

117TH CONGRESS  
1ST SESSION

# H. R. 2143

To amend the Internal Revenue Code of 1986 to allow a credit against tax for neighborhood revitalization, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 2021

Mr. HIGGINS of New York 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 credit against tax for neighborhood revitalization, and for other purposes.

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 “Neighborhood Homes  
5 Investment Act”.

6 **SEC. 2. NEIGHBORHOOD HOMES CREDIT.**

7 (a) IN GENERAL.—Subpart D of part IV of sub-  
8 chapter A of chapter 1 of the Internal Revenue Code of  
9 1986 is amended by inserting after section 42 the fol-  
10 lowing new section:

1 **“SEC. 42A. NEIGHBORHOOD HOMES CREDIT.**

2       “(a) ALLOWANCE OF CREDIT.—For purposes of sec-  
3 tion 38, the amount of the neighborhood homes credit de-  
4 termined under this section for a taxable year for a quali-  
5 fied project shall be, with respect to each qualified resi-  
6 dence that is part of such qualified project and that expe-  
7 riences a qualified completion event during such taxable  
8 year, an amount equal to—

9               “(1) in the case of an affordable sale, with re-  
10 spect to the seller, the excess of—

11                       “(A) the qualified development cost in-  
12 curred by such seller for such qualified resi-  
13 dence, over

14                       “(B) the sale price of such qualified resi-  
15 dence, or

16               “(2) in the case of any other qualified comple-  
17 tion event, with respect to a taxpayer other than the  
18 owner of the qualified residence (or a related person  
19 with respect to such owner), the excess of—

20                       “(A) the development cost incurred by  
21 such taxpayer for such qualified residence, over

22                       “(B) the amount received by such taxpayer  
23 as payment for such rehabilitation.

24       “(b) LIMITATIONS.—

1           “(1) AMOUNT.—The amount determined under  
2 subsection (a) with respect to a qualified residence  
3 shall not exceed 35 percent of the lesser of—

4                   “(A) the qualified development cost, or

5                   “(B) 80 percent of the national median  
6 sale price for new homes (as determined pursu-  
7 ant to the most recent census data available as  
8 of the date on which the neighborhood homes  
9 credit agency makes an allocation for the quali-  
10 fied project).

11           “(2) ALLOCATIONS.—

12                   “(A) IN GENERAL.—The amount deter-  
13 mined under subsection (a) with respect to a  
14 qualified residence that is part of a qualified  
15 project and that experiences a qualified comple-  
16 tion event shall not exceed the excess of—

17                           “(i) the amount determined under  
18 subparagraph (B), over

19                           “(ii) the amounts previously deter-  
20 mined under subsection (a) with respect to  
21 such qualified project.

22                   “(B) ALLOCATION AMOUNT.—The amount  
23 determined under this paragraph with respect  
24 to a qualified residence that is part of a quali-

1           fied project and that experiences a qualified  
2           completion event is the least of—

3                   “(i) the amount allocated to such  
4                   project by the neighborhood homes credit  
5                   agency under this section,

6                   “(ii) pursuant to subparagraph (C),  
7                   the amount such agency determines at the  
8                   time of the qualified completion event is  
9                   necessary to ensure the financial feasibility  
10                  of the project, or

11                  “(iii) in the case of a qualified com-  
12                  pletion event that occurs after the 5-year  
13                  period beginning on the date of the alloca-  
14                  tion referred to in clause (i), \$0.

15                  “(C) FINANCIAL FEASIBILITY.—For pur-  
16                  poses of subparagraph (B)(ii), the neighborhood  
17                  homes credit agency shall consider—

18                   “(i) the sources and uses of funds and  
19                   the total financing planned for the quali-  
20                   fied project,

21                   “(ii) any proceeds or receipts expected  
22                   to be generated by reason of tax benefits,

23                   “(iii) the percentage of the amount al-  
24                   located to such project under this section

1 used for project costs other than the cost  
2 of intermediaries, and

3 “(iv) the reasonableness of the devel-  
4 opmental costs and fees of the qualified  
5 project.

6 “(c) QUALIFIED DEVELOPMENT COST.—For pur-  
7 poses of this section—

8 “(1) IN GENERAL.—The term ‘qualified devel-  
9 opment cost’ means, with respect to a qualified resi-  
10 dence, so much of the allowable development cost as  
11 the neighborhood homes credit agency certifies, at  
12 the time of the completion event, meets the stand-  
13 ards promulgated under subsection (h)(1)(C).

14 “(2) ALLOWABLE DEVELOPMENT COST.—The  
15 term ‘allowable development cost’ means—

16 “(A) the cost of construction, substantial  
17 rehabilitation, demolition of any structure, and  
18 environmental remediation, and

19 “(B) in the case of an affordable sale, so  
20 much of the cost of acquiring buildings and  
21 land as does not exceed an amount equal to 75  
22 percent of the costs described in subparagraph  
23 (A).

24 “(3) CONDOMINIUM AND COOPERATIVE HOUS-  
25 ING UNITS.—In the case of a qualified residence de-

1 scribed in subparagraph (B) or (C) of subsection  
2 (f)(1), the allowable development cost of such quali-  
3 fied residence shall be an amount equal to the total  
4 allowable development cost of the entire condo-  
5 minium or cooperative housing property in which  
6 such qualified residence is located, multiplied by a  
7 fraction—

8 “(A) the numerator of which is the total  
9 floor space of such qualified residence, and

10 “(B) the denominator of which is the total  
11 floor space of all residences within such prop-  
12 erty.

13 “(d) QUALIFIED PROJECT.—For purposes of this  
14 section, the term ‘qualified project’ means a project that—

15 “(1) a neighborhood homes credit agency cer-  
16 tifies will build or substantially rehabilitate one or  
17 more qualified residences located in one or more  
18 qualified census tracts, and

19 “(2) is designated by such agency as a qualified  
20 project under this section and is allocated (before  
21 such building or substantial rehabilitation begins) a  
22 portion of the amount allocated to such agency  
23 under subsection (g).

24 “(e) QUALIFIED CENSUS TRACT.—For purposes of  
25 this section—

1           “(1) IN GENERAL.—The term ‘qualified census  
2 tract’ means a census tract—

3           “(A) with—

4           “(i) a median family income which  
5 does not exceed 80 percent of the applica-  
6 ble area median family income,

7           “(ii) a poverty rate that is not less  
8 than 130 percent of the applicable area  
9 poverty rate, and

10           “(iii) a median value for owner-occu-  
11 pied homes that does not exceed applicable  
12 area median value for owner-occupied  
13 homes,

14           “(B) which is located in a city with a pop-  
15 ulation of not less than 50,000 and a poverty  
16 rate that is not less than 150 percent of the ap-  
17 plicable area poverty rate, and which has—

18           “(i) a median family income which  
19 does not exceed the applicable area median  
20 family income, and

21           “(ii) a median value for owner-occu-  
22 pied homes that does not exceed 80 per-  
23 cent of the applicable area median value  
24 for owner-occupied homes, or

1           “(C) which is located in a nonmetropolitan  
2           county and which has—

3                   “(i) a median family income which  
4                   does not exceed the applicable area median  
5                   family income, and

6                   “(ii) been designated by a neighbor-  
7                   hood homes credit agency under this  
8                   clause.

9           “(2) ADDITIONAL CENSUS TRACTS FOR SUB-  
10           STANTIAL REHABILITATION.—In the case of a quali-  
11           fied residence that is intended for substantial reha-  
12           bilitation described in subsection (f)(5)(B), the term  
13           ‘qualified census tract’ includes a census tract that  
14           meets the requirements of paragraph (1)(A), without  
15           regard to clause (iii), and that is designated by the  
16           neighborhood homes credit agency under this para-  
17           graph.

18           “(3) LIST OF QUALIFIED CENSUS TRACTS.—  
19           The Secretary of Housing and Urban Development  
20           shall, for each year, make publicly available a list of  
21           qualified census tracts under—

22                   “(A) on a combined basis, subparagraphs  
23                   (A) and (B) of paragraph (1),

24                   “(B) subparagraph (C) of such paragraph,  
25                   and



1 “(C) paragraph (2).

2 “(f) OTHER DEFINITIONS.—For purposes of this sec-  
3 tion—

4 “(1) QUALIFIED RESIDENCE.—The term ‘quali-  
5 fied residence’ means a residence that consists of—

6 “(A) a single-family home containing 4 or  
7 fewer residential units,

8 “(B) a condominium unit, or

9 “(C) a house or an apartment owned by a  
10 cooperative housing corporation (as defined in  
11 section 216(b)).

12 “(2) AFFORDABLE SALE.—

13 “(A) IN GENERAL.—

14 “(i) IN GENERAL.—The term ‘afford-  
15 able sale’ means a sale to a qualified home-  
16 owner of a qualified residence that the  
17 neighborhood homes credit agency certifies  
18 as meeting the standards promulgated  
19 under subsection (h)(1)(D) for a price that  
20 does not exceed—

21 “(I) in the case of any qualified  
22 residence not described in subclause  
23 (II), (III), or (IV), the amount equal  
24 to the product of 4 multiplied by the  
25 applicable area median family income,

1           “(II) in the case of a single-fam-  
2 ily home containing two residential  
3 units, 125 percent of the amount de-  
4 scribed in subclause (I),

5           “(III) in the case of a single-fam-  
6 ily home containing three residential  
7 units, 150 percent of the amount de-  
8 scribed in subclause (I), or

9           “(IV) in the case of a single-fam-  
10 ily home containing four residential  
11 units, 175 percent of the amount de-  
12 scribed in subclause (I).

13           “(ii) RELATED PERSONS.—

14           “(I) IN GENERAL.—A sale be-  
15 tween related persons shall not be  
16 treated as an affordable sale.

17           “(II) DEFINITION.—For pur-  
18 poses of this section, a person (in this  
19 clause referred to as the ‘related per-  
20 son’) is related to any person if the  
21 related person bears a relationship to  
22 such person specified in section  
23 267(b) or 707(b)(1), or the related  
24 person and such person are engaged  
25 in trades or businesses under common

1 control (within the meaning of sub-  
2 sections (a) and (b) of section 52).  
3 For purposes of the preceding sen-  
4 tence, in applying section 267(b) or  
5 707(b)(1), ‘10 percent’ shall be sub-  
6 stituted for ‘50 percent’.

7 “(3) APPLICABLE AREA.—The term ‘applicable  
8 area’ means—

9 “(A) in the case of a metropolitan census  
10 tract, the metropolitan area in which such cen-  
11 sus tract is located, and

12 “(B) in the case of a census tract other  
13 than a census tract described in subparagraph  
14 (A), the State.

15 “(4) SUBSTANTIAL REHABILITATION.—The  
16 term ‘substantial rehabilitation’ means rehabilitation  
17 efforts involving qualified development costs that are  
18 not less than the greater of—

19 “(A) \$20,000, or

20 “(B) 20 percent of the cost of acquiring  
21 buildings and land.

22 “(5) QUALIFIED COMPLETION EVENT.—The  
23 term ‘qualified completion event’ means—

24 “(A) in the case of a qualified residence  
25 that is built or substantially rehabilitated as

1 part of a qualified project and sold, an afford-  
2 able sale, or

3 “(B) in the case of a qualified residence  
4 that is substantially rehabilitated as part of a  
5 qualified project and owned by the same quali-  
6 fied homeowner throughout such rehabilitation,  
7 the completion of such rehabilitation (as deter-  
8 mined by the neighborhood homes credit agen-  
9 cy) to the standards promulgated under sub-  
10 section (h)(1)(D).

11 “(6) QUALIFIED HOMEOWNER.—

12 “(A) IN GENERAL.—The term ‘qualified  
13 homeowner’ means, with respect to a qualified  
14 residence, an individual—

15 “(i) who owns and uses such qualified  
16 residence as the principal residence of such  
17 individual, and

18 “(ii) whose income is 140 percent or  
19 less of the applicable area median family  
20 income for the location of the qualified res-  
21 idence.

22 “(B) OWNERSHIP.—For purposes of a co-  
23 operative housing corporation (as such term is  
24 defined in section 216(b)), a tenant-stockholder

1 shall be treated as owning the house or apart-  
2 ment which such person is entitled to occupy.

3 “(C) INCOME.—For purposes of this para-  
4 graph, income shall be a determined in accord-  
5 ance with section 143(f)(2) and 143(f)(4).

6 “(D) TIMING.—For purposes of this para-  
7 graph, the income of a taxpayer shall be deter-  
8 mined—

9 “(i) in the case of a qualified resi-  
10 dence that is built or substantially rehabili-  
11 tated as part of a qualified project and  
12 sold, at the time a binding contract for  
13 purchase is made, or

14 “(ii) in the case of a qualified resi-  
15 dence that is occupied by a qualified home-  
16 owner and intended to be substantially re-  
17 habilitated as part of a qualified project, at  
18 the time a binding contract to undertake  
19 such rehabilitation is made.

20 “(7) NEIGHBORHOOD HOMES CREDIT AGEN-  
21 CY.—The term ‘neighborhood homes credit agency’  
22 means the agency designated by the governor of a  
23 State as the neighborhood homes credit agency of  
24 the State.

25 “(g) ALLOCATION.—

1           “(1) STATE NEIGHBORHOOD HOMES CREDIT  
2 CEILING.—The State neighborhood homes credit  
3 amount for a State for a calendar year is an amount  
4 equal to the greater of—

5                   “(A) the product of \$6, multiplied by the  
6 State population (determined in accordance  
7 with section 146(j)), or

8                   “(B) \$8,000,000.

9           “(2) UNUSED AMOUNT.—The State neighbor-  
10 hood homes credit amount for a calendar year shall  
11 be increased by the sum of—

12                   “(A) any amount certified by the neighbor-  
13 hood homes credit agency of the State as hav-  
14 ing been previously allocated to a qualified  
15 project and not used during the 5-year period  
16 described in subsection (b)(2)(B)(iii), plus

17                   “(B) sum of the amount by which the  
18 amount determined under paragraph (1) (with-  
19 out application of this paragraph) exceeded the  
20 amount allocated to qualified projects in each of  
21 the three immediately preceding calendar years.

22           “(3) PORTION OF STATE CREDIT CEILING FOR  
23 CERTAIN PROJECTS INVOLVING QUALIFIED NON-  
24 PROFIT ORGANIZATIONS.—Rules similar to the rules  
25 of section 42(h)(5) shall apply.

1       “(h) RESPONSIBILITIES OF NEIGHBORHOOD HOMES  
2 CREDIT AGENCIES.—

3           “(1) IN GENERAL.—Notwithstanding subsection  
4 (g), the State neighborhood homes credit dollar  
5 amount shall be zero for a calendar year unless the  
6 neighborhood homes credit agency of the State—

7           “(A) allocates such amount pursuant to a  
8 qualified allocation plan of the neighborhood  
9 homes credit agency,

10           “(B) allocates not more than 20 percent of  
11 such amount for the previous year to projects  
12 with respect to qualified residences in census  
13 tracts under subsection (e)(1)(C) or (e)(2),

14           “(C) promulgates standards with respect  
15 to reasonable qualified development costs and  
16 fees,

17           “(D) promulgates standards with respect  
18 to construction quality, and

19           “(E) submits to the Secretary (at such  
20 time and in such manner as the Secretary may  
21 prescribe) an annual report specifying—

22           “(i) the amount of the neighborhood  
23 homes credits allocated to each qualified  
24 project for the previous year,

1           “(ii) with respect to each qualified  
2 residence completed in the preceding cal-  
3 endar year—

4                   “(I) the census tract in which  
5 such qualified residence is located,

6                   “(II) with respect to the qualified  
7 project that includes such qualified  
8 residence, the year in which such  
9 project received an allocation under  
10 this section,

11                   “(III) whether such qualified res-  
12 idence was new or substantially reha-  
13 bilitated,

14                   “(IV) the eligible basis of such  
15 qualified residence,

16                   “(V) the amount of the neighbor-  
17 hood homes credit with respect to  
18 such qualified residence,

19                   “(VI) the sales price of such  
20 qualified residence or, in the case of a  
21 qualified residence that is substan-  
22 tially rehabilitated as part of a quali-  
23 fied project and is owned by the same  
24 qualified homeowner during the en-



1                   tirety of such rehabilitation, the cost  
2                   of the substantial rehabilitation, and

3                   “(VII) the income of the quali-  
4                   fied homeowner (expressed as a per-  
5                   centage of the applicable area median  
6                   family income for the location of the  
7                   qualified residence), and

8                   “(iii) such other information as the  
9                   Secretary may require.

10                   “(2) QUALIFIED ALLOCATION PLAN.—For pur-  
11                   poses of this subsection, the term ‘qualified alloca-  
12                   tion plan’ means any plan which—

13                   “(A) sets forth the selection criteria to be  
14                   used to prioritize qualified projects for alloca-  
15                   tions of State neighborhood homes credit dollar  
16                   amounts, including—

17                   “(i) the need for new or substantially  
18                   rehabilitated owner-occupied homes in the  
19                   area addressed by the project,

20                   “(ii) the expected contribution of the  
21                   project to neighborhood stability and revi-  
22                   talization,

23                   “(iii) the capability of the project  
24                   sponsor, and

1                   “(iv) the likelihood the project will re-  
2                   sult in long-term homeownership,

3                   “(B) has been made available for public  
4                   comment, and

5                   “(C) provides a procedure that the neigh-  
6                   borhood homes credit agency (or any agent or  
7                   contractor of such agency) shall follow for pur-  
8                   poses of—

9                   “(i) identifying noncompliance with  
10                  any provisions of this section, and

11                  “(ii) notifying the Internal Revenue  
12                  Service of any such noncompliance of  
13                  which the agency becomes aware.

14                  “(i) POSSESSIONS TREATED AS STATES.—For pur-  
15                  poses of this section, the term ‘State’ includes the District  
16                  of Columbia and a possession of the United States.

17                  “(j) REPAYMENT.—

18                         “(1) IN GENERAL.—

19                         “(A) SOLD DURING 5-YEAR PERIOD.—If a  
20                         qualified residence is sold during the 5-year pe-  
21                         riod beginning on the date of the qualified com-  
22                         pletion event described in subsection (a) with  
23                         respect to such qualified residence, the seller  
24                         shall transfer an amount equal to the repay-  
25                         ment amount from the amount realized on such

1 sale to the relevant neighborhood homes credit  
2 agency.

3 “(B) USE OF REPAYMENTS.—A neighbor-  
4 hood homes credit agency shall use any amount  
5 received pursuant to subparagraph (A) only for  
6 purposes of qualified projects.

7 “(2) REPAYMENT AMOUNT.—For purposes of  
8 paragraph (1)(A), the repayment amount is an  
9 amount equal to 50 percent of the gain from such  
10 resale, reduced by 20 percent for each year of the  
11 5-year period referred to in paragraph (1)(A) which  
12 ends before the date of the sale referred to in such  
13 paragraph.

14 “(3) LIEN FOR REPAYMENT AMOUNT.—A  
15 neighborhood homes credit agency receiving an allo-  
16 cation under this section shall place a lien on each  
17 qualified residence that is built or rehabilitated as  
18 part of a qualified project for an amount such agen-  
19 cy deems necessary to ensure potential repayment  
20 pursuant to paragraph (1)(A).

21 “(4) DENIAL OF DEDUCTIONS IF CONVERTED  
22 TO RENTAL HOUSING.—If, during the 5-year period  
23 beginning on the date of the qualified completion  
24 event described in subsection (a), an individual who  
25 owns a qualified residence fails to use such qualified

1 residence as such individual’s principal residence for  
2 any period of time, no deduction shall be allowed for  
3 expenses paid or incurred by such individual with re-  
4 spect to renting, during such period of time, such  
5 qualified residence.

6 “(5) WAIVER.—The neighborhood homes credit  
7 agency may waive the repayment required under  
8 paragraph (1)(A) in the case of homeowner experi-  
9 encing a hardship.

10 “(k) REPORT.—

11 “(1) IN GENERAL.—The Secretary shall annu-  
12 ally issue a report, to be made available to the pub-  
13 lic, which contains the information submitted pursu-  
14 ant to subsection (h)(1)(E).

15 “(2) DE-IDENTIFICATION.—The Secretary shall  
16 ensure that any information made public pursuant  
17 to paragraph (1) excludes any information that  
18 would allow for the identification of qualified home-  
19 owners.

20 “(l) INFLATION ADJUSTMENT.—

21 “(1) IN GENERAL.—In the case of a calendar  
22 year after 2022, the dollar amounts in this section  
23 shall be increased by an amount equal to—

24 “(A) such dollar amount, multiplied by

1           “(B) the cost-of-living adjustment deter-  
2           mined under section 1(f)(3) for such calendar  
3           year by substituting ‘calendar year 2021’ for  
4           ‘calendar year 2016’ in subparagraph (A)(ii)  
5           thereof.

6           “(2) ROUNDING.—

7           “(A) SUBSTANTIAL REHABILITATION.—In  
8           the case of the dollar amount in subsection  
9           (f)(4), any increase under the preceding sen-  
10          tence which is not a multiple of \$1,000 shall be  
11          rounded to the nearest multiple of \$1,000.

12          “(B) In the case of the dollar amount in  
13          subsection (g)(1)(A), any increase under the  
14          preceding sentence which is not a multiple of  
15          \$0.01 shall be rounded to the nearest multiple  
16          of \$0.01.

17          “(C) In the case of the dollar amount in  
18          subsection (g)(1)(B), any increase under the  
19          preceding sentence which is not a multiple of  
20          \$100,000 shall be rounded to the nearest mul-  
21          tiple of \$100,000.”.

22          (b) CURRENT YEAR BUSINESS CREDIT CALCULA-  
23          TION.—Section 38(b) of the Internal Revenue Code of  
24          1986 is amended by redesignating paragraphs (6) through

1 (33) as paragraphs (7) through (34), respectively, and by  
2 inserting after paragraph (5) the following new paragraph:

3 “(6) the neighborhood homes credit determined  
4 under section 42A(a),”.

5 (c) LIMITATION ON CARRYBACK.—Section 39 of the  
6 Internal Revenue Code of 1986 is amended by adding at  
7 the end the following new subsection:

8 “(e) NO CARRYBACK OF NEIGHBORHOOD HOMES  
9 CREDIT BEFORE EFFECTIVE DATE.—No amount of the  
10 unused credit attributable to section 42A may be taken  
11 into account under section 38(a)(3) for any taxable year  
12 beginning before the date of the enactment of this sub-  
13 section.”.

14 (d) CONFORMING AMENDMENTS.—Subsections  
15 (i)(3)(C), (i)(6)(B)(i), and (k)(1) of section 469 of the In-  
16 ternal Revenue Code of 1986 are each amended by insert-  
17 ing “or 42A” after “section 42”.

18 (e) CLERICAL AMENDMENT.—The table of sections  
19 for subpart D of part IV of subchapter A of chapter 1  
20 of the Internal Revenue Code of 1986 is amended by in-  
21 serting after the item relating to section 42 the following:

“Sec. 42A. Neighborhood homes credit.”.

22 (f) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to calendar years beginning after  
24 December 31, 2021.

○