115TH CONGRESS
1ST SESSION

S. _____

To amend the Internal Revenue Code of 1986 to reform the low-income housing credit, and for other purposes.

IN THE SENATE OF THE UNITED STATES

_____

Ms. CANTWELL introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to reform the low-income housing credit, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Affordable Housing Credit Improvement Act of 2017''.

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

Sec. 1. Short title; table of contents.

TITLE I—REFORM OF STATE ALLOCATION FORMULAS

Sec. 101. Increases in State allocations.

TITLE II—REFORMS RELATING TO TENANT ELIGIBILITY

Sec. 201. Average income test.
Sec. 202. Uniform income eligibility for rural projects.
Sec. 203. Codification of rules relating to increased tenant income.
Sec. 204. Modification of student occupancy rules.
Sec. 205. Tenant voucher payments taken into account as rent for certain purposes.

TITLE III—CREDIT RATE AND OTHER RULES RELATING TO CREDIT ELIGIBILITY AND DETERMINATION

Sec. 301. Minimum credit rate.
Sec. 302. Reconstruction or replacement period after casualty loss.
Sec. 303. Modification of rights relating to building purchase.
Sec. 304. Modification of 10-year rule; limitation on acquisition basis.
Sec. 305. Certain relocation costs taken into account as rehabilitation expenditures.
Sec. 306. Repeal of qualified census tract population cap.
Sec. 307. Determination of community revitalization plan to be made by housing credit agency.
Sec. 308. Prohibition of local approval and contribution requirements.
Sec. 309. Increase in credit for certain projects designated to serve extremely low-income households.
Sec. 310. Increase in credit for bond-financed projects designated by State agency.
Sec. 311. Elimination of basis reduction for low-income housing properties receiving certain energy benefits.
Sec. 312. Restriction of planned foreclosures.
Sec. 313. Increase of population cap for difficult development areas.

TITLE IV—REFORMS RELATING TO NATIVE AMERICAN ASSISTANCE

Sec. 401. Selection criteria under qualified allocation plans.
Sec. 402. Inclusion of Indian areas as difficult development areas for purposes of certain buildings.

TITLE V—AFFORDABLE HOUSING TAX CREDIT

Sec. 501. Affordable housing tax credit.

TITLE I—REFORM OF STATE ALLOCATION FORMULAS

SEC. 101. INCREASES IN STATE ALLOCATIONS.

(a) PHASE-IN OF INCREASES.—

(1) IN GENERAL.—Clause (ii) of section 42(h)(3)(C) of the Internal Revenue Code of 1986 is amended—

(A) by striking "$1.75" in subclause (I) and inserting "the per capita dollar amount", and

(B) by striking "$2,000,000" in subclause (II) and inserting "the minimum ceiling amount".

(2) PER CAPITA DOLLAR AMOUNT; MINIMUM CEILING AMOUNT.—Subparagraph (I) of section 42(h)(3) of such Code is amended to read as follows:

"(I) PER CAPITA DOLLAR AMOUNT; MINIMUM CEILING AMOUNT.—For purposes of this paragraph—

"(i) PER CAPITA DOLLAR AMOUNT.—The per capita dollar amount is—

"(I) for calendar year 2017, $2.35,

"(II) for calendar year 2018, $2.59,

"(III) for calendar year 2019, $2.82,

"(IV) for calendar year 2020, $3.06,

"(V) for calendar year 2021, $3.29, and

"(VI) $3.53 thereafter.

"(ii) MINIMUM CEILING AMOUNT.—The minimum ceiling amount is—

"(I) for calendar year 2017, $2,710,000,

"(II) for calendar year 2018, $2,981,000,

"(III) for calendar year 2019, $3,252,000,

"(IV) for calendar year 2020, $3,523,000,

"(V) for calendar year 2021, $3,794,000, and

"(VI) $4,065,000 thereafter.".

(3) MODIFICATION OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (H) of section 42(h)(3) of such Code is amended—

(A) by striking "2002" in clause (i) and inserting "2017",

(B) by striking "the $2,000,000 and $1.75 amounts in subparagraph (C)" in clause (i) and inserting "the dollar amounts applicable to such calendar year under clauses (i) and (ii) of subparagraph (I)",

(C) by striking "2001" in clause (i)(II) and inserting "2016",

(D) by striking ''$2,000,000'' in clause (ii)(I) and inserting ''minimum ceiling'', and

(E) by striking ''$1.75'' in clause (ii)(II) and inserting ''per capita dollar''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to calendar years beginning after December 31, 2017.

(b) PERMANENT INCREASES.—

(1) IN GENERAL.—Clause (ii) of section 42(h)(3)(C) of the Internal Revenue Code of 1986, as amended by subsection (a)(1), is amended—

(A) by striking ''the per capita dollar amount'' in subclause (I) and inserting ''$3.53'', and

(B) by striking ''the minimum ceiling amount'' in subclause (II) and inserting ''$4,065,000''.

(2) CONFORMING AMENDMENT.—Paragraph (3) of section 42(h) of such Code is amended by striking subparagraph (I), as amended by subsection (a)(2).

(3) COST-OF-LIVING ADJUSTMENT.—Subparagraph (H) of section 42(h)(3) of such Code, as amended by subsection (a)(3), is amended—

(A) by striking ''the dollar amounts applicable to such calendar year under clauses (i)

and (ii) of subparagraph (I)'' in clause (i) and inserting ''the $4,065,000 and $3.53 amounts in subparagraph (C)'',

(B) by striking ''minimum ceiling'' in clause (ii)(I) and inserting ''$4,065,000'', and

(C) by striking ''per capita dollar'' in clause (ii)(II) and inserting ''$3.53''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to calendar years beginning after December 31, 2022.

TITLE II—REFORMS RELATING TO TENANT ELIGIBILITY

SEC. 201. AVERAGE INCOME TEST.

(a) IN GENERAL.—Paragraph (1) of section 42(g) of the Internal Revenue Code of 1986 is amended—

(1) by striking ''subparagraph (A) or (B)'' and inserting ''subparagraph (A), (B), or (C)'', and

(2) by inserting after subparagraph (B) the following new subparagraph:

''(C) AVERAGE INCOME TEST.—

''(i) IN GENERAL.—The project meets the minimum requirements of this subparagraph if 40 percent or more (25 percent or more in the case of a project described in section 142(d)(6)) of the resi-

dential units in such project are both rent-restricted and occupied by individuals whose income does not exceed the imputed income limitation designated by the taxpayer with respect to the respective unit.

"(ii) SPECIAL RULES RELATING TO INCOME LIMITATION.—For purposes of clause (i)—

"(I) DESIGNATION.—The taxpayer shall designate the imputed income limitation of each unit taken into account under such clause.

"(II) AVERAGE TEST.—The average of the imputed income limitations designated under subclause (I) shall not exceed 60 percent of area median gross income.

"(III) 10-PERCENT INCREMENTS.—The designated imputed income limitation of any unit under subclause (I) shall be 20 percent, 30 percent, 40 percent, 50 percent, 60 percent, 70 percent, or 80 percent of area median gross income.".

(b) RULES RELATING TO NEXT AVAILABLE UNIT.—Subparagraph (D) of section 42(g)(2) of the Internal Revenue Code of 1986 is amended—

(1) in clause (i), by striking ''clause (ii)'' and inserting ''clauses (ii), (iii), and (iv)'',

(2) in clause (ii)—

(A) by striking ''If'' and inserting ''In the case of a project with respect to which the taxpayer elects the requirements of subparagraph (A) or (B) of paragraph (1), if'',

(B) by striking the second sentence, and

(C) by striking ''NEXT AVAILABLE UNIT MUST BE RENTED TO LOW-INCOME TENANT IF INCOME RISES ABOVE 140 PERCENT OF INCOME LIMIT'' in the heading and inserting ''RENTAL OF NEXT AVAILABLE UNIT IN CASE OF 20–50 OR 40–60 TEST'', and

(3) by adding at the end the following new clauses:

''(iii) RENTAL OF NEXT AVAILABLE UNIT IN CASE OF AVERAGE INCOME TEST.—In the case of a project with respect to which the taxpayer elects the requirements of subparagraph (C) of paragraph (1), if the income of the occupants

of the unit increases above 140 percent of the greater of—

"(I) 60 percent of area median gross income, or

"(II) the imputed income limitation designated with respect to the unit under paragraph (1)(C)(ii)(I),

clause (i) shall cease to apply to any such unit if any residential rental unit in the building (of a size comparable to, or smaller than, such unit) is occupied by a new resident whose income exceeds the limitation described in clause (v).

"(iv) DEEP RENT SKEWED PROJECTS.—In the case of a project described in section 142(d)(4)(B), clause (ii) or (iii), whichever is applicable, shall be applied by substituting '170 percent' for '140 percent', and—

"(I) in the case of clause (ii), by substituting 'any low-income unit in the building is occupied by a new resident whose income exceeds 40 percent of area median gross income' for 'any

residential rental unit' and all that follows in such clause, and

"(II) in the case of clause (iii), by substituting 'any low-income unit in the building is occupied by a new resident whose income exceeds the lesser of 40 percent of area median gross income or the imputed income limitation designated with respect to such unit under paragraph (1)(C)(ii)(I)' for 'any residential rental unit' and all that follows in such clause.

"(v) LIMITATION DESCRIBED.—For purposes of clause (iii), the limitation described in this clause with respect to any unit is—

"(I) the imputed income limitation designated with respect to such unit under paragraph (1)(C)(ii)(I), in the case of a unit which was taken into account as a low-income unit prior to becoming vacant, and

"(II) the imputed income limitation which would have to be des-

ignated with respect to such unit under such paragraph in order for the project to continue to meet the requirements of paragraph (1)(C)(ii)(II), in the case of any other unit.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to elections made under section 42(g)(1) of the Internal Revenue Code of 1986 after the date of the enactment of this Act.

SEC. 202. UNIFORM INCOME ELIGIBILITY FOR RURAL PROJECTS.

(a) IN GENERAL.—Paragraph (8) of section 42(i) of the Internal Revenue Code of 1986 is amended by striking the second sentence.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 203. CODIFICATION OF RULES RELATING TO INCREASED TENANT INCOME.

(a) IN GENERAL.—Clause (i) of section 42(g)(2)(D) of the Internal Revenue Code of 1986, as amended by this Act, is amended by striking ''clauses (ii), (iii), and (iv)'' and all that follows and inserting ''clauses (ii), (iii), (iv), and (vi), notwithstanding an increase in the income of the

occupants above the income limitation applicable under paragraph (1)—

"(I) a low-income unit shall continue to be treated as a low-income unit if the income of such occupants initially was 60 percent or less of area median gross income and such unit continues to be rent-restricted, and

"(II) a unit to which, at the time of initial occupancy by such occupants, any Federal, State, or local government income restriction applied, and which subsequently becomes part of a building with respect to which rehabilitation expenditures are taken into account under subsection (e), shall be treated as a low-income unit if the income of such occupants initially was 60 percent or less of area median gross income and does not exceed 120 percent of area median gross income as of the date of acquisition of the property by the taxpayer.".

(b) EXCEPTION.—Subparagraph (D) of section 42(g)(2) of the Internal Revenue Code of 1986, as amend-

ed by this Act, is amended by adding at the end the following new clause:

"(vi) EXCEPTION TO RULE RELATING TO INCREASED TENANT INCOME.—In the case of an occupant of a low-income unit who initially qualified to occupy such unit by reason of paragraph (1)(C) with an income in excess of 60 percent of area median gross income but not in excess of 80 percent of area median gross income, clause (i) shall be applied for substituting '80 percent' for '60 percent' each place it appears.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.

SEC. 204. MODIFICATION OF STUDENT OCCUPANCY RULES.

(a) IN GENERAL.—Subparagraph (D) of section 42(i)(3) of the Internal Revenue Code of 1986 is amended to read as follows:

"(D) RULES RELATING TO STUDENTS.—

"(i) IN GENERAL.—A unit occupied solely by individuals who—

"(I) have not attained age 24, and

"(II) are enrolled in a full-time course of study at an institution of higher education (as defined in section 3304(f)),

shall not be treated as a low-income unit.

"(ii) EXCEPTION FOR CERTAIN FEDERAL PROGRAMS.—In the case of a federally assisted building (as defined in subsection (d)(6)(C)(i)), clause (i) shall not apply to a unit the occupants of which meet all requirements applicable under the housing program described in subsection (d)(6)(C)(i) through which the building is assisted, financed, or operated.

"(iii) OTHER EXCEPTIONS.—Clause (i) shall not apply to a unit occupied by an individual who—

"(I) is married,

"(II) is a person with disabilities (as defined in section 3(b)(3)(E) of the United States Housing Act of 1937),

"(III) is a veteran (as defined in section 101(2) of title 38, United States Code),

"(IV) has one or more qualifying children (as defined in section 152(c)), or

"(V) meets the income limitation applicable under subsection (g)(1) to the project of which the building is a part and is, or was immediately prior to attaining the age of majority—

"(aa) an emancipated minor or in legal guardianship as determined by a court of competent jurisdiction in the individual's State of legal residence,

"(bb) under the care and placement responsibility of the State agency responsible for administering a plan under part B or part E of title IV of the Social Security Act, or

"(cc) was an unaccompanied youth (within the meaning of section 725(6) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a(6))) or a homeless child or youth (within

the meaning of section 725(2) of such Act (42 U.S.C. 11434a(2))).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 205. TENANT VOUCHER PAYMENTS TAKEN INTO ACCOUNT AS RENT FOR CERTAIN PURPOSES.

(a) IN GENERAL.—Subparagraph (B) of section 42(g)(2) of the Internal Revenue Code of 1986 is amended by adding at the end the following new sentence: ''In the case of a project with respect to which the taxpayer elects the requirements of subparagraph (C) of paragraph (1), or the portion of a project to which subsection (d)(5)(C) applies, clause (i) shall not apply with respect to any tenant-based assistance (as defined in section 8(f)(7) of the United States Housing Act of 1937 (42 U.S.C. 1437f(f)(7))).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to rent paid in taxable years beginning after December 31, 2017.

TITLE III—CREDIT RATE AND OTHER RULES RELATING TO CREDIT ELIGIBILITY AND DETERMINATION

SEC. 301. MINIMUM CREDIT RATE.

(a) IN GENERAL.—Subsection (b) of section 42 of the Internal Revenue Code of 1986 is amended—

(1) by redesignating paragraph (3) as paragraph (4), and

(2) by inserting after paragraph (2) the following new paragraph:

''(3) MINIMUM CREDIT RATE.—In the case of any new or existing building to which paragraph (2) does not apply and which is placed in service by the taxpayer after December 31, 2016, the applicable percentage shall not be less than 4 percent.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings placed in service after December 31, 2016.

SEC. 302. RECONSTRUCTION OR REPLACEMENT PERIOD AFTER CASUALTY LOSS.

(a) IN GENERAL.—Subparagraph (E) of section 42(j)(4) of the Internal Revenue Code of 1986 is amended by striking ''a reasonable period established by the Secretary'' and inserting ''a reasonable period established by

the applicable housing credit agency (not to exceed 25 months from the date on which the casualty loss arises). The determination under paragraph (1) shall not be made with respect to a property the basis of which is affected by a casualty loss until the period described in the preceding sentence with respect to such property has expired.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to casualty losses arising after the date of the enactment of this Act.

SEC. 303. MODIFICATION OF RIGHTS RELATING TO BUILDING PURCHASE.

(a) IN GENERAL.—Subparagraph (A) of section 42(i)(7) of the Internal Revenue Code of 1986 is amended—

(1) by striking ''a right of 1st refusal'' and inserting ''an option'', and

(2) by striking ''the property'' and inserting ''the property or a partnership interest relating to the property''.

(b) CONFORMING AMENDMENT.—Subparagraph (B) of section 42(i)(7) of the Internal Revenue Code of 1986 is amended by adding at the end the following new sentence: ''In the case of a purchase of a partnership interest, the minimum purchase price is an amount equal to such

interest's ratable share of the amount determined under the first sentence of this subparagraph.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into or amended after the date of the enactment of this Act.

SEC. 304. MODIFICATION OF 10-YEAR RULE; LIMITATION ON ACQUISITION BASIS.

(a) IN GENERAL.—Clause (ii) of section 42(d)(2)(B) of the Internal Revenue Code of 1986 is amended by inserting '', or the taxpayer elects the application of subparagraph (C)(ii)'' after ''service''.

(b) LIMITATION ON ACQUISITION BASIS.—Subparagraph (C) of section 42(d)(2) of the Internal Revenue Code of 1986 is amended—

(1) by striking ''For purposes of subparagraph (A), the adjusted basis'' and inserting ''For purposes of subparagraph (A)—

''(i) IN GENERAL.—The adjusted basis'', and

(2) by adding at the end the following new clauses:

''(ii) BUILDINGS IN SERVICE WITHIN PREVIOUS 10 YEARS.—If the period between the date of acquisition of the building by the taxpayer and the date the build-

ing was last placed in service is less than 10 years, the taxpayer's basis attributable to the acquisition of the building which is taken into account in determining the adjusted basis shall not exceed the sum of—

"(I) the lowest amount paid for acquisition of the building by any person during the 10 years preceding the date of the acquisition of the building by the taxpayer, adjusted as provided in clause (iii), and

"(II) the value of any capital improvements made by the person who sells the building to the taxpayer which are reflected in such seller's basis.

"(iii) ADJUSTMENT.—With respect to a basis determination made in any taxable year, the amount described in clause (ii)(I) shall be increased by an amount equal to—

"(I) such amount, multiplied by

"(II) a cost-of-living adjustment, determined in the same manner as under section 1(f)(3) for the calendar year in which the taxable year begins

by taking into account the acquisition year in lieu of calendar year 1992.

For purposes of the preceding sentence, the acquisition year is the calendar year in which the lowest amount referenced in clause (ii)(I) was paid for the acquisition of the building.''.

(c) CONFORMING AMENDMENTS.—Clause (i) of section 42(d)(2)(D) of the Internal Revenue Code of 1986 is amended—

(1) by striking ''FOR SUBPARAGRAPH (B)'' in the heading, and

(2) by striking ''subparagraph (B)(ii)'' in the matter preceding subclause (I) and inserting ''subparagraph (B)(ii) or (C)(ii)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings placed in service after December 31, 2016.

SEC. 305. CERTAIN RELOCATION COSTS TAKEN INTO ACCOUNT AS REHABILITATION EXPENDITURES.

(a) IN GENERAL.—Paragraph (2) of section 42(e) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

''(C) CERTAIN RELOCATION COSTS.—In the case of a rehabilitation of a building to

which section 280B does not apply, costs relating to the relocation of occupants, including—

"(i) amounts paid to occupants,

"(ii) amounts paid to third parties for services relating to such relocation, and

"(iii) amounts paid for temporary housing for occupants,

shall be treated as chargeable to capital account and taken into account as rehabilitation expenditures.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenditures paid or incurred after December 31, 2016.

SEC. 306. REPEAL OF QUALIFIED CENSUS TRACT POPULATION CAP.

(a) IN GENERAL.—Clause (ii) of section 42(d)(5)(B) of the Internal Revenue Code of 1986 is amended—

(1) by striking subclauses (II) and (III), and

(2) by striking "QUALIFIED CENSUS TRACT.—

"(I) IN GENERAL.—The term",

and inserting "QUALIFIED CENSUS TRACT.—The term".

(b) TECHNICAL CORRECTIONS.—Sections 42(d)(4)(C)(i) and 42(m)(1)(B)(ii)(III) of the Internal Revenue Code of 1986 are each amended by striking "as

defined in paragraph (5)(C)'' and inserting ''as defined in paragraph (5)(B)(ii)''.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to designations of qualified census tracts under section 42(d)(5)(B)(ii) of the Internal Revenue Code of 1986 after December 31, 2017.

SEC. 307. DETERMINATION OF COMMUNITY REVITALIZATION PLAN TO BE MADE BY HOUSING CREDIT AGENCY.

(a) IN GENERAL.—Subclause (III) of section 42(m)(1)(B)(ii) of the Internal Revenue Code of 1986 is amended by inserting '', as determined by the housing credit agency according to criteria established by such agency,'' after ''(d)(5)(C)) and''.

(b) CRITERIA.—Paragraph (1) of section 42(m) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

''(E) CRITERIA FOR DETERMINATION RELATING TO CONCERTED COMMUNITY REVITALIZATION PLAN.—For purposes of subparagraph (B)(ii)(III), the criteria which shall be established by a housing credit agency for determining whether the development of a project contributes to a concerted community development plan shall take into account any factors

the agency deems appropriate, including the extent to which the proposed plan—

"(i) is geographically specific,

"(ii) outlines a clear plan for implementation and goals for outcomes,

"(iii) includes a strategy for applying for or obtaining commitments of public or private investment (or both) in nonhousing infrastructure, amenities, or services, and

"(iv) demonstrates the need for community revitalization.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to allocations of housing credit dollar amounts made under qualified allocation plans (as defined in section 42(m)(1)(B) of the Internal Revenue Code of 1986) adopted after December 31, 2017.

SEC. 308. PROHIBITION OF LOCAL APPROVAL AND CONTRIBUTION REQUIREMENTS.

(a) IN GENERAL.—Paragraph (1) of section 42(m) of the Internal Revenue Code of 1986, as amended by section 307, is further amended—

(1) by striking clause (ii) of subparagraph (A) and by redesignating clauses (iii) and (iv) thereof as clauses (ii) and (iii), and

(2) by adding at the end the following new subparagraph:

"(F) LOCAL APPROVAL OR CONTRIBUTION NOT TAKEN INTO ACCOUNT.—The selection criteria under a qualified allocation plan shall not include consideration of—

"(i) any support or opposition with respect to the project from local or elected officials, or

"(ii) any local government contribution to the project, except to the extent such contribution is taken into account as part of a broader consideration of the project's ability to leverage outside funding sources, and is not prioritized over any other source of outside funding.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to allocations of housing credit dollar amounts made after December 31, 2017.

SEC. 309. INCREASE IN CREDIT FOR CERTAIN PROJECTS DESIGNATED TO SERVE EXTREMELY LOW-INCOME HOUSEHOLDS.

(a) IN GENERAL.—Paragraph (5) of section 42(d) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(C) INCREASE IN CREDIT FOR PROJECTS DESIGNATED TO SERVE EXTREMELY LOW-INCOME HOUSEHOLDS.—In the case of any building—

"(i) 20 percent or more of the residential units in which are designated by the taxpayer for occupancy by households the aggregate household income of which does not exceed the greater of—

"(I) 30 percent of area median gross income, or

"(II) 100 percent of an amount equal to the Federal poverty line (within the meaning of section 36B(d)(3)), and

"(ii) which is designated by the housing credit agency as requiring the increase in credit under this subparagraph in order for such building to be financially feasible as part of a qualified low-income housing project,

subparagraph (B) shall not apply to the portion of such building which is comprised of such units, and the eligible basis of such portion of the building shall be 150 percent of such basis

determined without regard to this subparagraph.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to buildings placed in service after December 31, 2016.

SEC. 310. INCREASE IN CREDIT FOR BOND-FINANCED PROJECTS DESIGNATED BY STATE AGENCY.

(a) IN GENERAL.—Clause (v) of section 42(d)(5)(B) of the Internal Revenue Code of 1986 is amended by striking the second sentence.

(b) TECHNICAL AMENDMENT.—Clause (v) of section 42(d)(5)(B) of the Internal Revenue Code of 1986, as amended by subsection (a), is further amended—

(1) by striking ''STATE'' in the heading, and

(2) by striking ''State housing credit agency'' and inserting ''housing credit agency''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings placed in service after December 31, 2016.

SEC. 311. ELIMINATION OF BASIS REDUCTION FOR LOW-INCOME HOUSING PROPERTIES RECEIVING CERTAIN ENERGY BENEFITS.

(a) NEW ENERGY EFFICIENT HOME CREDIT.—Subsection (e) of section 45L of the Internal Revenue Code of 1986 is amended—

(1) by striking ''ADJUSTMENT.—For purposes'' and inserting ''ADJUSTMENT.—

''(1) IN GENERAL.—For purposes'', and

(2) by adding at the end the following new paragraph:

''(2) EXCEPTION FOR AFFORDABLE HOUSING PROPERTIES.—Paragraph (1) shall not apply to any property with respect to which a credit is allowed under section 42.''.

(b) ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION.—Subsection (e) of section 179D of the Internal Revenue Code of 1986 is amended—

(1) by striking ''REDUCTION.—For purposes'' and inserting ''REDUCTION.—

''(1) IN GENERAL.—For purposes'', and

(2) by adding at the end the following new paragraph:

''(2) EXCEPTION FOR AFFORDABLE HOUSING PROPERTIES.—Paragraph (1) shall not apply to any property with respect to which a credit is allowed under section 42.''.

(c) ENERGY CREDIT.—Paragraph (3) of section 50(c) of the Internal Revenue Code of 1986 is amended—

(1) by striking ''and'' at the end of subparagraph (A),

(2) by striking the period at the end of subparagraph (B) and inserting ", and", and

(3) by adding at the end the following new subparagraph:

"(C) paragraph (1) shall not apply to any property with respect to which a credit is allowed under section 42.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2016.

SEC. 312. RESTRICTION OF PLANNED FORECLOSURES.

(a) IN GENERAL.—Subclause (I) of section 42(h)(6)(E)(i) of the Internal Revenue Code of 1986 is amended to read as follows:

"(I) on the 61st day after the taxpayer (or a successor in interest) provides notice to the housing credit agency that the building has been acquired by foreclosure (or instrument in lieu of foreclosure) and that the taxpayer intends the termination of such period, unless the housing credit agency determines that such acquisition is part of an arrangement with

the taxpayer a purpose of which is to terminate such period, or''.

(b) CONFORMING AMENDMENT.—The second sentence of clause (i) of section 42(h)(6)(E) of the Internal Revenue Code of 1986 is amended by striking ''Subclause (II)'' and inserting ''Subclauses (I) and (II)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to acquisitions by foreclosure (or instrument in lieu of foreclosure) after December 31, 2017.

SEC. 313. INCREASE OF POPULATION CAP FOR DIFFICULT DEVELOPMENT AREAS.

(a) IN GENERAL.—Subclause (II) of section 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986 is amended by striking ''20 percent'' and inserting ''30 percent''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to designations made under section 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986 after December 31, 2017.

TITLE IV—REFORMS RELATING TO NATIVE AMERICAN ASSISTANCE

SEC. 401. SELECTION CRITERIA UNDER QUALIFIED ALLOCATION PLANS.

(a) IN GENERAL.—Subparagraph (C) of section 42(m)(1) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of clause (ix), by striking the period at the end of clause (x) and inserting '', and'', and by adding at the end the following new clause:

''(xi) the affordable housing needs of individuals in the State who are members of Indian tribes (as defined in section 45A(c)(6)).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to allocations of credits under section 42 of the Internal Revenue Code of 1986 made after December 31, 2017.

SEC. 402. INCLUSION OF INDIAN AREAS AS DIFFICULT DEVELOPMENT AREAS FOR PURPOSES OF CERTAIN BUILDINGS.

(a) IN GENERAL.—Subclause (I) of section 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986 is amended by inserting before the period the following: '', and any Indian area''.

(b) INDIAN AREA.—Clause (iii) of section 42(d)(5)(B) of the Internal Revenue Code of 1986 is amended by redesignating subclause (II) as subclause (III) and by inserting after subclause (I) the following new subclause:

"(II) INDIAN AREA.—For purposes of subclause (I), the term 'Indian area' means any Indian area (as defined in section 4(11) of the Native American Housing Assistance and Self Determination Act of 1996 (25 U.S.C. 4103(11)).".

(c) ELIGIBLE BUILDINGS.—Clause (iii) of section 42(d)(5)(B) of the Internal Revenue Code of 1986, as amended by subsection (b), is amended by adding at the end the following new subclause:

"(IV) SPECIAL RULE FOR BUILDINGS IN INDIAN AREAS.—In the case of an area which is a difficult development area solely because it is an Indian area, a building shall not be treated as located in such area unless such building is assisted or financed under the Native American Housing Assistance and Self Determination

Act of 1996 (25 U.S.C. 4101 et seq.) or the project sponsor is an Indian tribe (as defined in section 45A(c)(6)), a tribally designated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 4103(22))), or wholly owned or controlled by such an Indian tribe or tribally designated housing entity.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings placed in service after December 31, 2017.

TITLE V—AFFORDABLE HOUSING TAX CREDIT

SEC. 501. AFFORDABLE HOUSING TAX CREDIT.

(a) IN GENERAL.—The heading of section 42 of the Internal Revenue Code of 1986 is amended by striking ''**LOW-INCOME**'' and inserting ''**AFFORDABLE**''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 42 of the Internal Revenue Code of 1986 is amended by striking ''low-income'' and inserting ''affordable''.

(2) Paragraph (5) of section 38(b) of such Code is amended by striking ''low-income'' and inserting ''affordable''.

(3) The heading of subparagraph (D) of section 469(i)(3) of such Code is amended by striking ''LOW-INCOME'' and inserting ''AFFORDABLE''.

(4) The heading of subparagraph (B) of section 469(i)(6) of such Code is amended by striking ''LOW-INCOME'' and inserting ''AFFORDABLE''.

(5) Paragraph (7) of section 772(a) of such Code is amended by striking ''low-income'' and inserting ''affordable''.

(6) Paragraph (5) of section 772(d) of such Code is amended by striking ''low-income'' and inserting ''affordable''.

(c) CLERICAL AMENDMENT.—The item relating to section 42 in the table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended to read as follows:

''Sec. 42. Affordable housing credit.''.