

107TH CONGRESS  
1ST SESSION

# H. R. 2338

To amend the Internal Revenue Code of 1986 to allow a refundable credit against the income tax for the amount paid in rent in excess of 30 percent of income.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 2001

Mr. ENGEL (for himself, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. FILNER, Mr. LANTOS, Mr. HINCHEY, Mr. JACKSON of Illinois, Mr. PAYNE, Mr. NADLER, Ms. MCKINNEY, Mr. PASCRELL, Mr. OWENS, Mr. SERRANO, Mr. PALLONE, Ms. WATERS, Mr. KUCINICH, Mr. TOWNS, Mr. SANDERS, Mr. MEEKS of New York, and Mr. HONDA) 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 allow a refundable credit against the income tax for the amount paid in rent in excess of 30 percent of income.

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 “Renters Relief Act of  
5 2001”.

1 **SEC. 2. REFUNDABLE CREDIT FOR RENT IN EXCESS OF 30**  
2 **PERCENT OF INCOME.**

3 (a) IN GENERAL.—Subpart C of part IV of sub-  
4 chapter A of chapter 1 of the Internal Revenue Code of  
5 1986 (relating to refundable credits) is amended by redес-  
6 ignating section 35 as section 36 and by inserting after  
7 section 34 the following new section:

8 **“SEC. 35. CREDIT FOR RENT IN EXCESS OF 30 PERCENT OF**  
9 **INCOME.**

10 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
11 dividual, there shall be allowed as a credit against the tax  
12 imposed by this chapter for the taxable year an amount  
13 equal to the excess rent amount paid by the taxpayer dur-  
14 ing the taxable year.

15 “(b) LIMITATIONS.—

16 “(1) DOLLAR LIMITATION.—The amount of the  
17 credit allowable under subsection (a) for a taxable  
18 year shall be not exceed \$2,500.

19 “(2) PHASEOUT.—

20 “(A) IN GENERAL.—For purposes of this  
21 section, the \$2,500 amount referred to in para-  
22 graph (1) shall be reduced (but not below zero)  
23 by an amount equal to \$25 multiplied by the  
24 number of percentage points (or fraction there-  
25 of) by which the taxpayer’s modified adjusted  
26 gross income for the taxable year exceeds 80

1           percent of the area median income applicable to  
2           such taxpayer based on family size.

3           “(3) SPECIAL RULE FOR TAXPAYERS SUBJECT  
4           TO MORE THAN ONE AREA MEDIAN INCOME IN A  
5           TAXABLE YEAR.—For purposes of paragraph (2), in  
6           the case of a taxpayer who is subject to more than  
7           1 area median income in the taxable year by reason  
8           of changes in family size or location of personal resi-  
9           dence, the area median income applicable to such  
10          taxpayer—

11                   “(A)(i) shall be determined as of the first  
12                   day of each month on the basis of such family  
13                   size and location, and

14                   “(ii) shall be  $\frac{1}{12}$  of the area median in-  
15                   come so applicable, and

16                   “(B) shall be the aggregate of the amounts  
17                   determined under subparagraph (A) for each  
18                   month of the taxable year.

19           “(4) AREA MEDIAN INCOME.—For purposes of  
20           this subsection, the term ‘area median income’  
21           means area median income as determined by the  
22           Secretary of Housing and Urban Development for  
23           purposes of the United States Housing Act of 1937  
24           (42 U.S.C. 1437 et seq.).

1       “(c) EXCESS RENT AMOUNT.—For purposes of this  
2 section—

3           “(1) IN GENERAL.—The term ‘excess rent  
4 amount’ means the excess (if any) of—

5               “(A) the amount paid by the taxpayer for  
6 rent of a principal residence, over

7               “(B) 30 percent of the modified adjusted  
8 gross income of the taxpayer.

9           “(2) MODIFIED ADJUSTED GROSS INCOME.—

10               “(A) IN GENERAL.—The term ‘modified  
11 adjusted gross income’ means adjusted gross  
12 income—

13                   “(i) determined—

14                       “(I) without regard to sections  
15 86, 219, 221, 911, 931, and 933,

16                       “(II) without regard to the  
17 amounts described in subparagraph  
18 (B), and

19                       “(ii) increased by the amounts de-  
20 scribed in subparagraph (C).

21           “(B) CERTAIN AMOUNTS DISREGARDED.—

22           An amount is described in this subparagraph if  
23 it is—

1 “(i) an alimony or separate mainte-  
2 nance payment (as defined in section  
3 71(b)),

4 “(ii) the amount of losses from sales  
5 or exchanges of capital assets in excess of  
6 gains from such sales or exchanges to the  
7 extent such amount does not exceed the  
8 amount under section 1211(b)(1),

9 “(iii) the net loss from estates and  
10 trusts,

11 “(iv) the excess (if any) of amounts  
12 described in section 32(i)(2)(C)(ii) over the  
13 amounts described in section 32(i)(2)(C)(i)  
14 (relating to nonbusiness rents and royal-  
15 ties), or

16 “(v) 75 percent of the net loss from  
17 the carrying on of trades or businesses,  
18 computed separately with respect to—

19 “(I) trades or businesses (other  
20 than farming) conducted as sole pro-  
21 prietorships,

22 “(II) trades or businesses of  
23 farming conducted as sole proprietor-  
24 ships, and

25 “(III) other trades or businesses.

1 For purposes of clause (v), there shall not be  
2 taken into account items which are attributable  
3 to a trade or business which consists of the per-  
4 formance of services by the taxpayer as an em-  
5 ployee.

6 “(C) CERTAIN AMOUNTS INCLUDED.—An  
7 amount is described in this subparagraph if it  
8 is—

9 “(i) interest received or accrued dur-  
10 ing the taxable year which is exempt from  
11 tax imposed by this chapter,

12 “(ii) amounts received as a pension or  
13 annuity, and any distributions or payments  
14 received from an individual retirement  
15 plan, by the taxpayer during the taxable  
16 year to the extent not included in gross in-  
17 come,

18 “(iii) amount received under, or paid  
19 on behalf of the taxpayer under, any pro-  
20 gram receiving Federal, State, or local gov-  
21 ernment funds if eligibility for, or the  
22 amount or type of, benefits or assistance  
23 under the program is based, in whole or in  
24 part, on need, or

1                   “(iv) the amount of social security  
2                   benefits (as defined in section 86(d)) re-  
3                   ceived during the taxable year.

4                   Clause (ii) shall not include any amount which  
5                   is not includible in gross income by reason of  
6                   a trustee-to-trustee transfer or a rollover dis-  
7                   tribution.

8                   “(d) OTHER DEFINITIONS AND SPECIAL RULES.—  
9                   For purposes of this section—

10                   “(1) PRINCIPAL RESIDENCE.—The term ‘prin-  
11                   cipal residence’ shall have same meaning as when  
12                   used in section 121.

13                   “(2) TREATMENT OF EXPENSES PAID BY DE-  
14                   PENDENT.—If a deduction under section 151 with  
15                   respect to an individual is allowed to another tax-  
16                   payer for a taxable year beginning in the calendar  
17                   year in which such individual’s taxable year begins,  
18                   no credit shall be allowed under subsection (a) to  
19                   such individual for such individual’s taxable year.

20                   “(3) MULTIPLE TAXPAYERS RENTING THE  
21                   SAME PRINCIPAL RESIDENCE.—This section shall be  
22                   applied to separately to the portion of the rent paid  
23                   by an individual to rent the same principal residence  
24                   with 2 or more taxpayers.

1           “(4) ELDERLY AND HANDICAPPED DEPEND-  
2           ENTS.—In the case of a dependent for whom the  
3           taxpayer is allowed an exemption under section 151  
4           who—

5                   “(A) has attained age 65 before the close  
6                   of the taxable year, or

7                   “(B) retired on disability before the close  
8                   of the taxable year and who, when he retired,  
9                   was permanently and totally disabled (within  
10                  the meaning of section 22(e)(3)),

11           the principal residence taken into account under this  
12           section shall be the principal residence of such de-  
13           pendent.

14           “(e) DENIAL OF CREDIT IF MORTGAGE INTEREST  
15           DEDUCTION ALLOWED.—No credit shall be allowed under  
16           this section for a taxable year for a taxpayer for whom  
17           deduction under section 163(h) is allowable for the taxable  
18           year.”.

19           (b) TECHNICAL AMENDMENTS.—

20                   (1) Paragraph (2) of section 1324(b) of title  
21                   31, United States Code, is amended by inserting “or  
22                   from section 35 of such Code” before the period at  
23                   the end.

1           (2) The table of sections for such subpart C is  
2           amended by striking the item relating to section 35  
3           and inserting the following new items:

                  “Sec. 35. Credit for rent in excess of 30 percent of income.  
                  “Sec. 36. Overpayment of taxes.”

4           (c) EFFECTIVE DATE.—The amendments made by  
5           this section shall apply to taxable years beginning after  
6           December 31, 2001.

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