOUSE OF REPRESENTATIVES

MARCH 21, 2017

Mr. TIBERI (for himself, Mr. NEAL, Mr. MEEHAN, Mr. BLUMENAUER, Mr. KELLY of Pennsylvania, Ms. SÁNCHEZ, Mr. PAULSEN, Mr. CROWLEY, Mr. REICHERT, Mr. THOMPSON of California, Mr. SMITH of Missouri, Mr. DANNY K. DAVIS of Illinois, Mr. CURBELO of Florida, Mr. MEEKS, Mr. FASO, Mr. KATKO, Mr. PASCRELL, and Mr. RENACCI) introduced the following bill; which was referred to the Committee on Ways and Means

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 2017”.

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—REFORMS RELATING TO TENANT ELIGIBILITY

- Sec. 101. Average income test.
 Sec. 102. Uniform income eligibility for rural projects.
 Sec. 103. Codification of rules relating to increased tenant income.
 Sec. 104. Modification of student occupancy rules.
 Sec. 105. Tenant voucher payments taken into account as rent for certain purposes.

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

- Sec. 201. Minimum credit rate.
 Sec. 202. Reconstruction or replacement period after casualty loss.
 Sec. 203. Modification of rights relating to building purchase.
 Sec. 204. Modification of 10-year rule; limitation on acquisition basis.
 Sec. 205. Certain relocation costs taken into account as rehabilitation expenditures.
 Sec. 206. Repeal of qualified census tract population cap.
 Sec. 207. Determination of community revitalization plan to be made by housing credit agency.
 Sec. 208. Prohibition of local approval and contribution requirements.
 Sec. 209. Increase in credit for certain projects designated to serve extremely low-income households.
 Sec. 210. Increase in credit for bond-financed projects designated by State agency.
 Sec. 211. Elimination of basis reduction for low-income housing properties receiving energy credit benefits.
 Sec. 212. Restriction of planned foreclosures.
 Sec. 213. Increase of population cap for difficult development areas.

TITLE III—REFORMS RELATING TO NATIVE AMERICAN
 ASSISTANCE

- Sec. 301. Selection criteria under qualified allocation plans.
 Sec. 302. Inclusion of Indian areas as difficult development areas for purposes of certain buildings.

TITLE IV—AFFORDABLE HOUSING TAX CREDIT

- Sec. 401. Affordable housing tax credit.

1 **TITLE I—REFORMS RELATING**
 2 **TO TENANT ELIGIBILITY**

3 **SEC. 101. AVERAGE INCOME TEST.**

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

6 (1) by striking “subparagraph (A) or (B)” and
 7 inserting “subparagraph (A), (B), or (C)”, and

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

3 “(C) AVERAGE INCOME TEST.—

4 “(i) IN GENERAL.—The project meets
5 the minimum requirements of this sub-
6 paragraph if 40 percent or more (25 per-
7 cent or more in the case of a project de-
8 scribed in section 142(d)(6)) of the resi-
9 dential units in such project are both rent-
10 restricted and occupied by individuals
11 whose income does not exceed the imputed
12 income limitation designated by the tax-
13 payer with respect to the respective unit.

14 “(ii) SPECIAL RULES RELATING TO
15 INCOME LIMITATION.—For purposes of
16 clause (i)—

17 “(I) DESIGNATION.—The tax-
18 payer shall designate the imputed in-
19 come limitation of each unit taken
20 into account under such clause.

21 “(II) AVERAGE TEST.—The aver-
22 age of the imputed income limitations
23 designated under subclause (I) shall
24 not exceed 60 percent of area median
25 gross income.

1 “(III) 10-PERCENT INCRE-
 2 MENTS.—The designated imputed in-
 3 come limitation of any unit under sub-
 4 clause (I) shall be 20 percent, 30 per-
 5 cent, 40 percent, 50 percent, 60 per-
 6 cent, 70 percent, or 80 percent of
 7 area median gross income.”.

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

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

13 (2) in clause (ii)—

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

18 (B) by striking the second sentence, and

19 (C) by striking “NEXT AVAILABLE UNIT
 20 MUST BE RENTED TO LOW-INCOME TENANT IF
 21 INCOME RISES ABOVE 140 PERCENT OF INCOME
 22 LIMIT” in the heading and inserting “RENTAL
 23 OF NEXT AVAILABLE UNIT IN CASE OF 20–50 OR
 24 40–60 TEST”, and

1 (3) by adding at the end the following new
2 clauses:

3 “(iii) RENTAL OF NEXT AVAILABLE
4 UNIT IN CASE OF AVERAGE INCOME
5 TEST.—In the case of a project with re-
6 spect to which the taxpayer elects the re-
7 quirements of subparagraph (C) of para-
8 graph (1), if the income of the occupants
9 of the unit increases above 140 percent of
10 the greater of—

11 “(I) 60 percent of area median
12 gross income, or

13 “(II) the imputed income limita-
14 tion designated with respect to the
15 unit under paragraph (1)(C)(ii)(I),
16 clause (i) shall cease to apply to any such
17 unit if any residential rental unit in the
18 building (of a size comparable to, or small-
19 er than, such unit) is occupied by a new
20 resident whose income exceeds the limita-
21 tion described in clause (v).

22 “(iv) DEEP RENT SKEWED
23 PROJECTS.—In the case of a project de-
24 scribed in section 142(d)(4)(B), clause (ii)
25 or (iii), whichever is applicable, shall be

1 applied by substituting ‘170 percent’ for
2 ‘140 percent’, and—

3 “(I) in the case of clause (ii), by
4 substituting ‘any low-income unit in
5 the building is occupied by a new resi-
6 dent whose income exceeds 40 percent
7 of area median gross income’ for ‘any
8 residential rental unit’ and all that
9 follows in such clause, and

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

21 “(v) LIMITATION DESCRIBED.—For
22 purposes of clause (iii), the limitation de-
23 scribed in this clause with respect to any
24 unit is—

1 “(I) the imputed income limita-
2 tion designated with respect to such
3 unit under paragraph (1)(C)(ii)(I), in
4 the case of a unit which was taken
5 into account as a low-income unit
6 prior to becoming vacant, and

7 “(II) the imputed income limita-
8 tion which would have to be des-
9 ignated with respect to such unit
10 under such paragraph in order for the
11 project to continue to meet the re-
12 quirements of paragraph
13 (1)(C)(ii)(II), in the case of any other
14 unit.”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to elections made under section
17 42(g)(1) of the Internal Revenue Code of 1986 after the
18 date of the enactment of this Act.

19 **SEC. 102. UNIFORM INCOME ELIGIBILITY FOR RURAL**
20 **PROJECTS.**

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

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2017.

4 **SEC. 103. CODIFICATION OF RULES RELATING TO IN-**
5 **CREASED TENANT INCOME.**

6 (a) IN GENERAL.—Clause (i) of section 42(g)(2)(D)
7 of the Internal Revenue Code of 1986, as amended by this
8 Act, is amended by striking “clauses (ii), (iii), and (iv)”
9 and all that follows and inserting “clauses (ii), (iii), (iv),
10 and (vi), notwithstanding an increase in the income of the
11 occupants above the income limitation applicable under
12 paragraph (1)—

13 “(I) a low-income unit shall con-
14 tinue to be treated as a low-income
15 unit if the income of such occupants
16 initially was 60 percent or less of area
17 median gross income and such unit
18 continues to be rent-restricted, and

19 “(II) a unit to which, at the time
20 of initial occupancy by such occu-
21 pants, any Federal, State, or local
22 government income restriction ap-
23 plied, and which subsequently becomes
24 part of a building with respect to
25 which rehabilitation expenditures are

1 taken into account under subsection
2 (e), shall be treated as a low-income
3 unit if the income of such occupants
4 initially was 60 percent or less of area
5 median gross income and does not ex-
6 ceed 120 percent of area median gross
7 income as of the date of acquisition of
8 the property by the taxpayer.”.

9 (b) EXCEPTION.—Subparagraph (D) of section
10 42(g)(2) of the Internal Revenue Code of 1986, as amend-
11 ed by this Act, is amended by adding at the end the fol-
12 lowing new clause:

13 “(vi) EXCEPTION TO RULE RELATING
14 TO INCREASED TENANT INCOME.—In the
15 case of an occupant of a low-income unit
16 who initially qualified to occupy such unit
17 by reason of paragraph (1)(C) with an in-
18 come in excess of 60 percent of area me-
19 dian gross income but not in excess of 80
20 percent of area median gross income,
21 clause (i) shall be applied for substituting
22 ‘80 percent’ for ‘60 percent’ each place it
23 appears.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2016.

4 **SEC. 104. MODIFICATION OF STUDENT OCCUPANCY RULES.**

5 (a) IN GENERAL.—Subparagraph (D) of section
6 42(i)(3) of the Internal Revenue Code of 1986 is amended
7 to read as follows:

8 “(D) RULES RELATING TO STUDENTS.—

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

11 “(I) have not attained age 24,
12 and

13 “(II) are enrolled in a full-time
14 course of study at an institution of
15 higher education (as defined in section
16 3304(f)),

17 shall not be treated as a low-income unit.

18 “(ii) EXCEPTION FOR CERTAIN FED-
19 ERAL PROGRAMS.—In the case of a feder-
20 ally assisted building (as defined in sub-
21 section (d)(6)(C)(i)), clause (i) shall not
22 apply to a unit the occupants of which
23 meet all requirements applicable under the
24 housing program described in subsection

1 (d)(6)(C)(i) through which the building is
2 assisted, financed, or operated.

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

6 “(I) is married,

7 “(II) is a person with disabilities
8 (as defined in section 3(b)(3)(E) of
9 the United States Housing Act of
10 1937),

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

14 “(IV) has one or more qualifying
15 children (as defined in section
16 152(c)), or

17 “(V) meets the income limitation
18 applicable under subsection (g)(1) to
19 the project of which the building is a
20 part and is, or was immediately prior
21 to attaining the age of majority—

22 “(aa) an emancipated minor
23 or in legal guardianship as deter-
24 mined by a court of competent

1 jurisdiction in the individual’s
2 State of legal residence,

3 “(bb) under the care and
4 placement responsibility of the
5 State agency responsible for ad-
6 ministering a plan under part B
7 or part E of title IV of the Social
8 Security Act, or

9 “(cc) was an unaccompanied
10 youth (within the meaning of sec-
11 tion 725(6) of the McKinney-
12 Vento Homeless Assistance Act
13 (42 U.S.C. 11434a(6))) or a
14 homeless child or youth (within
15 the meaning of section 725(2) of
16 such Act (42 U.S.C.
17 11434a(2))).”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 December 31, 2017.

21 **SEC. 105. TENANT VOUCHER PAYMENTS TAKEN INTO AC-**
22 **COUNT AS RENT FOR CERTAIN PURPOSES.**

23 (a) IN GENERAL.—Subparagraph (B) of section
24 42(g)(2) of the Internal Revenue Code of 1986 is amended
25 by adding at the end the following new sentence: “In the

1 case of a project with respect to which the taxpayer elects
2 the requirements of subparagraph (C) of paragraph (1),
3 or the portion of a project to which subsection (d)(5)(C)
4 applies, clause (i) shall not apply with respect to any ten-
5 ant-based assistance (as defined in section 8(f)(7) of the
6 United States Housing Act of 1937 (42 U.S.C.
7 1437f(f)(7))).”.

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to rent paid in taxable years begin-
10 ning after December 31, 2017.

11 **TITLE II—CREDIT RATE AND**
12 **OTHER RULES RELATING TO**
13 **CREDIT ELIGIBILITY AND DE-**
14 **TERMINATION**

15 **SEC. 201. MINIMUM CREDIT RATE.**

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

18 (1) by redesignating paragraph (3) as para-
19 graph (4), and

20 (2) by inserting after paragraph (2) the fol-
21 lowing new paragraph:

22 “(3) MINIMUM CREDIT RATE.—In the case of
23 any new or existing building to which paragraph (2)
24 does not apply and which is placed in service by the

1 taxpayer after December 31, 2016, the applicable
2 percentage shall not be less than 4 percent.”.

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

6 **SEC. 202. RECONSTRUCTION OR REPLACEMENT PERIOD**
7 **AFTER CASUALTY LOSS.**

8 (a) IN GENERAL.—Subparagraph (E) of section
9 42(j)(4) of the Internal Revenue Code of 1986 is amended
10 by striking “a reasonable period established by the Sec-
11 retary” and inserting “a reasonable period established by
12 the applicable housing credit agency (not to exceed 25
13 months from the date on which the casualty loss arises).
14 The determination under paragraph (1) shall not be made
15 with respect to a property the basis of which is affected
16 by a casualty loss until the period described in the pre-
17 ceding sentence with respect to such property has ex-
18 pired.”.

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

1 **SEC. 203. MODIFICATION OF RIGHTS RELATING TO BUILD-**
2 **ING PURCHASE.**

3 (a) IN GENERAL.—Subparagraph (A) of section
4 42(i)(7) of the Internal Revenue Code of 1986 is amend-
5 ed—

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

8 (2) by striking “the property” and inserting
9 “the property or a partnership interest relating to
10 the property”.

11 (b) CONFORMING AMENDMENT.—Subparagraph (B)
12 of section 42(i)(7) of the Internal Revenue Code of 1986
13 is amended by adding at the end the following new sen-
14 tence: “In the case of a purchase of a partnership interest,
15 the minimum purchase price is an amount equal to such
16 interest’s ratable share of the amount determined under
17 the first sentence of this subparagraph.”.

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

21 **SEC. 204. MODIFICATION OF 10-YEAR RULE; LIMITATION ON**
22 **ACQUISITION BASIS.**

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

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

4 (1) by striking “For purposes of subparagraph
5 (A), the adjusted basis” and inserting “For pur-
6 poses of subparagraph (A)—

7 “(i) IN GENERAL.—The adjusted
8 basis”, and

9 (2) by adding at the end the following new
10 clauses:

11 “(ii) BUILDINGS IN SERVICE WITHIN
12 PREVIOUS 10 YEARS.—If the period be-
13 tween the date of acquisition of the build-
14 ing by the taxpayer and the date the build-
15 ing was last placed in service is less than
16 10 years, the taxpayer’s basis attributable
17 to the acquisition of the building which is
18 taken into account in determining the ad-
19 justed basis shall not exceed the sum of—

20 “(I) the lowest amount paid for
21 acquisition of the building by any per-
22 son during the 10 years preceding the
23 date of the acquisition of the building
24 by the taxpayer, adjusted as provided
25 in clause (iii), and

1 “(II) the value of any capital im-
2 provements made by the person who
3 sells the building to the taxpayer
4 which are reflected in such seller’s
5 basis.

6 “(iii) ADJUSTMENT.—With respect to
7 a basis determination made in any taxable
8 year, the amount described in clause (ii)(I)
9 shall be increased by an amount equal to—

10 “(I) such amount, multiplied by
11 “(II) a cost-of-living adjustment,
12 determined in the same manner as
13 under section 1(f)(3) for the calendar
14 year in which the taxable year begins
15 by taking into account the acquisition
16 year in lieu of calendar year 1992.

17 For purposes of the preceding sentence,
18 the acquisition year is the calendar year in
19 which the lowest amount referenced in
20 clause (ii)(I) was paid for the acquisition
21 of the building.”.

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

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

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

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

9 **SEC. 205. CERTAIN RELOCATION COSTS TAKEN INTO AC-**
10 **COUNT AS REHABILITATION EXPENDITURES.**

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

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

18 “(i) amounts paid to occupants,

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

21 “(iii) amounts paid for temporary
22 housing for occupants,

23 shall be treated as chargeable to capital account
24 and taken into account as rehabilitation ex-
25 penditures.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to expenditures paid or incurred
3 after December 31, 2016.

4 **SEC. 206. REPEAL OF QUALIFIED CENSUS TRACT POPU-**
5 **LATION CAP.**

6 (a) IN GENERAL.—Clause (ii) of section 42(d)(5)(B)
7 of the Internal Revenue Code of 1986 is amended—
8 (1) by striking subclauses (II) and (III), and
9 (2) by striking “QUALIFIED CENSUS TRACT.—
10 “(I) IN GENERAL.—The term”,
11 and inserting “QUALIFIED CENSUS TRACT.—The
12 term”.

13 (b) TECHNICAL CORRECTIONS.—Sections
14 42(d)(4)(C)(i) and 42(m)(1)(B)(ii)(III) of the Internal
15 Revenue Code of 1986 are each amended by striking “as
16 defined in paragraph (5)(C)” and inserting “as defined
17 in paragraph (5)(B)(ii)”.

18 (c) EFFECTIVE DATE.—The amendment made by
19 subsection (a) shall apply to designations of qualified cen-
20 sus tracts under section 42(d)(5)(B)(ii) of the Internal
21 Revenue Code of 1986 after December 31, 2017.

1 **SEC. 207. DETERMINATION OF COMMUNITY REVITALIZA-**
2 **TION PLAN TO BE MADE BY HOUSING CREDIT**
3 **AGENCY.**

4 (a) IN GENERAL.—Subclause (III) of section
5 42(m)(1)(B)(ii) of the Internal Revenue Code of 1986 is
6 amended by inserting “, as determined by the housing
7 credit agency according to criteria established by such
8 agency,” after “(d)(5)(C) and”.

9 (b) CRITERIA.—Paragraph (1) of section 42(m) of
10 the Internal Revenue Code of 1986 is amended by adding
11 at the end the following new subparagraph:

12 “(E) CRITERIA FOR DETERMINATION RE-
13 LATING TO CONCERTED COMMUNITY REVITAL-
14 IZATION PLAN.—For purposes of subparagraph
15 (B)(ii)(III), the criteria which shall be estab-
16 lished by a housing credit agency for deter-
17 mining whether the development of a project
18 contributes to a concerted community develop-
19 ment plan shall take into account any factors
20 the agency deems appropriate, including the ex-
21 tent to which the proposed plan—

22 “(i) is geographically specific,

23 “(ii) outlines a clear plan for imple-
24 mentation and goals for outcomes,

25 “(iii) includes a strategy for applying
26 for or obtaining commitments of public or

1 private investment (or both) in nonhousing
2 infrastructure, amenities, or services, and
3 “(iv) demonstrates the need for com-
4 munity revitalization.”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to allocations of housing credit dol-
7 lar amounts made under qualified allocation plans (as de-
8 fined in section 42(m)(1)(B) of the Internal Revenue Code
9 of 1986) adopted after December 31, 2017.

10 **SEC. 208. PROHIBITION OF LOCAL APPROVAL AND CON-**
11 **TRIBUTION REQUIREMENTS.**

12 (a) IN GENERAL.—Paragraph (1) of section 42(m)
13 of the Internal Revenue Code of 1986, as amended by sec-
14 tion 207, is further amended—

15 (1) by striking clause (ii) of subparagraph (A)
16 and by redesignating clauses (iii) and (iv) thereof as
17 clauses (ii) and (iii), and

18 (2) by adding at the end the following new sub-
19 paragraph:

20 “(F) LOCAL APPROVAL OR CONTRIBUTION
21 NOT TAKEN INTO ACCOUNT.—The selection cri-
22 teria under a qualified allocation plan shall not
23 include consideration of—

1 “(i) any support or opposition with re-
2 spect to the project from local or elected
3 officials, or

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

11 (b) **EFFECTIVE DATE.**—The amendments made by
12 this section shall apply to allocations of housing credit dol-
13 lar amounts made after December 31, 2017.

14 **SEC. 209. INCREASE IN CREDIT FOR CERTAIN PROJECTS**
15 **DESIGNATED TO SERVE EXTREMELY LOW-IN-**
16 **COME HOUSEHOLDS.**

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

20 “(C) **INCREASE IN CREDIT FOR PROJECTS**
21 **DESIGNATED TO SERVE EXTREMELY LOW-IN-**
22 **COME HOUSEHOLDS.**—In the case of any build-
23 ing—

24 “(i) 20 percent or more of the resi-
25 dential units in which are designated by

1 the taxpayer for occupancy by households
2 the aggregate household income of which
3 does not exceed the greater of—

4 “(I) 30 percent of area median
5 gross income, or

6 “(II) 100 percent of an amount
7 equal to the Federal poverty line
8 (within the meaning of section
9 36B(d)(3)), and

10 “(ii) which is designated by the hous-
11 ing credit agency as requiring the increase
12 in credit under this subparagraph in order
13 for such building to be financially feasible
14 as part of a qualified low-income housing
15 project,

16 subparagraph (B) shall not apply to the portion
17 of such building which is comprised of such
18 units, and the eligible basis of such portion of
19 the building shall be 150 percent of such basis
20 determined without regard to this subpara-
21 graph.”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to buildings placed in service after
24 December 31, 2016.

1 **SEC. 210. INCREASE IN CREDIT FOR BOND-FINANCED**
2 **PROJECTS DESIGNATED BY STATE AGENCY.**

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

6 (b) **TECHNICAL AMENDMENT.**—Clause (v) of section
7 42(d)(5)(B) of the Internal Revenue Code of 1986, as
8 amended by subsection (a), is further amended—

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

10 (2) by striking “State housing credit agency”
11 and inserting “housing credit agency”.

12 (c) **EFFECTIVE DATE.**—The amendments made by
13 this section shall apply to buildings placed in service after
14 December 31, 2016.

15 **SEC. 211. ELIMINATION OF BASIS REDUCTION FOR LOW-IN-**
16 **COME HOUSING PROPERTIES RECEIVING EN-**
17 **ERGY CREDIT BENEFITS.**

18 (a) **IN GENERAL.**—Paragraph (3) of section 50(c) of
19 the Internal Revenue Code of 1986 is amended—

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

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

24 (3) by adding at the end the following new sub-
25 paragraph:

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

4 (b) **EFFECTIVE DATE.**—The amendments made by
5 this section shall apply to property placed in service after
6 December 31, 2016.

7 **SEC. 212. RESTRICTION OF PLANNED FORECLOSURES.**

8 (a) **IN GENERAL.**—Subclause (I) of section
9 42(h)(6)(E)(i) of the Internal Revenue Code of 1986 is
10 amended to read as follows:

11 “(I) on the 61st day after the
12 taxpayer (or a successor in interest)
13 provides notice to the housing credit
14 agency that the building has been ac-
15 quired by foreclosure (or instrument
16 in lieu of foreclosure) and that the
17 taxpayer intends the termination of
18 such period, unless the housing credit
19 agency determines that such acquisi-
20 tion is part of an arrangement with
21 the taxpayer a purpose of which is to
22 terminate such period, or”.

23 (b) **CONFORMING AMENDMENT.**—The second sen-
24 tence of clause (i) of section 42(h)(6)(E) of the Internal

1 Revenue Code of 1986 is amended by striking “Subclause
2 (II)” and inserting “Subclauses (I) and (II)”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to acquisitions by foreclosure (or
5 instrument in lieu of foreclosure) after December 31,
6 2017.

7 **SEC. 213. INCREASE OF POPULATION CAP FOR DIFFICULT**
8 **DEVELOPMENT AREAS.**

9 (a) IN GENERAL.—Subclause (II) of section
10 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986 is
11 amended by striking “20 percent” and inserting “30 per-
12 cent”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to designations made under section
15 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986
16 after December 31, 2017.

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

20 **SEC. 301. 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, 2017.

11 **SEC. 302. 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, 2017.

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

8 **SEC. 401. 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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