

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5249

To amend the Internal Revenue Code of 1986 to provide a credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 7, 1994

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

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence.

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 “Historic Homeowner-  
5       ship Assistance Act”.

1 **SEC. 2. HISTORIC HOMEOWNERSHIP REHABILITATION**  
2 **CREDIT.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-  
4 chapter A of chapter 1 of the Internal Revenue Code of  
5 1986 (relating to nonrefundable personal credits) is  
6 amended by inserting after section 22 the following new  
7 section:

8 **“SEC. 23. HISTORIC HOMEOWNERSHIP REHABILITATION**  
9 **CREDIT.**

10 “(a) GENERAL RULE.—In the case of an individual,  
11 there shall be allowed as a credit against the tax imposed  
12 by this chapter for the taxable year an amount equal to  
13 20 percent of the qualified rehabilitation expenditures  
14 made by the taxpayer with respect to a qualified historic  
15 home.

16 “(b) DOLLAR LIMITATION.—

17 “(1) IN GENERAL.—The credit allowed by sub-  
18 section (a) with respect to any residence of a tax-  
19 payer shall not exceed \$50,000 (\$25,000 in the case  
20 of a married individual filing a separate return).

21 “(2) CARRYFORWARD OF CREDIT UNUSED BY  
22 REASON OF LIMITATION BASED ON TAX LIABIL-  
23 ITY.—If the credit allowable under subsection (a) for  
24 any taxable year exceeds the limitation imposed by  
25 section 26(a) for such taxable year reduced by the  
26 sum of the credits allowable under this subpart

1 (other than this section), such excess shall be carried  
2 to the succeeding taxable year and added to the  
3 credit allowable under subsection (a) for such suc-  
4 ceeding taxable year.

5 “(c) QUALIFIED REHABILITATION EXPENDITURE.—

6 For purposes of this section:

7 “(1) IN GENERAL.—The term ‘qualified reha-  
8 bilitation expenditure’ means any amount properly  
9 chargeable to capital account—

10 “(A) in connection with the certified reha-  
11 bilitation of a qualified historic home, and

12 “(B) for property for which depreciation  
13 would be allowable under section 168 if the  
14 qualified historic home were used in a trade or  
15 business.

16 “(2) CERTAIN EXPENDITURES NOT IN-  
17 CLUDED.—

18 “(A) EXTERIOR.—Such term shall not in-  
19 clude any expenditure in connection with the re-  
20 habilitation of a building unless at least 5 per-  
21 cent of the total expenditures made in the reha-  
22 bilitation process are allocable to the rehabilita-  
23 tion of the exterior of such building.

1           “(B) OTHER RULES TO APPLY.—Rules  
2           similar to the rules of clauses (ii) and (iii) of  
3           section 47(c)(2)(B) shall apply.

4           “(3) MIXED USE OR MULTIFAMILY BUILDING.—  
5           If only a portion of a building is used as the prin-  
6           cipal residence of the taxpayer, only qualified reha-  
7           bilitation expenditures which are properly allocable  
8           to such portion shall be taken into account under  
9           this section.

10          “(d) CERTIFIED REHABILITATION.—For purposes of  
11 this section:

12           “(1) IN GENERAL.—Except as otherwise pro-  
13           vided in this subsection, the term ‘certified rehabili-  
14           tation’ has the meaning given such term by section  
15           47(c)(2)(C).

16           “(2) FACTORS TO BE CONSIDERED IN THE  
17           CASE OF TARGETED AREA RESIDENCES, ETC.—

18           “(A) IN GENERAL.—For purposes of ap-  
19           plying section 47(c)(2)(C) under this section  
20           with respect to the rehabilitation of a building  
21           to which this paragraph applies, consideration  
22           shall be given to—

23                   “(i) the feasibility of preserving exist-  
24                   ing architectural and design elements of  
25                   the interior of such building,

1           “(ii) the risk of further deterioration  
2           or demolition of such building in the event  
3           that certification is denied because of the  
4           failure to preserve such interior elements,  
5           and

6           “(iii) the effects of such deterioration  
7           or demolition on neighboring historic prop-  
8           erties.

9           “(B) BUILDINGS TO WHICH THIS PARA-  
10          GRAPH APPLIES.—This paragraph shall apply  
11          with respect to any building—

12           “(i) any part of which is a targeted  
13           area residence within the meaning of sec-  
14           tion 143(j)(1), or

15           “(ii) which is located within an enter-  
16           prise or empowerment zone,

17          but shall not apply with respect to any building  
18          which is listed in the National Register or a  
19          State or local register of historic places.

20          “(3) COOPERATIVE AGREEMENTS.—The term  
21          ‘certified rehabilitation’ includes a certification made  
22          in accordance with a cooperative agreement between  
23          the Secretary of the Interior and a State Historic  
24          Preservation Officer which authorizes such officer  
25          (or a local government certified pursuant to section

1 101(c)(1) of the National Historic Preservation  
2 Act), subject to such terms or conditions as may be  
3 specified in such agreement, to certify the rehabilita-  
4 tion of buildings within the jurisdiction of such offi-  
5 cer (or local government) for purposes of this sec-  
6 tion.

7 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
8 poses of this section:

9 “(1) QUALIFIED HISTORIC HOME.—The term  
10 ‘qualified historic home’ means a certified historic  
11 structure—

12 “(A) which has been substantially rehabili-  
13 tated, and

14 “(B) which (or any portion of which)—

15 “(i) is owned by the taxpayer, and

16 “(ii) is used (or will, within a reason-  
17 able period, be used) by such taxpayer as  
18 his principal residence.

19 “(2) SUBSTANTIALLY REHABILITATED.—The  
20 term ‘substantially rehabilitated’ has the meaning  
21 given such term by section 47(c)(1)(C); except that,  
22 in the case of any building described in subsection  
23 (d)(2), clause (i)(I) thereof shall not apply.

1           “(3) PRINCIPAL RESIDENCE.—The term ‘prin-  
2           cipal residence’ has the same meaning as when used  
3           in section 1034.

4           “(4) CERTIFIED HISTORIC STRUCTURE.—The  
5           term ‘certified historic structure’ has the meaning  
6           given such term by section 47(c)(3).

7           “(5) ENTERPRISE OR EMPOWERMENT ZONE.—  
8           The term ‘enterprise or empowerment zone’ means  
9           any area designated under section 1391 as an enter-  
10          prise community or an empowerment zone.

11          “(6) REHABILITATION NOT COMPLETE BEFORE  
12          CERTIFICATION.—A rehabilitation shall not be treat-  
13          ed as complete before the date of the certification re-  
14          ferred to in subsection (d).

15          “(7) LESSEES.—A taxpayer who leases his  
16          principal residence shall, for purposes of this section,  
17          be treated as the owner thereof if the remaining  
18          term of the lease (as of the date determined under  
19          regulations prescribed by the Secretary) is not less  
20          than such minimum period as the regulations re-  
21          quire.

22          “(f) WHEN EXPENDITURES TAKEN INTO AC-  
23          COUNT.—In the case of a building other than a building  
24          to which subsection (g) applies, qualified rehabilitation ex-

1 penditures shall be treated for purposes of this section as  
2 made—

3 “(1) on the date the rehabilitation is completed,

4 or

5 “(2) to the extent provided by the Secretary by  
6 regulation, when such expenditures are properly  
7 chargeable to capital account.

8 Regulations under paragraph (2) shall include a rule simi-  
9 lar to the rule under section 50(a)(2) (relating to recap-  
10 ture if property ceases to qualify for progress expendi-  
11 tures).

12 “(g) ALLOWANCE OF CREDIT FOR PURCHASE OF RE-  
13 HABILITATED HISTORIC HOME.—

14 “(1) IN GENERAL.—In the case of a qualified  
15 purchased historic home, the taxpayer shall be treat-  
16 ed as having made (on the date of purchase) the  
17 qualified rehabilitation expenditures made by the  
18 seller of such home.

19 “(2) QUALIFIED PURCHASED HISTORIC  
20 HOME.—For purposes of this subsection, the term  
21 ‘qualified purchased historic home’ means any sub-  
22 stantially rehabilitated certified historic structure  
23 purchased by the taxpayer if—

24 “(A) the taxpayer is the first purchaser of  
25 such structure after the date rehabilitation is

1 completed, and the purchase occurs within 5  
2 years after such date,

3 “(B) the structure (or a portion thereof)  
4 will, within a reasonable period, be the principal  
5 residence of the taxpayer,

6 “(C) no credit was allowed to the seller  
7 under this section or section 47 with respect to  
8 such rehabilitation, and

9 “(D) the taxpayer is furnished with such  
10 information as the Secretary determines is nec-  
11 essary to determine the credit under this sub-  
12 section.

13 “(h) HISTORIC REHABILITATION MORTGAGE CREDIT  
14 CERTIFICATE.—

15 “(1) IN GENERAL.—The taxpayer may elect, in  
16 lieu of the credit otherwise allowable under this sec-  
17 tion, to receive a historic rehabilitation mortgage  
18 credit certificate. An election under this paragraph  
19 shall be made—

20 “(A) in the case of a building to which  
21 subsection (g) applies, at the time of purchase,  
22 or

23 “(B) in any other case, at the time reha-  
24 bilitation is completed.

1           “(2) HISTORIC REHABILITATION MORTGAGE  
2 CREDIT CERTIFICATE.—For purposes of this sub-  
3 section, the term ‘historic rehabilitation mortgage  
4 credit certificate’ means a certificate—

5                   “(A) issued to the taxpayer, in accordance  
6 with procedures prescribed by the Secretary,  
7 with respect to a certified rehabilitation,

8                   “(B) the face amount of which shall be  
9 equal to the credit which would (but for this  
10 subsection) be allowable under subsection (a) to  
11 the taxpayer with respect to such rehabilitation,

12                   “(C) which may only be transferred by the  
13 taxpayer to a lending institution in connection  
14 with a loan—

15                           “(i) that is secured by the building  
16 with respect to which the credit relates,  
17 and

18                           “(ii) the proceeds of which may not be  
19 used for any purpose other than the acqui-  
20 sition or rehabilitation of such building,  
21 and

22                   “(D) in exchange for which such lending  
23 institution provides the taxpayer a reduction  
24 (determined as provided in such regulations) in  
25 the rate of interest on the loan.

1           “(3) USE OF CERTIFICATE BY LENDER.—The  
2 amount of the credit specified in the certificate shall  
3 be allowed to the lender only to offset the regular  
4 tax (as defined in section 55(c)) of such lender. The  
5 lender may carry forward all unused amounts under  
6 this subsection until exhausted.

7           “(i) RECAPTURE.—

8           “(1) IN GENERAL.—If, before the end of the 5-  
9 year period beginning on the date on which the reha-  
10 bilitation of the building is completed (or, if sub-  
11 section (g) applies, the date of purchase of such  
12 building by the taxpayer)—

13                   “(A) the taxpayer disposes of such tax-  
14 payer’s interest in such building, or

15                   “(B) such building ceases to be used as the  
16 principal residence of the taxpayer,

17 the taxpayer’s tax imposed by this chapter for the  
18 taxable year in which such disposition or cessation  
19 occurs shall be increased by the recapture percent-  
20 age of the credit allowed under this section for all  
21 prior taxable years with respect to such rehabilita-  
22 tion.

23           “(2) RECAPTURE PERCENTAGE.—For purposes  
24 of paragraph (1), the recapture percentage shall be  
25 determined in accordance with the table under sec-

1       tion 50(a)(1)(B), deeming such table to be amend-  
2       ed—

3               “(A) by striking ‘If the property ceases to  
4       be investment credit property within—’ and in-  
5       serting ‘If the disposition or cessation occurs  
6       within—’, and

7               “(B) in clause (i) by striking ‘One full year  
8       after placed in service’ and inserting ‘One full  
9       year after the taxpayer becomes entitled to the  
10       credit’.

11       “(j) BASIS ADJUSTMENTS.—For purposes of this  
12       subtitle, if a credit is allowed under this section for any  
13       expenditure with respect to any property (including any  
14       purchase under subsection (g) and any transfer under sub-  
15       section (h)), the increase in the basis of such property  
16       which would (but for this subsection) result from such ex-  
17       penditure shall be reduced by the amount of the credit  
18       so allowed.

19       “(k) PROCESSING FEES.—Proceeds of fees levied for  
20       the processing of applications for the certification of any  
21       rehabilitation under this section—

22               “(1) shall be deposited in a trust fund, and

23               “(2) subject to appropriations Acts, may be  
24       used only to defray expenses associated with the  
25       processing of such applications.

1       “(l) DENIAL OF DOUBLE BENEFIT.—No credit shall  
2 be allowed under this section for any amount for which  
3 credit is allowed under section 47.

4       “(m) REGULATIONS.—The Secretary shall prescribe  
5 such regulations as may be appropriate to carry out the  
6 purposes of this section, including regulations where less  
7 than all of a building is used as a principal residence and  
8 where more than 1 taxpayer use the same dwelling unit  
9 as their principal residence.”

10       (b) CONFORMING AMENDMENT.—Subsection (a) of  
11 section 1016 of such Code is amended by striking “and”  
12 at the end of paragraph (24), by striking the period at  
13 the end of paragraph (25) and inserting “, and”, and by  
14 adding at the end the following new item:

15               “(26) to the extent provided in section 23(j).”

16       (c) CLERICAL AMENDMENT.—The table of sections  
17 for subpart A of part IV of subchapter A of chapter 1  
18 of such Code is amended by inserting after the item relat-  
19 ing to section 22 the following new item:

“Sec. 23. Historic homeownership rehabilitation credit.”

20       (d) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply with respect to rehabilitations the  
22 physical work on which begins after the date of enactment  
23 of this Act.

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