

1 (3) The table of sections for subpart B of part  
 2 IV of subchapter A of chapter 1 is amended by in-  
 3 serting after the item relating to section 27 the fol-  
 4 lowing new item:

“Sec. 28. Qualified wildfire mitigation expenditures.”.

5 (c) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to expenditures paid or incurred  
 7 after the date of the enactment of this Act, in taxable  
 8 years ending after such date.

**PART 5—HOUSING**

**Subpart A—Low Income Housing Tax Credit**

**SEC. 135501. INCREASES IN STATE ALLOCATIONS.**

12 (a) IN GENERAL.—Section 42(h)(3)(I) is amended to  
 13 read as follows:

14 “(I) INCREASE IN STATE HOUSING CREDIT  
 15 CEILING FOR 2022 THROUGH 2028.—

16 “(i) IN GENERAL.—In the case of cal-  
 17 endar years 2022 through 2028, the dollar  
 18 amounts under subclauses (I) and (II) of  
 19 subparagraph (C)(ii) for any such calendar  
 20 shall be determined under clause (ii) and  
 21 in accordance with the following table:

“In the case of calendar year:	The sub- clause (I) amount shall be:	The sub- clause (II) amount shall be:
2022 .....	\$3.22	\$3,711,575
2023 .....	\$3.70	\$4,269,471

“In the case of calendar year:	The sub- clause (I) amount shall be:	The sub- clause (II) amount shall be:
2024 .....	\$4.25	\$4,901,620
2025 .....	\$4.88	\$5,632,880

1                   “(ii) INFLATION ADJUSTMENT FOR  
2                   2026, 2027, AND 2028.—In the case of  
3                   calendar years 2026, 2027, and 2028, the  
4                   subclause (I) and (II) dollar amounts shall  
5                   be the respective dollar amounts cor-  
6                   responding to calendar year 2025 in the  
7                   table under clause (i) each increased by an  
8                   amount equal to—  
9                   “(I) such dollar amount, multi-  
10                  plied by  
11                  “(II) the cost-of-living adjust-  
12                  ment determined under section 1(f)(3)  
13                  for such calendar year by substituting  
14                  ‘calendar year 2025’ for ‘calendar  
15                  year 2016’ in paragraph (A)(ii) there-  
16                  of.  
17                  Any increase under this clause shall be  
18                  rounded to the nearest cent in the case of  
19                  the subclause (I) amount and the nearest  
20                  dollar in the case of the subclause (II)  
21                  amount.”.

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

4 **SEC. 135502. TAX-EXEMPT BOND FINANCING REQUIRE-**  
5 **MENT.**

6 (a) IN GENERAL.—Section 42(h)(4)(B) is amended  
7 by adding at the end the following: “The preceding sen-  
8 tence shall be applied by substituting ‘25 percent’ for ‘50  
9 percent’ in the case of any building which is financed by  
10 any obligation issued in calendar year 2022, 2023, 2024,  
11 2025, 2026, 2027, or 2028 (and not by any obligation on  
12 which the application of this subparagraph is based during  
13 any taxable year beginning during calendar year 2019,  
14 2020, or 2021).”.

15 (b) EFFECTIVE DATE.—The amendment made by  
16 this section shall apply to buildings placed in service in  
17 taxable years beginning after December 31, 2021.

18 **SEC. 135503. BUILDINGS DESIGNATED TO SERVE EX-**  
19 **TREMELY LOW-INCOME HOUSEHOLDS.**

20 (a) RESERVED STATE ALLOCATION.—

21 (1) IN GENERAL.—Section 42(h) is amended—  
22 (A) by redesignating paragraphs (6), (7),  
23 and (8) as paragraphs (7), (8), and (9), respec-  
24 tively, and

1 (B) by inserting after paragraph (5) the  
2 following new paragraph:

3 “(6) PORTION OF STATE CEILING SET-ASIDE  
4 FOR PROJECTS DESIGNATED TO SERVE EXTREMELY  
5 LOW-INCOME HOUSEHOLDS.—

6 “(A) IN GENERAL.—Not more than 90  
7 percent of the portion of the State housing  
8 credit ceiling amount described in paragraph  
9 (3)(C)(ii) for any State for any calendar year  
10 shall be allocated to buildings other than build-  
11 ings described in subparagraph (B).

12 “(B) BUILDINGS DESCRIBED.—A building  
13 is described in this subparagraph if 20 percent  
14 or more of the residential units in such building  
15 are rent-restricted (determined as if the im-  
16 puted income limitation applicable to such units  
17 were 30 percent of area median gross income)  
18 and are designated by the taxpayer for occu-  
19 pancy by households the aggregate household  
20 income of which does not exceed the greater  
21 of—

22 “(i) 30 percent of area median gross  
23 income, or

1                   “(ii) 100 percent of an amount equal  
2                   to the Federal poverty line (within the  
3                   meaning of section 36B(d)(3)).

4                   “(C) STATE MAY NOT OVERRIDE SET-  
5                   ASIDE.—Nothing in subparagraph (F) of para-  
6                   graph (3) shall be construed to permit a State  
7                   not to comply with subparagraph (A) of this  
8                   paragraph.

9                   “(D) TERMINATION.—This paragraph  
10                  shall not apply to allocations after December  
11                  31, 2031.”.

12                  (2) CONFORMING AMENDMENT.—Section  
13                  42(b)(4)(C) is amended by striking “(h)(7)” and in-  
14                  serting “(h)(8)”.

15                  (b) INCREASE IN CREDIT.—Paragraph (5) of section  
16                  42(d) is amended by adding at the end the following new  
17                  subparagraph:

18                                 “(C) INCREASE IN CREDIT FOR PROJECTS  
19                                 DESIGNATED TO SERVE EXTREMELY LOW-IN-  
20                                 COME HOUSEHOLDS.—

21   “(i) IN GENERAL.—In the case of any  
22   building—

23   “(I) which is described in sub-  
24   section (h)(6)(B), and

1                   “(II) which is designated by the  
2                   housing credit agency as requiring the  
3                   increase in credit under this subpara-  
4                   graph in order for such building to be  
5                   financially feasible as part of a quali-  
6                   fied low-income housing project,  
7                   subparagraph (B) shall not apply to the  
8                   portion of such building which is comprised  
9                   of such units, and the eligible basis of such  
10                  portion of the building shall be 150 per-  
11                  cent of such basis determined without re-  
12                  gard to this subparagraph.

13                  “(ii) ALLOCATION RULES APPLICABLE  
14                  TO PROJECTS TO WHICH CLAUSE (i) AP-  
15                  PLIES.—

16                  “(I) STATE HOUSING CREDIT  
17                  CEILING.—For any calendar year, the  
18                  housing credit agency shall not allo-  
19                  cate more than 15 percent of the por-  
20                  tion of the State housing credit ceiling  
21                  amount described in subsection  
22                  (h)(3)(C)(ii) to buildings to which  
23                  clause (i) applies, and

24                  “(II) PRIVATE ACTIVITY BOND  
25                  VOLUME CAP.—In the case of projects

1 financed by tax-exempt bonds as de-  
2 scribed in subsection (h)(4), for any  
3 calendar year, the State shall not  
4 issue more than 10 percent of the pri-  
5 vate activity bond volume cap as de-  
6 scribed in section 146(d)(1) to build-  
7 ings to which clause (i) applies.

8 “(iii) TERMINATION.—This subpara-  
9 graph shall not apply to allocations after  
10 December 31, 2031.”.

11 (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to allocations, and determinations,  
13 of housing credit dollar amount after December 31, 2021.

14 **SEC. 135504. INCLUSION OF RURAL AREAS AS DIFFICULT**  
15 **DEVELOPMENT AREAS.**

16 (a) IN GENERAL.—Subclause (I) of section  
17 42(d)(5)(B)(iii) is amended by inserting before the period  
18 the following: “, and any rural area”.

19 (b) RURAL AREA.—Clause (iii) of section  
20 42(d)(5)(B) is amended by redesignating subclause (II)  
21 as subclause (III) and by inserting after subclause (I) the  
22 following new subclause:

23 “(II) RURAL AREA.—For pur-  
24 poses of subclause (I), the term ‘rural  
25 area’ means any non-metropolitan

1 area, or any rural area as defined by  
2 section 520 of the Housing Act of  
3 1949, which is identified by the quali-  
4 fied allocation plan under subsection  
5 (m)(1)(B).”.

6 (c) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to buildings placed in service after  
8 December 31, 2021.

9 **SEC. 135505. REPEAL OF QUALIFIED CONTRACT OPTION.**

10 (a) TERMINATION OF OPTION FOR CERTAIN BUILD-  
11 INGS.—

12 (1) IN GENERAL.—Subclause (II) of section  
13 42(h)(7)(E)(i), as redesignated by section 135503, is  
14 amended by inserting “in the case of a building de-  
15 scribed in clause (iii),” before “on the last day”.

16 (2) BUILDINGS DESCRIBED.—Subparagraph  
17 (E) of section 42(h)(7), as so redesignated, is  
18 amended by adding at the end the following new  
19 clause:

20 “(iii) BUILDINGS DESCRIBED.—A  
21 building described in this clause is a build-  
22 ing—

23 “(I) which received its allocation  
24 of housing credit dollar amount before  
25 January 1, 2022, or



1                   “(II) in the case of a building  
2                   any portion of which is financed as  
3                   described in paragraph (4), which re-  
4                   ceived before January 1, 2022, a de-  
5                   termination from the issuer of the  
6                   tax-exempt bonds or the housing cred-  
7                   it agency that the building is eligible  
8                   to receive an allocation of housing  
9                   credit dollar amount under the rules  
10                  of paragraphs (1) and (2) of sub-  
11                  section (m).”.

12           (b) RULES RELATING TO EXISTING PROJECTS.—  
13   Subparagraph (F) of section 42(h)(7), as redesignated by  
14   section 135503, is amended by striking “the nonlow-in-  
15   come portion” and all that follows and inserting “the  
16   nonlow-income portion and the low-income portion of the  
17   building for fair market value (determined by the housing  
18   credit agency by taking into account the rent restrictions  
19   required for the low-income portion of the building to con-  
20   tinue to meet the standards of paragraphs (1) and (2) of  
21   subsection (g)). The Secretary shall prescribe such regula-  
22   tions as may be necessary or appropriate to carry out this  
23   paragraph.”.

24           (c) CONFORMING AMENDMENTS.—

1 (1) Paragraph (7) of section 42(h), as redesignig-  
2 nated by section 135503, is amended by striking  
3 subparagraph (G) and by redesignating subpara-  
4 graphs (H), (I), (J), and (K) as subparagraphs (G),  
5 (H), (I), and (J), respectively.

6 (2) Subclause (II) of section 42(h)(7)(E)(i), as  
7 so redesignated and as amended by subsection (a),  
8 is further amended by striking “subparagraph (I)”  
9 and inserting “subparagraph (H)”.

10 (d) EFFECTIVE DATE.—

11 (1) IN GENERAL.—Except as provided in para-  
12 graph (2), the amendments made by this section  
13 shall take effect on the date of the enactment of this  
14 Act.

15 (2) SUBSECTION (b).—The amendments made  
16 by subsection (b) shall apply to buildings with re-  
17 spect to which a written request described in section  
18 42(h)(7)(H) of the Internal Revenue Code of 1986,  
19 as redesignated by section 135503 and subsection  
20 (c), is submitted after the date of the enactment of  
21 this Act.

22 **SEC. 135506. MODIFICATION AND CLARIFICATION OF**  
23 **RIGHTS RELATING TO BUILDING PURCHASE.**

24 (a) MODIFICATION OF RIGHT OF FIRST REFUSAL.—

1           (1) IN GENERAL.—Subparagraph (A) of section  
2           42(i)(7) is amended by striking “a right of 1st re-  
3           fusal” and inserting “an option”.

4           (2) CONFORMING AMENDMENT.—The heading  
5           of paragraph (7) of section 42(i) is amended by  
6           striking “RIGHT OF 1ST REFUSAL” and inserting  
7           “OPTION”.

8           (b) CLARIFICATION WITH RESPECT TO RIGHT OF  
9           FIRST REFUSAL AND PURCHASE OPTIONS.—

10           (1) PURCHASE OF PARTNERSHIP INTEREST.—  
11           Subparagraph (A) of section 42(i)(7), as amended  
12           by subsection (a), is amended by striking “the prop-  
13           erty” and inserting “the property or all of the part-  
14           nership interests (other than interests of the person  
15           exercising such option or a related party thereto  
16           (within the meaning of section 267(b) or 707(b)(1)))  
17           relating to the property”.

18           (2) PROPERTY INCLUDES ASSETS RELATING TO  
19           THE BUILDING.—Paragraph (7) of section 42(i) is  
20           amended by adding at the end the following new  
21           subparagraph:

22                   “(C) PROPERTY.—For purposes of sub-  
23                   paragraph (A), the term ‘property’ may include  
24                   all or any of the assets held for the develop-

1           ment, operation, or maintenance of a build-  
2           ing.”.

3           (3) EXERCISE OF RIGHT OF FIRST REFUSAL  
4           AND PURCHASE OPTIONS.—Subparagraph (A) of  
5           section 42(i)(7), as amended by subsection (a) and  
6           paragraph (1)(A), is amended by adding at the end  
7           the following: “For purposes of determining whether  
8           an option, including a right of first refusal, to pur-  
9           chase property or partnership interests holding (di-  
10          rectly or indirectly) such property is described in the  
11          preceding sentence—

12                   “(i) such option or right of first re-  
13                   fusal shall be exercisable with or without  
14                   the approval of any owner of the project  
15                   (including any partner, member, or affili-  
16                   ated organization of such an owner), and

17                   “(ii) a right of first refusal shall be  
18                   exercisable in response to any offer to pur-  
19                   chase the property or partnership interests,  
20                   including an offer by a related party.”.

21          (c) CONFORMING AMENDMENTS.—Subparagraph (B)  
22          of section 42(i)(7) is amended by striking “the sum of”  
23          and all that follows and inserting “the principal amount  
24          of outstanding indebtedness secured by the building (other  
25          than indebtedness incurred within the 5-year period end-

1 ing on the date of the sale to the tenants). In the case  
2 of a purchase of a partnership interest, the minimum pur-  
3 chase price is an amount not less than such interest's rat-  
4 able share of the amount determined under the first sen-  
5 tence of this subparagraph.”.

6 (d) EFFECTIVE DATES.—

7 (1) MODIFICATION OF RIGHT OF FIRST RE-  
8 FUSAL.—The amendments made by subsections (a)  
9 and (c) shall apply to agreements entered into or  
10 amended after the date of the enactment of this Act.

11 (2) CLARIFICATION.—The amendments made  
12 by subsection (b) shall apply to agreements among  
13 the owners of the project (including partners, mem-  
14 bers, and their affiliated organizations) and persons  
15 described in section 42(i)(7)(A) of the Internal Rev-  
16 enue Code of 1986 entered into before, on, or after  
17 the date of the enactment of this Act.

18 (3) NO EFFECT ON AGREEMENTS.—None of the  
19 amendments made by this section is intended to su-  
20 persede express language in any agreement with re-  
21 spect to the terms of a right of first refusal or op-  
22 tion permitted by section 42(i)(7) of the Internal  
23 Revenue Code of 1986 in effect on the date of the  
24 enactment of this Act.

1 **SEC. 135507. INCREASE IN CREDIT FOR BOND-FINANCED**  
2 **PROJECTS DESIGNATED BY HOUSING CREDIT**  
3 **AGENCY.**

4 (a) **IN GENERAL.**—Section 42(d)(5)(B)(v) is amend-  
5 ed by striking “The preceding sentence” and inserting “In  
6 the case of determinations of housing credit dollar amount  
7 after December 31, 2028, the preceding sentence”.

8 (b) **EFFECTIVE DATE.**—The amendments made by  
9 this section shall apply to buildings which receive a deter-  
10 mination of housing credit dollar amount pursuant to sec-  
11 tion 42(m)(2)(D) of the Internal Revenue Code of 1986  
12 after the date of the enactment of this Act.

13 **Subpart B—Neighborhood Homes Investment Act**

14 **SEC. 135511. NEIGHBORHOOD HOMES CREDIT.**

15 (a) **IN GENERAL.**—Subpart D of part IV of sub-  
16 chapter A of chapter 1 is amended by inserting after sec-  
17 tion 42 the following new section:

18 **“SEC. 42A. NEIGHBORHOOD HOMES CREDIT.**

19 “(a) **ALLOWANCE OF CREDIT.**—For purposes of sec-  
20 tion 38, the neighborhood homes credit determined under  
21 this section for the taxable year is, with respect to each  
22 qualified residence sold by the taxpayer during such tax-  
23 able year in an affordable sale, the lesser of—

24 “(1) the excess (if any) of—

1           “(A) the reasonable development costs paid  
2           or incurred by the taxpayer with respect to such  
3           qualified residence, over

4           “(B) the sale price of such qualified resi-  
5           dence (reduced by any reasonable expenses paid  
6           or incurred by the taxpayer in connection with  
7           such sale), or

8           “(2) 35 percent of the lesser of—

9           “(A) the eligible development costs paid or  
10          incurred by the taxpayer with respect to such  
11          qualified residence, or

12          “(B) 80 percent of the national median  
13          sale price for new homes (as determined pursu-  
14          ant to the most recent census data available as  
15          of the date on which the neighborhood homes  
16          credit agency makes an allocation for the quali-  
17          fied project).

18          “(b) DEVELOPMENT COSTS.—For purposes of this  
19          section—

20          “(1) REASONABLE DEVELOPMENT COSTS.—

21          “(A) IN GENERAL.—The term ‘reasonable  
22          development costs’ means amounts paid or in-  
23          curred for the acquisition of buildings and land,  
24          construction, substantial rehabilitation, demoli-  
25          tion of structures, or environmental remedi-

1           ation, to the extent that the neighborhood  
2           homes credit agency determines that such  
3           amounts meet the standards specified pursuant  
4           to subsection (f)(1)(C) (as of the date on which  
5           construction or substantial rehabilitation is sub-  
6           stantially complete, as determined by such  
7           agency) and are necessary to ensure the finan-  
8           cial feasibility of such qualified residence.

9           “(B) CONSIDERATIONS IN MAKING DETER-  
10          MINATION.—In making the determination under  
11          subparagraph (A), the neighborhood homes  
12          credit agency shall consider—

13                 “(i) the sources and uses of funds and  
14                 the total financing,

15                 “(ii) any proceeds or receipts gen-  
16                 erated or expected to be generated by rea-  
17                 son of tax benefits, and

18                 “(iii) the reasonableness of the devel-  
19                 opmental costs and fees.

20          “(2) ELIGIBLE DEVELOPMENT COSTS.—The  
21          term ‘eligible development costs’ means the amount  
22          which would be reasonable development costs if the  
23          amounts taken into account as paid or incurred for  
24          the acquisition of buildings and land did not exceed  
25          75 percent of such costs determined without regard



1 to any amount paid or incurred for the acquisition  
2 of buildings and land.

3 “(3) SUBSTANTIAL REHABILITATION.—The  
4 term ‘substantial rehabilitation’ means amounts paid  
5 or incurred for rehabilitation of a qualified residence  
6 if such amounts exceed the greater of—

7 “(A) \$20,000, or

8 “(B) 20 percent of the amounts paid or in-  
9 curred by the taxpayer for the acquisition of  
10 buildings and land with respect to such quali-  
11 fied residence.

12 “(4) CONSTRUCTION AND REHABILITATION  
13 ONLY AFTER ALLOCATION TAKEN INTO ACCOUNT.—

14 “(A) IN GENERAL.—The terms ‘reasonable  
15 development costs’ and ‘eligible development  
16 costs’ shall not include any amount paid or in-  
17 curred before the date on which an allocation is  
18 made to the taxpayer under subsection (e) with  
19 respect to the qualified project of which the  
20 qualified residence is part unless such amount  
21 is paid or incurred for the acquisition of build-  
22 ings or land.

23 “(B) LAND AND BUILDING ACQUISITION  
24 COSTS.—Amounts paid or incurred for the ac-  
25 quisition of buildings or land shall be included

1           under paragraph (A) only if paid or incurred  
2           not more than 3 years before the date on which  
3           the allocation referred to in subparagraph (A)  
4           is made. If the taxpayer acquired any building  
5           or land from an entity (or any related party to  
6           such entity) that holds an ownership interest in  
7           the taxpayer, then such entity must also have  
8           acquired such property within such 3-year pe-  
9           riod, and the acquisition cost included under  
10          subparagraph (A) with respect to the taxpayer  
11          shall not exceed the amount such entity paid or  
12          incurred to acquire such property.

13          “(c) QUALIFIED RESIDENCE.—For purposes of this  
14 section—

15                 “(1) IN GENERAL.—The term ‘qualified resi-  
16 dence’ means a residence that—

17                         “(A) is real property affixed on a perma-  
18 nent foundation,

19                         “(B) is—

20                                 “(i) a house which is comprised of 4  
21 or fewer residential units,

22                                 “(ii) a condominium unit, or

23                                 “(iii) a house or an apartment owned  
24 by a cooperative housing corporation (as  
25 defined in section 216(b)),

1           “(C) is part of a qualified project with re-  
2           spect to the neighborhood homes credit agency  
3           has made an allocation under subsection (e),  
4           and

5           “(D) is located in a qualified census tract  
6           (determined as of the date of such allocation).

7           “(2) QUALIFIED CENSUS TRACT.—

8           “(A) IN GENERAL.—The term ‘qualified  
9           census tract’ means a census tract—

10           “(i) which—

11           “(I) has a median family income  
12           which does not exceed 80 percent of  
13           the median family income for the ap-  
14           plicable area,

15           “(II) has a poverty rate that is  
16           not less than 130 percent of the pov-  
17           erty rate of the applicable area, and

18           “(III) has a median value for  
19           owner-occupied homes that does not  
20           exceed the median value for owner-oc-  
21           cupied homes in the applicable area,

22           “(ii) which—

23           “(I) is located in a city which has  
24           a population of not less than 50,000  
25           and such city has a poverty rate that

1 is not less than 150 percent of the  
2 poverty rate of the applicable area,

3 “(II) has a median family income  
4 which does not exceed the median  
5 family income for the applicable area,  
6 and

7 “(III) has a median value for  
8 owner-occupied homes that does not  
9 exceed 80 percent of the median value  
10 for owner-occupied homes in the ap-  
11 plicable area,

12 “(iii) which—

13 “(I) is located in a nonmetropoli-  
14 tan county,

15 “(II) has a median family income  
16 which does not exceed the median  
17 family income for the applicable area,  
18 and

19 “(III) has been designated by a  
20 neighborhood homes credit agency  
21 under this clause, or

22 “(iv) which is not otherwise a quali-  
23 fied census tract and is located in a dis-  
24 aster area (as defined in section  
25 7508A(d)(3)), but only with respect to

1 credits allocated in any period during  
2 which the President of the United States  
3 has determined that such area warrants in-  
4 dividual or individual and public assistance  
5 by the Federal Government under the Rob-  
6 ert T. Stafford Disaster Relief and Emer-  
7 gency Assistance Act.

8 “(B) APPLICABLE AREA.—The term ‘appli-  
9 cable area’ means—

10 “(i) in the case of a metropolitan cen-  
11 sus tract, the metropolitan area in which  
12 such census tract is located, and

13 “(ii) in the case of a census tract  
14 other than a census tract described in  
15 clause (i), the State.

16 “(d) AFFORDABLE SALE.—For purposes of this sec-  
17 tion—

18 “(1) IN GENERAL.—The term ‘affordable sale’  
19 means a sale to a qualified homeowner of a qualified  
20 residence that the neighborhood homes credit agency  
21 certifies as meeting the standards promulgated  
22 under subsection (f)(1)(D) for a price that does not  
23 exceed—

24 “(A) in the case of any qualified residence  
25 not described in subparagraph (B), (C), or (D),

1           the amount equal to the product of 4 multiplied  
2           by the median family income for the applicable  
3           area (as determined pursuant to the most re-  
4           cent census data available as of the date of the  
5           contract for such sale),

6           “(B) in the case of a house comprised of  
7           2 residential units, 125 percent of the amount  
8           described in subparagraph (A),

9           “(C) in the case of a house comprised of  
10          3 residential units, 150 percent of the amount  
11          described in subparagraph (A), or

12          “(D) in the case of a house comprised of  
13          4 residential units, 175 percent of the amount  
14          described in subparagraph (A).

15          “(2) **QUALIFIED HOMEOWNER.**—The term  
16          ‘qualified homeowner’ means, with respect to a  
17          qualified residence, an individual—

18                 “(A) who owns and uses such qualified res-  
19                 idence as the principal residence of such indi-  
20                 vidual, and

21                 “(B) whose family income (determined as  
22                 of the date that a binding contract for the af-  
23                 fordable sale of such residence is entered into)  
24                 is 140 percent or less of the median family in-

1           come for the applicable area in which the quali-  
2           fied residence is located.

3           “(e) CREDIT CEILING AND ALLOCATIONS.—

4           “(1) CREDIT LIMITED BASED ON ALLOCATIONS  
5           TO QUALIFIED PROJECTS.—

6           “(A) IN GENERAL.—The credit allowed  
7           under subsection (a) to any taxpayer for any  
8           taxable year with respect to one or more quali-  
9           fied residences which are part of the same  
10          qualified project shall not exceed the excess (if  
11          any) of—

12          “(i) the amount allocated by the  
13          neighborhood homes credit agency under  
14          this paragraph to such taxpayer with re-  
15          spect to such qualified project, over

16          “(ii) the aggregate amount of credit  
17          allowed under subsection (a) to such tax-  
18          payer with respect to qualified residences  
19          which are a part of such qualified project  
20          for all prior taxable years.

21          “(B) DEADLINE FOR COMPLETION.—No  
22          credit shall be allowed under subsection (a)  
23          with respect to any qualified residence unless  
24          the affordable sale of such residence is during  
25          the 5-year period beginning on the date of the

1 allocation to the qualified project of which such  
2 residence is a part (or, in the case of a qualified  
3 residence to which subsection (i) applies, the re-  
4 habilitation of such residence is completed dur-  
5 ing such 5-year period).

6 “(2) LIMITATIONS ON ALLOCATIONS TO QUALI-  
7 FIED PROJECTS.—

8 “(A) ALLOCATIONS LIMITED BY STATE  
9 NEIGHBORHOOD HOMES CREDIT CEILING.—The  
10 aggregate amount allocated to taxpayers with  
11 respect to qualified projects by the neighbor-  
12 hood homes credit agency of any State for any  
13 calendar year shall not exceed the State neigh-  
14 borhood homes credit amount of such State for  
15 such calendar year.

16 “(B) SET-ASIDE FOR CERTAIN PROJECTS  
17 INVOLVING QUALIFIED NONPROFIT ORGANIZA-  
18 TIONS.—Rules similar to the rules of section  
19 42(h)(5) shall apply for purposes of this sec-  
20 tion.

21 “(3) DETERMINATION OF STATE NEIGHBOR-  
22 HOOD HOMES CREDIT CEILING.—

23 “(A) IN GENERAL.—The State neighbor-  
24 hood homes credit amount for a State for a cal-  
25 endar year is an amount equal to the sum of—



1 “(i) the greater of—

2 “(I) the product of \$6, multiplied  
3 by the State population (determined  
4 in accordance with section 146(j)), or

5 “(II) \$8,000,000, and

6 “(ii) any amount previously allocated  
7 to any taxpayer with respect to any quali-  
8 fied project by the neighborhood homes  
9 credit agency of such State which can no  
10 longer be allocated to any qualified resi-  
11 dence because the 5-year period described  
12 in paragraph (1)(B) expires during cal-  
13 endar year.

14 “(B) 3-YEAR CARRYFORWARD OF UNUSED  
15 LIMITATION.—The State neighborhood homes  
16 credit amount for a State for a calendar year  
17 shall be increased by the excess (if any) of the  
18 State neighborhood homes credit amount for  
19 such State for the preceding calendar year over  
20 the aggregate amount allocated by the neigh-  
21 borhood homes credit agency of such State dur-  
22 ing such preceding calendar year. Any amount  
23 carried forward under the preceding sentence  
24 shall not be carried past the third calendar year  
25 after the calendar year in which such credit

1 amount originally arose, determined on a first-  
2 in, first-out basis.

3 “(f) RESPONSIBILITIES OF NEIGHBORHOOD HOMES  
4 CREDIT AGENCIES.—

5 “(1) IN GENERAL.—Notwithstanding subsection  
6 (e), the State neighborhood homes credit dollar  
7 amount shall be zero for a calendar year unless the  
8 neighborhood homes credit agency of the State—

9 “(A) allocates such amount pursuant to a  
10 qualified allocation plan of the neighborhood  
11 homes credit agency,

12 “(B) allocates not more than 20 percent of  
13 amounts allocated in the previous year (or for  
14 allocations made in 2022, not more than 20  
15 percent of the neighborhood homes credit ceil-  
16 ing for such year) to projects with respect to  
17 qualified residences which—

18 “(i) are located in census tracts de-  
19 scribed in subsection (c)(2)(A)(iii),  
20 (c)(2)(A)(iv), (i)(5), or

21 “(ii) are not located in a qualified  
22 census tract but meet the requirements of  
23 (i)(8),

1           “(C) promulgates standards with respect  
2 to reasonable qualified development costs and  
3 fees,

4           “(D) promulgates standards with respect  
5 to construction quality,

6           “(E) in the case of any neighborhood  
7 homes credit agency which makes an allocation  
8 to a qualified project which includes any quali-  
9 fied residence to which subsection (i) applies,  
10 promulgates standards with respect to pro-  
11 tecting the owners of such residences, including  
12 the capacity of such owners to pay rehabilita-  
13 tion costs not covered by the credit provided by  
14 this section and providing for the disclosure to  
15 such owners of their rights and responsibilities  
16 with respect to the rehabilitation of such resi-  
17 dences, and

18           “(F) submits to the Secretary (at such  
19 time and in such manner as the Secretary may  
20 prescribe) an annual report specifying—

21           “(i) the amount of the neighborhood  
22 homes credits allocated to each qualified  
23 project for the previous year,

1                   “(ii) with respect to each qualified  
2                   residence completed in the preceding cal-  
3                   endar year—

4                   “(I) the census tract in which  
5                   such qualified residence is located,

6                   “(II) with respect to the qualified  
7                   project that includes such qualified  
8                   residence, the year in which such  
9                   project received an allocation under  
10                  this section,

11                  “(III) whether such qualified res-  
12                  idence was new, substantially rehabili-  
13                  tated and sold to a qualified home-  
14                  owner, or substantially rehabilitated  
15                  pursuant to subsection (i),

16                  “(IV) the eligible development  
17                  costs of such qualified residence,

18                  “(V) the amount of the neighbor-  
19                  hood homes credit with respect to  
20                  such qualified residence,

21                  “(VI) the sales price of such  
22                  qualified residence, if applicable, and

23                  “(VII) the family income of the  
24                  qualified homeowner (expressed as a  
25                  percentage of the applicable area me-

1                   dian family income for the location of  
2                   the qualified residence), and

3                   “(iii) such other information as the  
4                   Secretary may require.

5                   “(2) QUALIFIED ALLOCATION PLAN.—For pur-  
6                   poses of this subsection, the term ‘qualified alloca-  
7                   tion plan’ means any plan which—

8                   “(A) sets forth the selection criteria to be  
9                   used to prioritize qualified projects for alloca-  
10                  tions of State neighborhood homes credit dollar  
11                  amounts, including—

12                  “(i) the need for new or substantially  
13                  rehabilitated owner-occupied homes in the  
14                  area addressed by the project,

15                  “(ii) the expected contribution of the  
16                  project to neighborhood stability and revi-  
17                  talization, including the impact on neigh-  
18                  borhood residents,

19                  “(iii) the capability and prior perform-  
20                  ance of the project sponsor, and

21                  “(iv) the likelihood the project will re-  
22                  sult in long-term homeownership,

23                  “(B) has been made available for public  
24                  comment, and

1           “(C) provides a procedure that the neigh-  
2           borhood homes credit agency (or any agent or  
3           contractor of such agency) shall follow for pur-  
4           poses of—

5                   “(i) identifying noncompliance with  
6                   any provisions of this section, and

7                   “(ii) notifying the Internal Revenue  
8                   Service of any such noncompliance of  
9                   which the agency becomes aware.

10          “(g) REPAYMENT.—

11               “(1) IN GENERAL.—

12                   “(A) SOLD DURING 5-YEAR PERIOD.—If a  
13                   qualified residence is sold during the 5-year pe-  
14                   riod beginning immediately after the affordable  
15                   sale of such qualified residence referred to in  
16                   subsection (a), the seller (with respect to the  
17                   sale during such 5-year period) shall transfer  
18                   an amount equal to the repayment amount to  
19                   the relevant neighborhood homes credit agency.

20                   “(B) USE OF REPAYMENTS.—A neighbor-  
21                   hood homes credit agency shall use any amount  
22                   received pursuant to subparagraph (A) only for  
23                   purposes of qualified projects.

24               “(2) REPAYMENT AMOUNT.—For purposes of  
25               paragraph (1)(A), the repayment amount is an

1 amount equal to 50 percent of the gain from the  
2 sale to which the repayment relates, reduced by 20  
3 percent for each year of the 5-year period referred  
4 to in paragraph (1)(A) which ends before the date  
5 of such sale.

6 “(3) LIEN FOR REPAYMENT AMOUNT.—A  
7 neighborhood homes credit agency receiving an allo-  
8 cation under this section shall place a lien on each  
9 qualified residence that is built or rehabilitated as  
10 part of a qualified project for an amount such agen-  
11 cy deems necessary to ensure potential repayment  
12 pursuant to paragraph (1)(A).

13 “(4) DENIAL OF DEDUCTIONS IF CONVERTED  
14 TO RENTAL HOUSING.—If, during the 5-year period  
15 described in paragraph (1), an individual who owns  
16 a qualified residence fails to use such qualified resi-  
17 dence as such individual’s principal residence for any  
18 period of time, no deduction shall be allowed for ex-  
19 penses paid or incurred by such individual with re-  
20 spect to renting, during such period of time, such  
21 qualified residence.

22 “(5) WAIVER.—The neighborhood homes credit  
23 agency may waive the repayment required under  
24 paragraph (1)(A) in the case of homeowner experi-  
25 encing a hardship.

1 “(h) OTHER DEFINITIONS AND SPECIAL RULES.—

2 For purposes of this section—

3 “(1) NEIGHBORHOOD HOMES CREDIT AGEN-  
4 CY.—The term ‘neighborhood homes credit agency’  
5 means the agency designated by the governor of a  
6 State as the neighborhood homes credit agency of  
7 the State.

8 “(2) QUALIFIED PROJECT.—The term ‘qualified  
9 project’ means a project that a neighborhood homes  
10 credit agency certifies will build or substantially re-  
11 habilitate one or more qualified residences.

12 “(3) DETERMINATIONS OF FAMILY INCOME.—  
13 Rules similar to the rules of section 143(f)(2) shall  
14 apply for purposes of this section.

15 “(4) POSSESSIONS TREATED AS STATES.—The  
16 term ‘State’ includes the District of Columbia and  
17 the possessions of the United States.

18 “(5) SPECIAL RULES RELATED TO CONDOMIN-  
19 IUMS AND COOPERATIVE HOUSING CORPORATIONS.—

20 “(A) DETERMINATION OF DEVELOPMENT  
21 COSTS.—In the case of a qualified residence de-  
22 scribed in clause (ii) or (iii) of subsection  
23 (c)(1)(A), the reasonable development costs and  
24 eligible development costs of such qualified resi-  
25 dence shall be an amount equal to such costs,



1           respectively, of the entire condominium or coop-  
2           erative housing property in which such qualified  
3           residence is located, multiplied by a fraction—

4                   “(i) the numerator of which is the  
5                   total floor space of such qualified resi-  
6                   dence, and

7                   “(ii) the denominator of which is the  
8                   total floor space of all residences within  
9                   such property.

10           “(B) TENANT-STOCKHOLDERS OF COOPER-  
11           ATIVE HOUSING CORPORATIONS TREATED AS  
12           OWNERS.—In the case of a cooperative housing  
13           corporation (as such term is defined in section  
14           216(b)), a tenant-stockholder shall be treated  
15           as owning the house or apartment which such  
16           person is entitled to occupy.

17           “(6) RELATED PARTY SALES NOT TREATED AS  
18           AFFORDABLE SALES.—

19                   “(A) IN GENERAL.—A sale between related  
20                   persons shall not be treated as an affordable  
21                   sale.

22                   “(B) RELATED PERSONS.—For purposes  
23                   of this paragraph, a person (in this subpara-  
24                   graph referred to as the ‘related person’) is re-  
25                   lated to any person if the related person bears

1 a relationship to such person specified in sec-  
2 tion 267(b) or 707(b)(1), or the related person  
3 and such person are engaged in trades or busi-  
4 nesses under common control (within the mean-  
5 ing of subsections (a) and (b) of section 52).  
6 For purposes of the preceding sentence, in ap-  
7 plying section 267(b) or 707(b)(1), ‘10 percent’  
8 shall be substituted for ‘50 percent’.

9 “(7) INFLATION ADJUSTMENT.—

10 “(A) IN GENERAL.—In the case of a cal-  
11 endar year after 2022, the dollar amounts in  
12 subsections (b)(3)(A), (e)(3)(A)(i)(I),  
13 (e)(3)(A)(i)(II), and (i)(2)(C) shall each be in-  
14 creased by an amount equal to—

15 “(i) such dollar amount, multiplied by

16 “(ii) the cost-of-living adjustment de-  
17 termined under section 1(f)(3) for such  
18 calendar year by substituting ‘calendar  
19 year 2021’ for ‘calendar year 2016’ in sub-  
20 paragraph (A)(ii) thereof.

21 “(B) ROUNDING.—

22 “(i) In the case of the dollar amounts  
23 in subsection (b)(3)(A) and (i)(2)(C), any  
24 increase under paragraph (1) which is not

1 a multiple of \$1,000 shall be rounded to  
2 the nearest multiple of \$1,000.

3 “(ii) In the case of the dollar amount  
4 in subsection (e)(3)(A)(i)(I), any increase  
5 under paragraph (1) which is not a mul-  
6 tiple of \$0.01 shall be rounded to the near-  
7 est multiple of \$0.01.

8 “(iii) In the case of the dollar amount  
9 in subsection (e)(3)(A)(i)(II), any increase  
10 under paragraph (1) which is not a mul-  
11 tiple of \$100,000 shall be rounded to the  
12 nearest multiple of \$100,000.

13 “(8) REPORT.—

14 “(A) IN GENERAL.—The Secretary shall  
15 annually issue a report, to be made available to  
16 the public, which contains the information sub-  
17 mitted pursuant to subsection (f)(1)(F).

18 “(B) DE-IDENTIFICATION.—The Secretary  
19 shall ensure that any information made public  
20 pursuant to paragraph (1) excludes any infor-  
21 mation that would allow for the identification of  
22 qualified homeowners.

23 “(9) LIST OF QUALIFIED CENSUS TRACTS.—  
24 The Secretary of Housing and Urban Development

1 shall, for each year, make publicly available a list of  
2 qualified census tracts under—

3 “(A) on a combined basis, clauses (i) and  
4 (ii) of subsection (c)(2)(A),  
5 “(B) clause (iii) of such subsection, and  
6 “(C) subsection (i)(5)(A).

7 “(i) APPLICATION OF CREDIT WITH RESPECT TO  
8 OWNER-OCCUPIED REHABILITATIONS.—

9 “(1) IN GENERAL.—In the case of a qualified  
10 rehabilitation by the taxpayer of any qualified resi-  
11 dence which is owned (as of the date that the writ-  
12 ten binding contract referred to in paragraph (3) is  
13 entered into) by a specified homeowner, the rules of  
14 paragraphs (2) through (7) shall apply.

15 “(2) ALTERNATIVE CREDIT DETERMINATION.—  
16 In the case of any qualified residence described in  
17 paragraph (1), the neighborhood homes credit deter-  
18 mined under subsection (a) with respect to such resi-  
19 dence shall (in lieu of any credit otherwise deter-  
20 mined under subsection (a) with respect to such resi-  
21 dence) be allowed in the taxable year during which  
22 the qualified rehabilitation is completed (as deter-  
23 mined by the neighborhood homes credit agency)  
24 and shall be equal to the least of—

25 “(A) the excess (if any) of—

1           “(i) the amounts paid or incurred by  
2           the taxpayer for the qualified rehabilitation  
3           of the qualified residence to the extent that  
4           such amounts are certified by the neigh-  
5           borhood homes credit agency (at the time  
6           of the completion of such rehabilitation) as  
7           meeting the standards specified pursuant  
8           to subsection (f)(1)(C), over

9           “(ii) any amounts paid to such tax-  
10          payer for such rehabilitation,

11          “(B) 50 percent of the amounts described  
12          in subparagraph (A)(i), or

13          “(C) \$50,000.

14          “(3) QUALIFIED REHABILITATION.—

15          “(A) IN GENERAL.—For purposes of this  
16          subsection, the term ‘qualified rehabilitation’  
17          means a rehabilitation or reconstruction per-  
18          formed pursuant to a written binding contract  
19          between the taxpayer and the qualified home-  
20          owner if the amount paid or incurred by the  
21          taxpayer in the performance of such rehabilita-  
22          tion or reconstruction exceeds the dollar  
23          amount in effect under subsection (b)(3)(A).

24          “(B) APPLICATION OF LIMITATION TO EX-  
25          PENSES PAID OR INCURRED AFTER ALLOCA-

1           TION.—A rule similar to the rule of section  
2           (b)(4) shall apply for purposes of this sub-  
3           section.

4           “(4) SPECIFIED HOMEOWNER.—For purposes  
5           of this subsection, the term ‘qualified homeowner’  
6           means, with respect to a qualified residence, an indi-  
7           vidual—

8                   “(A) who owns and uses such qualified res-  
9                   idence as the principal residence of such indi-  
10                  vidual as of the date that the written binding  
11                  contract referred to in paragraph (3) is entered  
12                  into, and

13                   “(B) whose family income (determined as  
14                   of such date) does not exceed the median family  
15                   income for the applicable area (with respect to  
16                   the census tract in which the qualified residence  
17                   is located).

18           “(5) ADDITIONAL CENSUS TRACTS IN WHICH  
19           OWNER-OCCUPIED RESIDENCES MAY BE LOCATED.—  
20           In the case of any qualified residence described in  
21           paragraph (1), the term ‘qualified census tract’ in-  
22           cludes any census tract which—

23                   “(A) meets the requirements of subsection  
24                   (c)(2)(A)(i) without regard to subclause (III)  
25                   thereof, and

1           “(B) is designated by the neighborhood  
2           homes credit agency for purposes of this para-  
3           graph.

4           “(6) MODIFICATION OF REPAYMENT REQUIRE-  
5           MENT.—In the case of any qualified residence de-  
6           scribed in paragraph (1), subsection (g) shall be ap-  
7           plied by beginning the 5-year period otherwise de-  
8           scribed therein on the date on which the qualified  
9           owner acquired the residence.

10          “(7) RELATED PARTIES.—Paragraph (1) shall  
11          not apply if the taxpayer is the owner of the quali-  
12          fied residence described in paragraph (1) or is re-  
13          lated (within the meaning of subsection (h)(6)(B))  
14          to such owner.

15          “(8) PYRRHOTITE REMEDIATION.—The require-  
16          ment of subsection (c)(1)(C) shall not apply to a  
17          qualified rehabilitation under this subsection of a  
18          qualified residence that is documented by an engi-  
19          neer’s report and core testing to have a foundation  
20          that is adversely impacted by pyrrhotite or other  
21          iron sulfide minerals.

22          “(j) REGULATIONS.—The Secretary shall prescribe  
23          such regulations as may be necessary or appropriate to  
24          carry out the purposes of this section, including regula-

1 tions that prevent avoidance of the rules, and abuse of  
2 the purposes, of this section.”.

3 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-  
4 NESS CREDIT.—Section 38(b), as amended by the pre-  
5 ceding provisions of this Act, is amended by striking  
6 “plus” at the end of paragraph (34), by striking the period  
7 at the end of paragraph (35) and inserting “, plus”, and  
8 by adding at the end the following new paragraph:

9 “(36) the neighborhood homes credit deter-  
10 mined under section 42A(a),”.

11 (c) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-  
12 IMUM TAX.—Section 38(c)(4)(B), as amended by the pre-  
13 ceding provisions of this Act, is amended by redesignating  
14 clauses (iv) through (xiii) as clauses (v) through (xiv), re-  
15 spectively, and by inserting after clause (iii) the following  
16 new clause:

17 “(iv) the credit determined under sec-  
18 tion 42A,”.

19 (d) CONFORMING AMENDMENTS.—

20 (1) Subsections (i)(3)(C), (i)(6)(B)(i), and  
21 (k)(1) of section 469 are each amended by inserting  
22 “or 42A” after “section 42”.

23 (2) The table of sections for subpart D of part  
24 IV of subchapter A of chapter 1 is amended by in-



1           serting after the item relating to section 42 the fol-  
2           lowing new item:

“Sec. 42A. Neighborhood homes credit.”.

3           (e) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2021.

6                           **PART 6—INVESTMENTS IN TRIBAL**  
7   **INFRASTRUCTURE**

8   **SEC. 135601. TREATMENT OF INDIAN TRIBES AS STATES**  
9                           **WITH RESPECT TO BOND ISSUANCE.**

10          (a) **IN GENERAL.**—Section 7871(c) is amended to  
11 read as follows:

12          “(c) **SPECIAL RULES FOR TAX-EXEMPT BONDS.**—

13                  “(1) **IN GENERAL.**—In applying section 146 to  
14 bonds issued by Indian Tribal Governments the Sec-  
15 retary shall annually—

16                          “(A) establish a national bond volume cap  
17 based on the greater of—

18                                  “(i) the State population formula ap-  
19 proach in section 146(d)(1)(A) (using na-  
20 tional Tribal population estimates supplied  
21 annually by the Department of the Interior  
22 in consultation with the Census Bureau),  
23 and

24                                  “(ii) the minimum State ceiling  
25 amount in section 146(d)(1)(B) (as ad-