

**[DISCUSSION DRAFT]**

SEPTEMBER 15, 2009

111TH CONGRESS  
1ST SESSION**H. R.** \_\_\_\_\_

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

---

## IN THE HOUSE OF REPRESENTATIVES

Mr. CARNAHAN introduced the following bill; which was referred to the Committee on \_\_\_\_\_

---

**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 Homeowners  
5 Revitalization Act of 2009”.

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, the term ‘certified rehabilitation’ has the  
24          meaning given such term by section 47(c)(2)(C).

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

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

6           “(A) which has been substantially rehabili-  
7 tated, and

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

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

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

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

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

19           “(4) CERTIFIED HISTORIC STRUCTURE.—

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

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

24           or

1                   “(ii) is located in a registered historic  
2                   district (as defined in section 47(c)(3)(B))  
3                   and is certified by the Secretary of the In-  
4                   terior as being of historic significance to  
5                   the district.

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

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

17                  “(7) ALLOCATION OF EXPENDITURES RELAT-  
18                  ING TO EXTERIOR OF BUILDING CONTAINING COOP-  
19                  ERATIVE OR CONDOMINIUM UNITS.—The percentage  
20                  of the total expenditures made in the rehabilitation  
21                  of a building containing cooperative or condominium  
22                  residential units allocated to the rehabilitation of the  
23                  exterior of the building shall be attributed propor-  
24                  tionately to each cooperative or condominium resi-

1       dential unit in such building for which a credit  
2       under this section is claimed.

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

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

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

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

1           “(i) the credit allowable under sub-  
2           section (a) for such taxable year deter-  
3           mined without regard to this paragraph,  
4           and

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

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

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

18           “(ii) in the case of a taxable year to  
19           which section 26(a)(2) does not apply, the  
20           limitation imposed by section 26(a)(1) for  
21           the taxable year reduced by the sum of the  
22           credits allowable under this subpart (other  
23           than this section and sections 23, 24,  
24           25A(i), 25B, 25D, 30, 30B, 30D).

1           “(9) CREDIT MAY BE ASSIGNED.—The amount  
2           of qualified rehabilitation expenditures which would  
3           (but for this paragraph) be taken into account under  
4           subsection (a) for any taxable year by any person  
5           (hereafter in this paragraph referred to as the ‘ini-  
6           tial taxpayer’)—

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

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

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

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

21                   “(1) on the date the rehabilitation is completed,  
22                   or

23                   “(2) to the extent provided by the Secretary by  
24                   regulation, when such expenditures are properly  
25                   chargeable to capital account.

1 Regulations under paragraph (2) shall include a rule simi-  
2 lar to the rule under section 50(a)(2) (relating to recap-  
3 ture if property ceases to qualify for progress expendi-  
4 tures).

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

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

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

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

1           “(B) the structure (or a portion thereof)  
2 will, within a reasonable period, be the principal  
3 residence of the taxpayer,

4           “(C) no credit was allowed to the seller  
5 under this section or section 47 with respect to  
6 such rehabilitation, and

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

11       “(h) RECAPTURE.—

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

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

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

1 prior taxable years with respect to such reha-  
2 bilitation.

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

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

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

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

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

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

1       “(i) BASIS ADJUSTMENTS.—For purposes of this  
2 subtitle, if a credit is allowed under this section for any  
3 expenditure with respect to any property (including any  
4 purchase under subsection (g)), the increase in the basis  
5 of such property which would (but for this subsection) re-  
6 sult from such expenditure shall be reduced by the amount  
7 of the credit so allowed.

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

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

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

22       (b) CONFORMING AMENDMENTS.—

23               (1)(A) Paragraph (1) of section 23(c) of such  
24 Code is amended by inserting “, 25E,” after “25D”.

1 (B) Subparagraph (C) of section 25(e)(1) of  
2 such Code is amended by inserting “25E,” after  
3 “sections 25D,”.

4 (C) Subparagraph (A) of section 25D(2) of  
5 such Code is amended by inserting “and section  
6 25E” after “(other than this section”.

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

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

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

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

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

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

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

24 (d) EFFECTIVE DATE.—The amendments made by  
25 this section shall apply with respect to rehabilitations the

1 physical work on which begins after the date of enactment  
2 of this Act.

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

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

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

21 (b) REHABILITATION CREDIT MAY BE TRANS-  
22 FERRED.—

23 (1) IN GENERAL.—Subsection (b) of section 47  
24 of such Code (relating to when expenditures taken

1 into account) is amended by adding at the end the  
2 following new paragraph:

3 “(3) CREDIT MAY BE ASSIGNED.—The amount  
4 of qualified rehabilitation expenditures with respect  
5 to property described in subsection (e)(1)(A)(iv)(II)  
6 which would (but for this paragraph) be taken into  
7 account under subsection (a) for any taxable year by  
8 any person (hereafter in this paragraph referred to  
9 as the ‘initial taxpayer’)—

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

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

15 Any person to whom such expenditures are assigned  
16 under subparagraph (A) shall be treated for pur-  
17 poses of this title as the taxpayer with respect to  
18 such expenditures.”.

19 (2) CONFORMING AMENDMENT.—The heading  
20 for such subsection (b) is amended by inserting “;  
21 ELIGIBILITY FOR CREDIT MAY BE ASSIGNED” after  
22 “ACCOUNT”.

23 (c) APPLICABILITY TO BUILDINGS HELD FOR  
24 SALE.—

25 (1) IN GENERAL.—

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

3 “(iv) depreciation (or amortization in  
4 lieu of depreciation)—

5 “(I) is allowable with respect to  
6 such building, or

7 “(II) in the case of a residential  
8 property, would be allowable with re-  
9 spect to such building but for the  
10 building being held for sale.”.

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

14 “(E) SPECIAL RULE FOR CERTAIN PROP-  
15 ERTY HELD FOR SALE.—For purposes of this  
16 paragraph, in the case of a qualified rehabili-  
17 tated building described in paragraph  
18 (1)(A)(iv)(II), such building shall be treated as  
19 owned by the taxpayer as rental property with  
20 respect to which the straight line depreciation  
21 method is used over a recovery period deter-  
22 mined under subsection (c) or (g) of section  
23 168.”.

24 (2) CONFORMING AMENDMENT.—Paragraph (4)  
25 of section 50(a) of such Code is amended by striking

1 “or” at the end of subparagraph (A), but striking  
2 the period at the end of subparagraph (B) and in-  
3 serting “, or”, and by inserting after subparagraph  
4 (B) the following new subparagraph:

5 “(C) property described in section  
6 47(e)(1)(A)(iv)(II) that has not otherwise  
7 ceased to be investment property.”.

8 (d) **EFFECTIVE DATE.**—The amendments made by  
9 this section shall apply with respect to rehabilitations the  
10 physical work on which begins after the date of enactment  
11 of this Act.