

112TH CONGRESS  
1ST SESSION

# H. R. 2555

To amend the Internal Revenue Code of 1986 to expand the incentives for the rehabilitation of older buildings, including owner-occupied residences.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 15, 2011

Mr. TURNER (for himself, Mr. CARNAHAN, Mr. LANGEVIN, Ms. RICHARDSON, Mr. TONKO, Mr. BISHOP of Utah, Mrs. CHRISTENSEN, Mr. HOLT, Mr. BLUMENAUER, Mr. COHEN, Mr. LOEBSACK, Mr. MCGOVERN, Mr. CAPUANO, and Mr. CICILLINE) 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 expand the incentives for the rehabilitation of older buildings, including owner-occupied residences.

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 Revitalization Act of 2011.

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 25D the following new  
7 section:

8 **“SEC. 25E. 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.—The credit allowed by  
17 subsection (a) with respect to any residence of a taxpayer  
18 shall not exceed \$60,000 (\$30,000 in the case of a married  
19 individual filing a separate return).

20 “(c) QUALIFIED REHABILITATION EXPENDITURE.—  
21 For purposes of this section—

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

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

1           “(B) for property for which depreciation  
2           would be allowable under section 168 if the  
3           qualified historic home were used in a trade or  
4           business.

5           “(2) CERTAIN EXPENDITURES NOT IN-  
6           CLUDED.—

7           “(A) EXTERIOR.—Such term shall not in-  
8           clude any expenditure in connection with the re-  
9           habilitation of a building unless at least 5 per-  
10          cent of the total expenditures made in the reha-  
11          bilitation process are allocable to the rehabilita-  
12          tion of the exterior of such building.

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

16          “(3) MIXED USE OR MULTIFAMILY BUILDING.—  
17          If only a portion of a building is used as the prin-  
18          cipal residence of the taxpayer, only qualified reha-  
19          bilitation expenditures which are properly allocable  
20          to such portion shall be taken into account under  
21          this section.

22          “(d) CERTIFIED REHABILITATION.—For purposes of  
23          this section—

1           “(1) IN GENERAL.—The term ‘certified reha-  
2           bilitation’ has the meaning given such term by sec-  
3           tion 47(c)(2)(C).

4           “(2) APPROVED STATE PROGRAM.—The term  
5           ‘certified rehabilitation’ includes a certification made  
6           by—

7                   “(A) a State Historic Preservation Officer  
8                   who administers a State Historic Preservation  
9                   Program approved by the Secretary of the Inte-  
10                  rior pursuant to section 101(b)(1) of the Na-  
11                  tional Historic Preservation Act, or

12                   “(B) a local government, certified pursuant  
13                   to section 101(c)(1) of the National Historic  
14                   Preservation Act and authorized by a State  
15                   Historic Preservation Officer, or the Secretary  
16                   of the Interior where there is no approved State  
17                   program, subject to such terms and conditions  
18                   as may be specified by the Secretary of the In-  
19                   terior for the rehabilitation of buildings within  
20                   the jurisdiction of such officer (or local govern-  
21                   ment) for purposes of this section.

22           “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
23           poses of this section—

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

4                   “(A) which has been substantially rehabili-  
5           tated, and

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

7                           “(i) is owned by the taxpayer, and

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

11           “(2) SUBSTANTIALLY REHABILITATED.—The  
12           term ‘substantially rehabilitated’ has the meaning  
13           given such term by section 47(e)(1)(C).

14           “(3) PRINCIPAL RESIDENCE.—The term ‘prin-  
15           cipal residence’ has the same meaning as when used  
16           in section 121.

17           “(4) CERTIFIED HISTORIC STRUCTURE.—

18                   “(A) IN GENERAL.—The term ‘certified  
19           historic structure’ means any building (and its  
20           structural components) which—

21                           “(i) is listed in the National Register,

22                           or

23                           “(ii) is located in a registered historic  
24           district (as defined in section 47(e)(3)(B))  
25           and is certified by the Secretary of the In-

1           terior as being of historic significance to  
2           the district.

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

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

14          “(7) ALLOCATION OF EXPENDITURES RELAT-  
15          ING TO EXTERIOR OF BUILDING CONTAINING COOP-  
16          ERATIVE OR CONDOMINIUM UNITS.—The percentage  
17          of the total expenditures made in the rehabilitation  
18          of a building containing cooperative or condominium  
19          residential units allocated to the rehabilitation of the  
20          exterior of the building shall be attributed propor-  
21          tionately to each cooperative or condominium resi-  
22          dential unit in such building for which a credit  
23          under this section is claimed.

1           “(8) CARRYBACK AND CARRYFORWARD OF  
2 CREDIT UNUSED BY REASON OF LIMITATION BASED  
3 ON TAX LIABILITY.—

4           “(A) IN GENERAL.—If the credit allowable  
5 under subsection (a) for any taxable year ex-  
6 ceeds the applicable tax limit for such taxable  
7 year, such excess shall be a carryback to the  
8 preceding taxable year and a carryforward to  
9 each of the 3 succeeding taxable years and, sub-  
10 ject to the limitations of subparagraph (B),  
11 shall be added to the credit allowable by sub-  
12 section (a) for such preceding or succeeding  
13 taxable year, as the case may be.

14           “(B) AMOUNT CARRIED TO EACH YEAR.—  
15 Rules similar to the rules of section 39(a)(2)  
16 shall apply for purposes of this paragraph.

17           “(C) LIMITATION.—The amount of the un-  
18 used credit which may be taken into account  
19 under subparagraph (A) for any taxable year  
20 shall not exceed the amount (if any) by which  
21 the applicable tax limit for such taxable year  
22 exceeds the sum of—

23           “(i) the credit allowable under sub-  
24 section (a) for such taxable year deter-

1           mined without regard to this paragraph,  
2           and

3                   “(ii) the amounts which, by reason of  
4           this paragraph, are carried to such taxable  
5           year and are attributable to taxable years  
6           before the unused credit year.

7                   “(D) APPLICABLE TAX LIMIT.—For pur-  
8           poses of this paragraph, the term ‘applicable  
9           tax limit’ means—

10                   “(i) in the case of a taxable year to  
11           which section 26(a)(2) applies, the limita-  
12           tion imposed by section 26(a)(2) for the  
13           taxable year reduced by the sum of the  
14           credits allowable under this subpart (other  
15           than this section), and

16                   “(ii) in the case of a taxable year to  
17           which section 26(a)(2) does not apply, the  
18           limitation imposed by section 26(a)(1) for  
19           the taxable year reduced by the sum of the  
20           credits allowable under this subpart (other  
21           than this section and sections 24, 25A(i),  
22           25B, 25D, 30, 30B, 30D).

23                   “(9) CREDIT MAY BE ASSIGNED.—The amount  
24           of qualified rehabilitation expenditures which would  
25           (but for this paragraph) be taken into account under

1 subsection (a) for any taxable year by any person  
2 (hereafter in this paragraph referred to as the ‘ini-  
3 tial taxpayer’)—

4 “(A) may be taken into account by any  
5 other person to whom such expenditures are as-  
6 signed by the initial taxpayer, and

7 “(B) shall not be taken to account by ini-  
8 tial taxpayer.

9 Any person to whom such expenditures are assigned  
10 under subparagraph (A) shall be treated for pur-  
11 poses of this title as the taxpayer with respect to  
12 such expenditures.

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

18 “(1) on the date the rehabilitation is completed,  
19 or

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

23 Regulations under paragraph (2) shall include a rule simi-  
24 lar to the rule under section 50(a)(2) (relating to recap-

1 ture if property ceases to qualify for progress expendi-  
2 tures).

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

5 “(1) IN GENERAL.—In the case of a qualified  
6 purchased historic home, the taxpayer shall be treat-  
7 ed as having made (on the date of purchase) the ex-  
8 penditures made by the seller of such home. For  
9 purposes of the preceding sentence, expenditures  
10 made by the seller shall be deemed to be qualified  
11 rehabilitation expenditures if such expenditures, if  
12 made by the purchaser, would be qualified rehabili-  
13 tation expenditures.

14 “(2) QUALIFIED PURCHASED HISTORIC  
15 HOME.—For purposes of this subsection, the term  
16 ‘qualified purchased historic home’ means any sub-  
17 stantially rehabilitated certified historic structure  
18 purchased by the taxpayer if—

19 “(A) the taxpayer is the first purchaser of  
20 such structure after the date rehabilitation is  
21 completed, and the purchase occurs within 5  
22 years after such date,

23 “(B) the structure (or a portion thereof)  
24 will, within a reasonable period, be the principal  
25 residence of the taxpayer,

1           “(C) no credit was allowed to the seller  
2           under this section or section 47 with respect to  
3           such rehabilitation, and

4           “(D) the taxpayer is furnished with such  
5           information as the Secretary determines is nec-  
6           essary to determine the credit under this sub-  
7           section.

8           “(h) RECAPTURE.—

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

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

16           “(B) such building ceases to be used as the  
17          principal residence of the taxpayer or ceases to  
18          be a certified historic structure, the taxpayer’s  
19          tax imposed by this chapter for the taxable year  
20          in which such disposition or cessation occurs  
21          shall be increased by the recapture percentage  
22          of the credit allowed under this section for all  
23          prior taxable years with respect to such reha-  
24          bilitation.

1           “(2) RECAPTURE PERCENTAGE.—For purposes  
2 of paragraph (1), the recapture percentage shall be  
3 determined in accordance with the table under sec-  
4 tion 50(a)(1)(B), deeming such table to be amend-  
5 ed—

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

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

14           “(3) TRANSFER BETWEEN SPOUSES OR INCI-  
15 DENT TO DIVORCE.—In the case of any transfer de-  
16 scribed in subsection (a) of section 1041 (relating to  
17 transfers between spouses or incident to divorce)—

18           “(A) the foregoing provisions of this sub-  
19 section shall not apply, and

20           “(B) the same tax treatment under this  
21 subsection with respect to the transferred prop-  
22 erty shall apply to the transferee as would have  
23 applied to the transferor.

24           “(i) BASIS ADJUSTMENTS.—For purposes of this  
25 subtitle, if a credit is allowed under this section for any

1 expenditure with respect to any property (including any  
2 purchase under subsection (g)), the increase in the basis  
3 of such property which would (but for this subsection) re-  
4 sult from such expenditure shall be reduced by the amount  
5 of the credit so allowed.

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

11       “(k) DENIAL OF DOUBLE BENEFIT.—No credit shall  
12 be allowed under this section for any amount for which  
13 credit is allowed under section 47.

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

20       (b) CONFORMING AMENDMENTS.—

21               (1)(A) Subparagraph (C) of section 25(e)(1) of  
22 such Code is amended by inserting “25E,” after  
23 “sections 25D,”.

1           (B) Subparagraph (A) of section 25D(2) of  
2 such Code is amended by inserting “and section  
3 25E” after “(other than this section”.

4           (C) Paragraph (1) of section 1400C(d) of such  
5 Code is amended by striking “section 25D” and in-  
6 serting “sections 25D and 25E”.

7           (2)(A) Clause (ii) of section 25(e)(1)(C) of such  
8 Code is amended by inserting “25E,” after “25D,”.

9           (B) Paragraph (2) of section 1400C of such  
10 Code is amended by inserting “25E,” after “25D,”.

11           (3) Subsection (a) of section 1016 of such Code  
12 is amended by striking “and” at the end of para-  
13 graph (36), by striking the period at the end of  
14 paragraph (37) and inserting “, and”, and by add-  
15 ing at the end the following new item:

16           “(38) to the extent provided in section 25E(i).”

17           (c) CLERICAL AMENDMENT.—The table of sections  
18 for subpart A of part IV of subchapter A of chapter 1  
19 of such Code is amended by inserting after the item relat-  
20 ing to section 25D the following new item:

“Sec. 25E. Historic homeownership rehabilitation credit.”.

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

1 **SEC. 3. EXPANSION OF INCENTIVES FOR BUILDING REHA-**  
2 **BILITATION.**

3 (a) INCREASE IN REHABILITATION CREDIT FOR  
4 BUILDINGS IN HIGH COST AREAS.—Paragraph (2) of  
5 subsection 47(c) of such Code (defining qualified rehabili-  
6 tation expenditures) is amended by adding at the end the  
7 following new subparagraph:

8 “(E) INCREASE IN CREDIT FOR BUILDINGS  
9 IN HIGH COST AREAS.—In the case of any  
10 qualified rehabilitated building which is residen-  
11 tial rental property (as defined in paragraph  
12 (2)(D)) located in a qualified census tract or  
13 difficult development area which is designated  
14 for purposes of section 42(d)(5)(C), the quali-  
15 fied rehabilitation expenditures taken into ac-  
16 count under this section shall be 130 percent of  
17 such expenditures determined without regard to  
18 this subparagraph.”.

19 (b) REHABILITATION CREDIT MAY BE TRANS-  
20 FERRED.—

21 (1) IN GENERAL.—Subsection (b) of section 47  
22 of such Code (relating to when expenditures taken  
23 into account) is amended by adding at the end the  
24 following new paragraph:

25 “(3) CREDIT MAY BE ASSIGNED.—The amount  
26 of qualified rehabilitation expenditures with respect

1 to property described in subsection (e)(1)(A)(iv)(II)  
 2 which would (but for this paragraph) be taken into  
 3 account under subsection (a) for any taxable year by  
 4 any person (hereafter in this paragraph referred to  
 5 as the ‘initial taxpayer’)—

6 “(A) may be taken into account by any  
 7 other person to whom such expenditures are as-  
 8 signed by the initial taxpayer, and

9 “(B) shall not be taken to account by ini-  
 10 tial taxpayer.

11 Any person to whom such expenditures are assigned  
 12 under subparagraph (A) shall be treated for pur-  
 13 poses of this title as the taxpayer with respect to  
 14 such expenditures.”.

15 (2) CONFORMING AMENDMENT.—The heading  
 16 for such subsection (b) is amended by inserting “;  
 17 ELIGIBILITY FOR CREDIT MAY BE ASSIGNED” after  
 18 “ACCOUNT”.

19 (c) APPLICABILITY TO BUILDINGS HELD FOR  
 20 SALE.—

21 (1) IN GENERAL.—

22 (A) Clause (iv) of section 47(c)(1)(A) of  
 23 such Code is amended to read as follows:

24 “(iv) depreciation (or amortization in  
 25 lieu of depreciation)—

1                   “(I) is allowable with respect to  
2                   such building, or

3                   “(II) in the case of a residential  
4                   property, would be allowable with re-  
5                   spect to such building but for the  
6                   building being held for sale.”.

7                   (B) Paragraph (2) of section 47(e) of such  
8                   Code is amended by adding at the end the fol-  
9                   lowing new subparagraph:

10                   “(E) SPECIAL RULE FOR CERTAIN PROP-  
11                   PERTY HELD FOR SALE.—For purposes of this  
12                   paragraph, in the case of a qualified rehabili-  
13                   tated building described in paragraph  
14                   (1)(A)(iv)(II), such building shall be treated as  
15                   owned by the taxpayer as rental property with  
16                   respect to which the straight line depreciation  
17                   method is used over a recovery period deter-  
18                   mined under subsection (c) or (g) of section  
19                   168.”.

20                   (2) CONFORMING AMENDMENT.—Paragraph (4)  
21                   of section 50(a) of such Code is amended by striking  
22                   “or” at the end of subparagraph (A), but striking  
23                   the period at the end of subparagraph (B) and in-  
24                   serting “, or”, and by inserting after subparagraph  
25                   (B) the following new subparagraph:

1           “(C) property described in section  
2           47(c)(1)(A)(iv)(II) that has not otherwise  
3           ceased to be investment property.”.

4           (d) **EFFECTIVE DATE.**—The amendments made by  
5 this section shall apply with respect to rehabilitations the  
6 physical work on which begins after the date of enactment  
7 of this Act.

○