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(Original Signature of Member)

117TH CONGRESS
1ST SESSION

H. R.

To amend the Internal Revenue Code of 1986 to modify the rehabilitation credit for certain small projects, to eliminate the requirement that the taxpayer's basis in a building be reduced by the amount of the rehabilitation credit determined with respect to such building, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. BLUMENAUER introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to modify the rehabilitation credit for certain small projects, to eliminate the requirement that the taxpayer's basis in a building be reduced by the amount of the rehabilitation credit determined with respect to such building, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Historic Tax Credit
3 Growth and Opportunity Act of 2021”.

4 **SEC. 2. INCREASE IN REHABILITATION CREDIT.**

5 (a) IN GENERAL.—Section 47(a) of the Internal Rev-
6 enue Code of 1986 is amended by adding at the end the
7 following new paragraph:

8 “(3) INCREASED PERCENTAGE FOR QUALIFIED
9 REHABILITATION EXPENDITURES BEFORE 2027.—

10 “(A) IN GENERAL.—In the case of any
11 qualified rehabilitated building with respect to
12 which there are qualified rehabilitation expendi-
13 tures paid or incurred in any taxable year be-
14 ginning after December 31, 2019, and before
15 January 1, 2027—

16 “(i) paragraph (2) shall be applied by
17 substituting ‘the applicable percentage’ for
18 ‘20 percent’ with respect to such expendi-
19 tures, and

20 “(ii) the ratable share of such expend-
21 itures shall be determined separately under
22 paragraph (2) by applying the applicable
23 percentage for each such taxable year to
24 the expenditures for each such taxable
25 year.

1 “(B) APPLICABLE PERCENTAGE.—For
 2 purposes of this paragraph, the term ‘applicable
 3 percentage’ means the percentage determined in
 4 accordance with the following table:

“In the case of a taxable year beginning in:	The applicable percentage is—
2020 through 2024	30
2025	26
2026	23
2027 and thereafter	20”.

5 (b) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to property placed in service after
 7 March 31, 2021.

8 **SEC. 3. INCREASE IN THE REHABILITATION CREDIT FOR**
 9 **CERTAIN SMALL PROJECTS.**

10 (a) IN GENERAL.—Section 47 is amended by adding
 11 at the end the following new subsection:

12 “(e) SPECIAL RULE REGARDING CERTAIN SMALL
 13 PROJECTS.—

14 “(1) IN GENERAL.—In the case of any small
 15 project—

16 “(A) the percentage under subsection
 17 (a)(2) shall be 30 percent, and

18 “(B) the qualified rehabilitation expendi-
 19 tures taken into account under this section with
 20 respect to such project shall not exceed
 21 \$2,500,000.

1 “(2) SMALL PROJECT.—For purposes of this
2 subsection, the term ‘small project’ means the reha-
3 bilitation of any qualified rehabilitated building if—

4 “(A) the qualified rehabilitation expendi-
5 tures taken into account under this section (or
6 which would be so taken into account but for
7 paragraph (1)(B)) with respect to such rehabili-
8 tation do not exceed \$3,750,000,

9 “(B) no credit was allowed under this sec-
10 tion with respect to such building to any tax-
11 payer for either of the 2 taxable years imme-
12 diately preceding the first taxable year in which
13 expenditures described in subparagraph (A)
14 were paid or incurred, and

15 “(C) the taxpayer elects (at such time and
16 manner as the Secretary may provide) to have
17 this subsection apply with respect to such reha-
18 bilitation.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to taxable years beginning after
21 December 31, 2021.

1 **SEC. 4. MODIFICATION OF DEFINITION OF SUBSTANTIALLY**
2 **REHABILITATED.**

3 (a) IN GENERAL.—Section 47(c)(1)(B)(i)(I) is
4 amended by inserting “50 percent of” before “the ad-
5 justed basis”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 subsection (a) shall apply to determinations with respect
8 to 24-month periods (referred to in clause (i) of section
9 47(c)(1)(B) of the Internal Revenue Code of 1986) and
10 60-month periods (referred to in clause (ii) of such sec-
11 tion) which begin after the date of the enactment of this
12 Act.

13 **SEC. 5. ELIMINATION OF REHABILITATION CREDIT BASIS**
14 **ADJUSTMENT.**

15 (a) IN GENERAL.—Section 50(c) is amended by add-
16 ing at the end the following new paragraph:

17 “(6) EXCEPTION FOR REHABILITATION CRED-
18 IT.—In the case of the rehabilitation credit, para-
19 graph (1) shall not apply.”.

20 (b) TREATMENT IN CASE OF CREDIT ALLOWED TO
21 LESSEE.—Section 50(d) is amended by adding at the end
22 the following: “In the case of the rehabilitation credit,
23 paragraph (5)(B) of the section 48(d) referred to in para-
24 graph (5) of this subsection shall not apply.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to property placed in service after
3 the date of the enactment of this Act.

4 **SEC. 6. MODIFICATIONS REGARDING CERTAIN TAX-EXEMPT**
5 **USE PROPERTY.**

6 (a) IN GENERAL.—Section 47(c)(2)(B)(v) is amend-
7 ed by adding at the end the following new subclause:

8 “(III) DISQUALIFIED LEASE
9 RULES TO APPLY ONLY IN CASE OF
10 GOVERNMENT ENTITY.—For purposes
11 of subclause (I), except in the case of
12 a tax-exempt entity described in sec-
13 tion 168(h)(2)(A)(i) (determined with-
14 out regard to the last sentence of sec-
15 tion 168(h)(2)(A)), the determination
16 of whether property is tax-exempt use
17 property shall be made under section
18 168(h) without regard to whether the
19 property is leased in a disqualified
20 lease (as defined in section
21 168(h)(1)(B)(ii)).”.

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to leases entered into after the date
24 of the enactment of this Act.