

104TH CONGRESS
1ST SESSION

H. R. 1662

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.

IN THE HOUSE OF REPRESENTATIVES

MAY 17, 1995

Mr. SHAW (for himself, Mrs. KENNELLY, Mr. MCCRERY, Mr. NEAL of Massachusetts, Mr. ZIMMER, Mrs. JOHNSON of Connecticut, Mr. GEPHARDT, Mr. GOSS, Mr. MOAKLEY, Mr. HUTCHINSON, Mr. TORKILDSEN, Mrs. MALONEY, Mr. RICHARDSON, Mr. HINCHEY, Mr. CLYBURN, and Mr. NADLER) 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 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.

19 “(3) COOPERATIVE AGREEMENTS.—The term
20 ‘certified rehabilitation’ includes a certification made
21 in accordance with a contract or cooperative agree-
22 ment between the Secretary of the Interior and a
23 State Historic Preservation Officer which authorizes
24 such officer (or a local government certified pursu-
25 ant to section 101(c)(1) of the National Historic

1 Preservation Act), subject to such terms or condi-
2 tions as may be specified in such agreement, to cer-
3 tify the rehabilitation of buildings within the juris-
4 diction of such officer (or local government) for pur-
5 poses of this section.

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

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

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

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

14 “(i) is owned by the taxpayer, and

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

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

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

1 “(4) CERTIFIED HISTORIC STRUCTURE.—

2 “(A) IN GENERAL.—The term ‘certified
3 historic structure’ has the meaning given such
4 term by section 47(c)(3).

5 “(B) CERTAIN STRUCTURES INCLUDED.—

6 Such term includes any building (and its struc-
7 tural components) which is designated as being
8 of historic significance under a statute of a
9 State or local government, if such statute is
10 certified by the Secretary of the Interior to the
11 Secretary as containing criteria which will sub-
12 stantially achieve the purpose of preserving and
13 rehabilitating buildings of historic significance.

14 “(5) ENTERPRISE OR EMPOWERMENT ZONE.—

15 The term ‘enterprise or empowerment zone’ means
16 any area designated under section 1391 as an enter-
17 prise community or an empowerment zone.

18 “(6) REHABILITATION NOT COMPLETE BEFORE

19 CERTIFICATION.—A rehabilitation shall not be treat-
20 ed as complete before the date of the certification re-
21 ferred to in subsection (d).

22 “(7) LESSEES.—A taxpayer who leases his

23 principal residence shall, for purposes of this section,
24 be treated as the owner thereof if the remaining
25 term of the lease (as of the date determined under

1 regulations prescribed by the Secretary) is not less
2 than such minimum period as the regulations re-
3 quire.

4 “(8) TENANT-STOCKHOLDER IN COOPERATIVE
5 HOUSING CORPORATION.—If the taxpayer holds
6 stock as a tenant-stockholder (as defined in section
7 216) in a cooperative housing corporation (as de-
8 fined in such section), such stockholder shall be
9 treated as owning the house or apartment which the
10 taxpayer is entitled to occupy as such stockholder.

11 “(f) WHEN EXPENDITURES TAKEN INTO AC-
12 COUNT.—In the case of a building other than a building
13 to which subsection (g) applies, qualified rehabilitation ex-
14 penditures shall be treated for purposes of this section as
15 made—

16 “(1) on the date the rehabilitation is completed,
17 or

18 “(2) to the extent provided by the Secretary by
19 regulation, when such expenditures are properly
20 chargeable to capital account.

21 Regulations under paragraph (2) shall include a rule simi-
22 lar to the rule under section 50(a)(2) (relating to recap-
23 ture if property ceases to qualify for progress expendi-
24 tures).

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

3 “(1) IN GENERAL.—In the case of a qualified
4 purchased historic home, the taxpayer shall be treat-
5 ed as having made (on the date of purchase) the
6 qualified rehabilitation expenditures made by the
7 seller of such home.

8 “(2) QUALIFIED PURCHASED HISTORIC
9 HOME.—For purposes of this subsection, the term
10 ‘qualified purchased historic home’ means any sub-
11 stantially rehabilitated certified historic structure
12 purchased by the taxpayer if—

13 “(A) the taxpayer is the first purchaser of
14 such structure after the date rehabilitation is
15 completed, and the purchase occurs within 5
16 years after such date,

17 “(B) the structure (or a portion thereof)
18 will, within a reasonable period, be the principal
19 residence of the taxpayer,

20 “(C) no credit was allowed to the seller
21 under this section or section 47 with respect to
22 such rehabilitation, and

23 “(D) the taxpayer is furnished with such
24 information as the Secretary determines is nec-

1 essary to determine the credit under this sub-
2 section.

3 “(h) HISTORIC REHABILITATION MORTGAGE CREDIT
4 CERTIFICATE.—

5 “(1) IN GENERAL.—The taxpayer may elect, in
6 lieu of the credit otherwise allowable under this sec-
7 tion, to receive a historic rehabilitation mortgage
8 credit certificate. An election under this paragraph
9 shall be made—

10 “(A) in the case of a building to which
11 subsection (g) applies, at the time of purchase,
12 or

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

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

19 “(A) issued to the taxpayer, in accordance
20 with procedures prescribed by the Secretary,
21 with respect to a certified rehabilitation,

22 “(B) the face amount of which shall be
23 equal to the credit which would (but for this
24 subsection) be allowable under subsection (a) to
25 the taxpayer with respect to such rehabilitation,

1 “(C) which may only be transferred by the
2 taxpayer to a lending institution in connection
3 with a loan—

4 “(i) that is secured by the building
5 with respect to which the credit relates,
6 and

7 “(ii) the proceeds of which may not be
8 used for any purpose other than the acqui-
9 sition or rehabilitation of such building,
10 and

11 “(D) in exchange for which such lending
12 institution provides the taxpayer a reduction
13 (determined as provided in such regulations) in
14 the rate of interest on the loan.

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

21 “(i) RECAPTURE.—

22 “(1) IN GENERAL.—If, before the end of the 5-
23 year period beginning on the date on which the reha-
24 bilitation of the building is completed (or, if sub-

1 section (g) applies, the date of purchase of such
2 building by the taxpayer)—

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

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

7 the taxpayer’s tax imposed by this chapter for the
8 taxable year in which such disposition or cessation
9 occurs shall be increased by the recapture percent-
10 age of the credit allowed under this section for all
11 prior taxable years with respect to such rehabilita-
12 tion.

13 “(2) RECAPTURE PERCENTAGE.—For purposes
14 of paragraph (1), the recapture percentage shall be
15 determined in accordance with the table under
16 section 50(a)(1)(B), deeming such table to be
17 amended—

18 “(A) by striking ‘If the property ceases to
19 be investment credit property within—’ and in-
20 serting ‘If the disposition or cessation occurs
21 within—’, and

22 “(B) in clause (i) by striking ‘One full year
23 after placed in service’ and inserting ‘One full
24 year after the taxpayer becomes entitled to the
25 credit’.

1 “(j) BASIS ADJUSTMENTS.—For purposes of this
2 subtitle, if a credit is allowed under this section for any
3 expenditure with respect to any property (including any
4 purchase under subsection (g) and any transfer under sub-
5 section (h)), the increase in the basis of such property
6 which would (but for this subsection) result from such ex-
7 penditure shall be reduced by the amount of the credit
8 so allowed.

9 “(k) PROCESSING FEES.—Any State may impose a
10 fee for the processing of applications for the certification
11 of any rehabilitation under this section provided that the
12 amount of such fee is used only to defray expenses associ-
13 ated with the processing of such applications.

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

17 “(m) REGULATIONS.—The Secretary shall prescribe
18 such regulations as may be appropriate to carry out the
19 purposes of this section, including regulations where less
20 than all of a building is used as a principal residence and
21 where more than 1 taxpayer use the same dwelling unit
22 as their principal residence.”

23 (b) CONFORMING AMENDMENT.—Subsection (a) of
24 section 1016 of such Code is amended by striking “and”
25 at the end of paragraph (24), by striking the period at

1 the end of paragraph (25) and inserting “, and”, and by
2 adding at the end the following new item:

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

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

“Sec. 23. Historic homeownership rehabilitation credit.”

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply with respect to rehabilitations the
10 physical work on which begins after the date of enactment
11 of this Act.

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