

117TH CONGRESS
2D SESSION

S. 4445

To amend the Internal Revenue Code of 1986 to expand housing investment with mortgage revenue bonds, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 22, 2022

Ms. CORTEZ MASTO introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to expand housing investment with mortgage revenue bonds, 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Affordable Housing Bond Enhancement Act”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents for
 4 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Reporting requirements for bond usage.
- Sec. 3. Use of carryforward bond authority.
- Sec. 4. Elimination of refinancing limitation for mortgage revenue bonds.
- Sec. 5. Increase in financing limit for qualified home improvement loans.
- Sec. 6. Revision of recapture tax for mortgage revenue bonds.
- Sec. 7. Modifying calculation of credit for interest paid on certified indebtedness.
- Sec. 8. Extension of period for mortgage credit certificate to be in effect.
- Sec. 9. Extension of period to revoke election to issue mortgage credit certificates.
- Sec. 10. Adjustment of public notice requirement.
- Sec. 11. Elimination of reporting requirement.

5 **SEC. 2. REPORTING REQUIREMENTS FOR BOND USAGE.**

6 (a) IN GENERAL.—Section 146 is amended by adding
 7 at the end the following:

8 “(o) REPORTING.—Not later than April 1 of each cal-
 9 endar year, the Secretary shall submit a report to the
 10 Committee on Banking, Housing, and Urban Affairs of
 11 the Senate, the Committee on Financial Services of the
 12 House of Representatives, the Committee on Ways and
 13 Means of the House of Representatives, and the Com-
 14 mittee on Finance of the Senate, containing information,
 15 as provided to the Secretary by State and local issuing
 16 authorities, which specifies for each State—

17 “(1) the purposes for which any State ceiling
 18 and carryforward under subsection (f) applicable to

1 such State for the preceding calendar year was used,
2 and

3 “(2) the total amount of—

4 “(A) any excess amounts described in
5 paragraph (1) of subsection (f) for which the
6 issuing authority did not elect to treat as a
7 carryforward under such subsection, and

8 “(B) any amount of any carryforward
9 under such subsection which expired pursuant
10 to paragraph (3)(A) of such subsection.”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to calendar years beginning after
13 the date of enactment of this Act.

14 **SEC. 3. USE OF CARRYFORWARD BOND AUTHORITY.**

15 (a) IN GENERAL.—Paragraph (3) of section 146(f)
16 is amended—

17 (1) by striking subparagraph (A) and inserting
18 the following:

19 “(A) IN GENERAL.—If any issuing author-
20 ity—

21 “(i) elects a carryforward under para-
22 graph (1) with respect to any carryforward
23 purpose,

1 “(ii) receives a carryforward under
 2 paragraph (4)(B)(i) with respect to any
 3 carryforward purpose, or

4 “(iii) redesignates a carryforward
 5 under paragraph (4)(B)(ii) for any
 6 carryforward purpose,

7 any private activity bonds issued by such au-
 8 thority with respect to such purpose at any time
 9 during the 3 calendar years following the cal-
 10 endar year in which the carryforward arose
 11 shall not be taken into account under sub-
 12 section (a) to the extent the amount of such
 13 bonds issued at or prior to such time does not
 14 exceed the amount of the carryforward elected,
 15 received, or redesignated for such purpose, pro-
 16 vided that such amount has not been subse-
 17 quently transferred to another issuing authority
 18 or redesignated for another purpose pursuant to
 19 paragraph (4)(B).”, and

20 (2) in subparagraph (B), by inserting “, or re-
 21 ceived or redesignated for,” after “with respect to”.

22 (b) ELECTION.—Paragraph (4) of section 146(f) is
 23 amended to read as follows:

24 “(4) ELECTION.—

1 “(A) IN GENERAL.—Except as provided in
2 subparagraph (B), any election under this sub-
3 section (and any identification or specification
4 contained therein), once made, shall be irrev-
5 ocable.

6 “(B) EXCEPTION FOR HOUSING.—

7 “(i) TRANSFER.—In the case of any
8 carryforward elected under paragraph (1)
9 by an issuing authority with respect to any
10 carryforward purpose, during the period
11 described in paragraph (3)(A) with respect
12 to such carryforward, such issuing author-
13 ity may transfer such carryforward to any
14 issuing authority within the same State
15 that is authorized to issue qualified mort-
16 gage bonds or exempt facility bonds de-
17 scribed in section 142(a)(7).

18 “(ii) REDESIGNATION.—In the case of
19 any carryforward—

20 “(I) elected under paragraph (1)
21 by an issuing authority with respect
22 to any carryforward purpose which
23 has not been transferred pursuant to
24 clause (i), or

1 “(II) received by an issuing au-
2 thority pursuant to clause (i) with re-
3 spect to any carryforward purpose,
4 during the period described in paragraph
5 (3)(A) with respect to such carryforward,
6 such issuing authority may redesignate
7 such carryforward to be for the purpose of
8 issuing qualified mortgage bonds or mort-
9 gage credit certificates, or for the purpose
10 of issuing exempt facility bonds described
11 in section 142(a)(7).

12 “(iii) STATE DIRECTION.—In the case
13 of a State which has enacted a law de-
14 scribed in subsection (e)(1), such State
15 may, by law, prohibit, limit, require, or
16 otherwise direct transfer or redesignation
17 by issuing authorities within such State
18 (except in the case of a constitutional
19 home rule city) pursuant to this subpara-
20 graph.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to elections made under section
23 146(f) of the Internal Revenue Code of 1986 after Decem-
24 ber 31, 2022.

1 **SEC. 4. ELIMINATION OF REFINANCING LIMITATION FOR**
 2 **MORTGAGE REVENUE BONDS.**

3 (a) IN GENERAL.—Section 143(i)(1) is amended by
 4 adding at the end the following:

5 “(D) EXCEPTION FOR REFINANCING FOR
 6 CERTAIN MORTGAGORS.—

7 “(i) IN GENERAL.—The refinancing of
 8 a mortgage on a residence of a mortgagor
 9 who, as of the date of such refinancing,
 10 satisfies the principal residence require-
 11 ments under subsection (c)(1) and the in-
 12 come requirements under subsection (f)
 13 shall not be treated as the acquisition or
 14 replacement of an existing mortgage for
 15 purposes of subparagraph (A).

16 “(ii) SPECIAL RULE.—In applying
 17 clause (i) to any refinancing, subsection
 18 (d) shall not apply.”.

19 (b) EFFECTIVE DATE.—The amendment made by
 20 this section shall apply to refinancing loans closed on or
 21 after the date of enactment of this Act.

22 **SEC. 5. INCREASE IN FINANCING LIMIT FOR QUALIFIED**
 23 **HOME IMPROVEMENT LOANS.**

24 (a) INCREASE IN FINANCING LIMIT.—Paragraph (4)
 25 of section 143(k) is amended by striking “\$15,000” and
 26 inserting “\$50,000”.

1 (b) INFLATION ADJUSTMENT.—Paragraph (4) of sec-
 2 tion 143(k), as amended by subsection (a), is amended—

3 (1) by redesignating subparagraphs (A) and
 4 (B) as clauses (i) and (ii), respectively, and by mov-
 5 ing such clauses (as so redesignated) 2 ems to the
 6 right,

7 (2) by striking “The term” and inserting the
 8 following:

9 “(A) IN GENERAL.—The term”, and

10 (3) by adding at the end the following:

11 “(B) INFLATION ADJUSTMENT.—

12 “(i) IN GENERAL.—In the case of any
 13 calendar year beginning after 2022, the
 14 \$50,000 amount in subparagraph (A) shall
 15 be increased by an amount equal to—

16 “(I) such dollar amount, multi-
 17 plied by

18 “(II) the cost-of-living adjust-
 19 ment determined under section 1(f)(3)
 20 for such calendar year, determined by
 21 substituting ‘2021’ for ‘2016’ in sub-
 22 paragraph (A)(ii) thereof.

23 “(ii) ROUNDING.—If any increase
 24 under clause (i) is not a multiple of \$100,

1 such increase shall be rounded to the near-
2 est multiple of \$100.”.

3 (c) EFFECTIVE DATES.—

4 (1) INCREASE IN FINANCING LIMIT.—The
5 amendments made by subsection (a) shall apply to
6 loans made on or after the date of enactment of this
7 Act.

8 (2) INFLATION ADJUSTMENT.—The amend-
9 ments made by subsection (b) shall apply to cal-
10 endar years beginning after December 31, 2022.

11 **SEC. 6. REVISION OF RECAPTURE TAX FOR MORTGAGE**
12 **REVENUE BONDS.**

13 (a) IN GENERAL.—Subparagraph (C) of section
14 143(m)(4) is amended to read as follows:

15 “(C) HOLDING PERIOD PERCENTAGE.—
16 The term ‘holding period percentage’ means the
17 percentage determined in accordance with the
18 following table:

**“If the disposition occurs The holding period percentage
 during a year after the is:
 testing date which is:**

The 1st such year	20
The 2nd such year	40
The 3rd such year	60
The 4th such year	80
The 5th such year	100.”.

19 (b) CONFORMING AMENDMENT.—Section
20 143(m)(7)(B)(ii) is amended by striking “9-year period”
21 and inserting “5-year period”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 2021.

4 **SEC. 7. MODIFYING CALCULATION OF CREDIT FOR INTER-**
 5 **EST PAID ON CERTIFIED INDEBTEDNESS.**

6 (a) IN GENERAL.—Section 25 is amended—

7 (1) in subsection (a)—

8 (A) in paragraph (1), by striking subpara-
 9 graph (B) and inserting the following:

10 “(B) the original principal amount of the
 11 certified indebtedness amount on which interest
 12 was paid or accrued by the taxpayer during the
 13 taxable year.”, and

14 (B) in paragraph (2)—

15 (i) in the heading, by striking
 16 “WHERE CREDIT RATE EXCEEDS 20 PER-
 17 CENT”, and

18 (ii) in subparagraph (A), by striking
 19 “If the certificate credit rate exceeds 20
 20 percent, the” and inserting “The”, and

21 (2) in subsection (d)—

22 (A) by striking paragraph (1) and insert-
 23 ing the following:

24 “(1) IN GENERAL.—

1 “(A) CERTIFICATE CREDIT RATE.—Subject
 2 to subparagraph (B), the certificate credit rate
 3 specified in any mortgage credit certificate shall
 4 not be less than 1 percent or more than 5 per-
 5 cent.

6 “(B) VARIABLE RATE.—With respect to
 7 any mortgage credit certificate, the issuing au-
 8 thority may elect to specify a different certifi-
 9 cate credit rate for each year of the term of the
 10 mortgage.”, and

11 (B) in paragraph (2)—

12 (i) in the heading, by striking “CER-
 13 TIFICATE CREDIT RATES” and inserting
 14 “AMOUNT OF CREDIT CERTIFICATES”, and

15 (ii) in subparagraph (A)(ii), by insert-
 16 ing “average annual” before “certificate
 17 credit rate”.

18 (b) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply to mortgage credit certificates
 20 issued after December 31, 2021.

21 **SEC. 8. EXTENSION OF PERIOD FOR MORTGAGE CREDIT**
 22 **CERTIFICATE TO BE IN EFFECT.**

23 (a) IN GENERAL.—Section 25(e)(3)(B) is amended
 24 by striking “second” and inserting “fourth”.

1 (b) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to mortgage credit certificates
 3 issued after December 31, 2022.

4 **SEC. 9. EXTENSION OF PERIOD TO REVOKE ELECTION TO**
 5 **ISSUE MORTGAGE CREDIT CERTIFICATES.**

6 (a) IN GENERAL.—Section 25(c)(2) is amended by
 7 adding at the end the following:

8 “(C) REVOCATION OF ELECTION TO ISSUE
 9 MORTGAGE CREDIT CERTIFICATES.—For pur-
 10 poses of any election made by an issuing au-
 11 thority under subparagraph (A)(ii) during any
 12 calendar year, such issuing authority may sub-
 13 sequently elect to reduce the nonissued bond
 14 amount (as defined in subsection (d)(2)(B)) for
 15 such calendar year, provided that such election
 16 is made not later than the end of the suc-
 17 ceeding calendar year.”.

18 (b) EFFECTIVE DATE.—The amendment made by
 19 this section shall apply to elections made by an issuing
 20 authority under section 25(c)(2)(A)(ii) of the Internal
 21 Revenue Code of 1986 after December 31, 2022.

22 **SEC. 10. ADJUSTMENT OF PUBLIC NOTICE REQUIREMENT.**

23 (a) IN GENERAL.—Section 25(e)(5) is amended by
 24 striking “90 days” and inserting “30 days”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to notices provided after December
3 31, 2022.

4 **SEC. 11. ELIMINATION OF REPORTING REQUIREMENT.**

5 (a) IN GENERAL.—Section 25 is amended by striking
6 subsection (g).

7 (b) CONFORMING AMENDMENTS.—Section 6709 is
8 amended—

9 (1) by striking subsection (c), and

10 (2) by redesignating subsection (d) as sub-
11 section (c).

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall take effect on the date of enactment of
14 this Act.

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