

103^D CONGRESS
1ST SESSION

H. R. 1093

To amend the Internal Revenue Code of 1986 to promote the development and preservation of rental housing for low- and moderate-income families.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 24, 1993

Mr. DIXON (for himself, Mr. FRANK of Massachusetts, Mrs. MINK, Mr. MURPHY, Mr. OWENS, Mr. JEFFERSON, Mr. WASHINGTON, Ms. NORTON, Mr. RANGEL, and Mr. TORRES) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to promote the development and preservation of rental housing for low- and moderate-income families.

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 “Low-Income Housing
5 Revitalization Act”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—The Congress finds that—

1 (1) the United States faces an unprecedented
2 crisis arising from the rapid decline of affordable
3 housing,

4 (2) new construction of housing for low- and
5 moderate-income families is at a virtual standstill,

6 (3) according to a 1989 report of the Bureau
7 of the Census, the Nation's housing stock occupied
8 by persons living in poverty is 12.4 million units, of
9 which 2.2 million units (or 18 percent) are sub-
10 standard,

11 (4) by 1995, as many as 900,000 federally sub-
12 sidized low-income rental housing units could be lost
13 as a result of the prepayment of federally subsidized
14 mortgages,

15 (5) scores of existing low-income housing units
16 will continue to disappear as older buildings are de-
17 stroyed and in their place are constructed higher
18 priced rental units and condominiums, creating an
19 even greater shortage of affordable housing,

20 (6) Federal expenditures to meet the housing
21 needs of low- and moderate-income persons declined
22 70 percent from \$30,200,000,000 billion in fiscal
23 year 1981 to \$7,500,000,000 billion in fiscal year
24 1989, and such expenditures were increased only to

1 \$8,900,000,000 billion in fiscal year 1990 and to
2 \$9,500,000,000 billion in fiscal year 1991,

3 (7) an increasing number of Americans face the
4 possibility of homelessness unless existing low-in-
5 come housing units are rehabilitated and new hous-
6 ing units are constructed,

7 (8) the rising number of ill-housed and home-
8 less families is partially caused by displacement due
9 to the rehabilitation and gentrification of formerly
10 low-income housing, and

11 (9) owners of substandard low-income housing
12 units continue to claim Federal tax deductions with-
13 out making the necessary repairs or renovations to
14 bring their low-income housing property up to State
15 or local building codes.

16 (b) PURPOSE.—It is the purpose of this Act—

17 (1) to encourage the development of affordable,
18 decent, safe, and sanitary housing for low- and mod-
19 erate-income families,

20 (2) to rehabilitate and construct low-income
21 rental housing units by providing investment incen-
22 tives to private developers through a shortening of
23 the depreciation recovery period on low-income rent-
24 al property to 20 years,

1 (3) to deny business-related tax deductions
2 claimed by owners of low-income rental housing
3 units who consistently violate State and local health,
4 safety, and building codes by maintaining sub-
5 standard rental housing units, and

6 (4) to exempt from the passive loss limitation
7 certain deductions relating to low-income housing.

8 **SEC. 3. IMPROVEMENTS IN LOW-INCOME HOUSING CREDIT.**

9 (a) PERMANENT EXTENSION.—Section 42 of the In-
10 ternal Revenue Code of 1986 is amended by striking sub-
11 section (o) (relating to termination).

12 (b) INCREASE IN CREDIT FOR FEDERALLY SUB-
13 SIDIZED NEW BUILDINGS.—Paragraph (1) of section
14 42(b) of such Code (relating to value of low-income hous-
15 ing credit) is amended—

16 (1) in subparagraph (A), by striking “which are
17 not federally subsidized for the taxable year”, and

18 (2) in subparagraph (B), by striking the dash
19 and all that follows through “(ii)”.

20 (c) EXEMPTION FROM PASSIVE LOSS LIMITATION.—
21 Clause (i) of section 469(d)(2)(A) of such Code (relating
22 to passive activity losses) is amended by inserting “(other
23 than section 42)” after “subpart D”.

24 (d) EFFECTIVE DATES.—

1 (1) EXTENSION.—The amendment made by
2 subsection (a) shall apply to calendar years after
3 1991.

4 (2) MODIFICATIONS.—The amendments made
5 by subsections (b) and (c) shall apply to property
6 placed in service after December 31, 1992.

7 **SEC. 4. ACCELERATED DEPRECIATION SCHEDULE FOR**
8 **QUALIFIED RENTAL HOUSING.**

9 (a) IN GENERAL.—Paragraph (1) of section 168(c)
10 of the Internal Revenue Code of 1986 (relating to depre-
11 ciation recovery period) is amended by striking the item
12 relating to residential rental property and inserting the
13 following:

| | |
|---|--------------|
| “Low-income residential rental property | 20 years |
| Other residential rental property | 27.5 years”. |

14 (b) DEFINITIONS.—Paragraph (2) of section 168(e)
15 of such Code (relating to classification of property for de-
16 preciation) is amended by adding at the end the following
17 new subparagraphs:

18 “(C) LOW-INCOME RESIDENTIAL RENTAL
19 PROPERTY.—The term ‘low-income residential
20 rental property’ means residential rental prop-
21 erty which is a qualified low-income housing
22 project (within the meaning of section 42(g)).

23 “(D) OTHER RESIDENTIAL RENTAL PROP-
24 PERTY.—The term ‘other residential rental prop-

1 erty’ means residential rental property which is
2 not low-income residential rental property.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to property placed in service after
5 December 31, 1992.

6 **SEC. 5. DISALLOWANCE OF DEDUCTIONS FOR EXPENSES**
7 **RELATING TO SUBSTANDARD RENTAL HOUS-**
8 **ING.**

9 (a) IN GENERAL.—Part IX of subchapter B of chap-
10 ter 1 of the Internal Revenue Code of 1986 (relating to
11 items not deductible) is amended by adding at the end
12 the following new section:

13 **“SEC. 280I. EXPENSES RELATING TO SUBSTANDARD RENT-**
14 **AL HOUSING.**

15 “(a) GENERAL RULE.—No deduction (including any
16 deduction for depreciation or amortization) shall be al-
17 lowed under this chapter for any expense relating to a
18 rental dwelling unit by any taxpayer who derives rental
19 income from the unit, unless the unit is suitable for occu-
20 pancy.

21 “(b) SUITABILITY FOR OCCUPANCY.—For purposes
22 of subsection (a), the suitability of a rental dwelling unit
23 for occupancy shall be determined under regulations pre-
24 scribed by the Secretary taking into account local health,
25 safety, and building codes.”

1 (b) CONFORMING AMENDMENT.—The table of sec-
 2 tions for such part IX is amended by adding at the end
 3 the following new item:

“Sec. 280I. Expenses relating to substandard rental housing.”

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years ending after De-
 6 cember 31, 1992.

7 **SEC. 6. EXEMPTION FROM PASSIVE LOSS LIMITATION FOR**
 8 **CERTAIN DEDUCTIONS RELATING TO QUALI-**
 9 **FIED RENTAL HOUSING.**

10 (a) IN GENERAL.—Subsection (e) of section 469 of
 11 the Internal Revenue Code of 1986 (relating to special
 12 rules for determining income or loss from a passive activ-
 13 ity) is amended by adding at the end the following new
 14 paragraph:

15 “(5) SPECIAL RULES FOR DEDUCTIONS ALLOW-
 16 ABLE FOR TAXES, INTEREST, AND TRADE OR BUSI-
 17 NESS EXPENSES WITH RESPECT TO RENTAL REAL
 18 ESTATE ACTIVITIES IN WHICH TAXPAYER ACTIVELY
 19 OR MATERIALLY PARTICIPATES.—

20 “(A) IN GENERAL.—Subsection (a) shall
 21 not apply to any amount allowable as a deduc-
 22 tion under section 162, 163, or 164 (deter-
 23 mined without regard to this section) for
 24 amounts paid during the taxable year with re-

1 spect to qualified rental real estate activities of
2 the taxpayer.

3 “(B) APPLICATION OF SECTION TO OTHER
4 DEDUCTIONS.—The income from qualified rental
5 real estate activities of the taxpayer shall be
6 reduced (but not below zero) by the amount to
7 which subsection (a) does not apply by reason
8 of subparagraph (A) for purposes of determining
9 whether subsection (a) applies to other deductions
10 with respect to such activities.

11 “(C) QUALIFIED RENTAL REAL ESTATE
12 ACTIVITY.—For purposes of this paragraph, the
13 term ‘qualified real estate activity’ means any
14 rental real estate activity relating to a qualified
15 low-income housing project (within the meaning
16 of section 42(g)) with respect to which during
17 the taxable year the taxpayer—

18 “(i) actively participates (within the
19 meaning of subsection (i)(6)), or

20 “(ii) materially participates (within
21 the meaning of subsection (h)).”

22 (b) TECHNICAL AMENDMENT.—Paragraph (4) of
23 section 469(j) of such Code (relating to allocation of pas-
24 sive activity loss and credit) is amended by striking “and
25 the passive activity credit (and the \$25,000 amount under

1 subsection (i))” and inserting the following: “, the passive
2 activity credit, the \$25,000 amount under subsection (i),
3 and the amount to which subsection (a) does not apply
4 by reason of subsection (e)(5)(A)”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 1992.

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