

103^D CONGRESS
1ST SESSION

H. R. 1406

To amend the Internal Revenue Code of 1986 with respect to the treatment of the rehabilitation credit under the passive activity limitation.

IN THE HOUSE OF REPRESENTATIVES

MARCH 18, 1993

Mrs. KENNELLY (for herself, Mr. SHAW, Mr. ANDREWS of Texas, Mr. MATSUI, and Mr. GEPHARDT) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 with respect to the treatment of the rehabilitation credit under the passive activity limitation.

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. TREATMENT OF REHABILITATION CREDIT**
4 **UNDER PASSIVE ACTIVITY LIMITATIONS.**

5 (a) GENERAL RULE.—Paragraphs (2) and (3) of sec-
6 tion 469(i) of the Internal Revenue Code of 1986 (relating
7 to \$25,000 offset for rental real estate activities) are
8 amended to read as follows:

9 “(2) DOLLAR LIMITATIONS.—

1 “(A) IN GENERAL.—Except as otherwise
2 provided in this paragraph, the aggregate
3 amount to which paragraph (1) applies for any
4 taxable year shall not exceed \$25,000 reduced
5 (but not below zero) by 50 percent of the
6 amount (if any) by which the adjusted gross in-
7 come of the taxpayer for the taxable year ex-
8 ceeds \$100,000.

9 “(B) PHASEOUT NOT APPLICABLE TO
10 LOW-INCOME HOUSING CREDIT.—In the case of
11 the portion of the passive activity credit for any
12 taxable year which is attributable to any credit
13 determined under section 42—

14 “(i) subparagraph (A) shall not apply,
15 and

16 “(ii) paragraph (1) shall not apply to
17 the extent that the deduction equivalent of
18 such portion exceeds—

19 “(I) 25,000, reduced by

20 “(II) the aggregate amount of
21 the passive activity loss (and the de-
22 duction equivalent of any passive ac-
23 tivity credit which is not so attrib-
24 utable and is not attributable to the
25 rehabilitation credit determined under

1 section 47) to which paragraph (1)
2 applies after the application of sub-
3 paragraph (A).

4 “(C) \$65,000 LIMIT FOR REHABILITATION
5 CREDITS.—In the case of the portion of the
6 passive activity credit for any taxable year
7 which is attributable to the rehabilitation credit
8 determined under section 47—

9 “(i) subparagraph (A) shall not apply,
10 and

11 “(ii) paragraph (1) shall not apply to
12 the extent that the deduction equivalent of
13 such portion exceeds—

14 “(I) \$65,000, reduced by

15 “(II) the aggregate amount of
16 the passive activity loss (and the de-
17 duction equivalent of any passive ac-
18 tivity credit which is not so attrib-
19 utable) to which paragraph (1) applies
20 for the taxable year after the applica-
21 tion of subparagraphs (A) and (B).

22 “(3) ADJUSTED GROSS INCOME.—For purposes
23 of paragraph (2)(A), adjusted gross income shall be
24 determined without regard to—

1 “(A) any amount includable in gross in-
2 come under section 86,

3 “(B) any amount excludable from gross in-
4 come under section 135,

5 “(C) any amount allowable as a deduction
6 under section 219, and

7 “(D) any passive activity loss.”

8 (b) CONFORMING AMENDMENTS.—

9 (1) Subparagraph (B) of section 469(i)(4) of
10 such Code is amended to read as follows:

11 “(B) REDUCTION FOR SURVIVING
12 SPOUSE’S EXEMPTION.—For purposes of sub-
13 paragraph (A), the \$25,000 amounts under
14 paragraph (2)(A) and (2)(B)(ii) and the
15 \$65,000 amount under paragraph (2)(C)(ii)
16 shall each be reduced by the amount of the ex-
17 emption under paragraph (1) (determined with-
18 out regard to the reduction contained in para-
19 graph (2)(A)) which is allowable to the surviv-
20 ing spouse of the decedent for the taxable year
21 ending with or within the taxable year of the es-
22 tate.”

23 (2) Subparagraph (A) of section 469(i)(5) of
24 such Code is amended by striking clauses (i), (ii),
25 and (iii) and inserting the following:

1 “(i) ‘\$12,500’ for ‘\$25,000’ in sub-
2 paragraphs (A) and (B)(ii) of paragraph
3 (2),

4 “(ii) ‘\$50,000’ for ‘\$100,000’ in para-
5 graph (2)(A)”, and

6 “(iii) ‘\$32,500’ for ‘\$65,000’ in para-
7 graph (2)(C)(ii).”

8 (3) The subsection heading for subsection (i) of
9 section 469 of such Code is amended by striking
10 “\$25,000”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to property placed in service after
13 December 31, 1992, in taxable years ending after such
14 date.

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