

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 5720
OFFERED BY MR. RANGEL OF NEW YORK**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE; ETC.

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Housing Assistance Tax Act of 2008”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 (c) TABLE OF CONTENTS.—The table of contents of
11 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—HOUSING TAX INCENTIVES

Subtitle A—Multi-Family Housing

PART 1—LOW-INCOME HOUSING TAX CREDIT

Sec. 101. Temporary increase in volume cap for low-income housing tax credit.

Sec. 102. Determination of credit rate.

Sec. 103. Modifications to definition of eligible basis.

Sec. 104. Other simplification and reform of low-income housing tax incentives.

PART 2—MODIFICATIONS TO TAX-EXEMPT HOUSING BOND RULES

Sec. 111. Recycling of tax-exempt debt for financing residential rental projects.

2

Sec. 112. Coordination of certain rules applicable to low-income housing credit and qualified residential rental project exempt facility bonds.

PART 3—REFORMS RELATED TO THE LOW-INCOME HOUSING CREDIT AND
TAX-EXEMPT HOUSING BONDS

Sec. 121. Hold harmless for reductions in area median gross income.

Sec. 122. Exception to annual current income determination requirement where determination not relevant.

Subtitle B—Single Family Housing

Sec. 131. First-time homebuyer credit.

Sec. 132. Additional standard deduction for real property taxes for non-itemizers.

Subtitle C—General Provisions

Sec. 141. Temporary liberalization of tax-exempt housing bond rules.

Sec. 142. Repeal of alternative minimum tax limitations on tax-exempt housing bonds, low-income housing tax credit, and rehabilitation credit.

Sec. 143. Bonds guaranteed by Federal home loan banks eligible for treatment as tax-exempt bonds.

Sec. 144. Modification of rules pertaining to FIRPTA nonforeign affidavits.

Sec. 145. Modification of definition of tax-exempt use property for purposes of the rehabilitation credit.

TITLE II—REFORMS RELATED TO REAL ESTATE INVESTMENT
TRUSTS

Subtitle A—Foreign Currency and Other Qualified Activities

Sec. 201. Revisions to REIT income tests.

Sec. 202. Revisions to REIT asset tests.

Sec. 203. Conforming foreign currency revisions.

Subtitle B—Taxable REIT Subsidiaries

Sec. 211. Conforming taxable REIT subsidiary asset test.

Subtitle C—Dealer Sales

Sec. 221. Holding period under safe harbor.

Sec. 222. Determining value of sales under safe harbor.

Subtitle D—Health Care REITs

Sec. 231. Conformity for health care facilities.

Subtitle E—Effective Dates

Sec. 241. Effective dates.

TITLE III—REVENUE PROVISIONS

Sec. 301. Broker reporting of customer's basis in securities transactions.

Sec. 302. Delay in application of worldwide allocation of interest.

Sec. 303. Time for payment of corporate estimated taxes.

1 **TITLE I—HOUSING TAX**
2 **INCENTIVES**
3 **Subtitle A—Multi-Family Housing**
4 **PART 1—LOW-INCOME HOUSING TAX CREDIT**

5 **SEC. 101. TEMPORARY INCREASE IN VOLUME CAP FOR**
6 **LOW-INCOME HOUSING TAX CREDIT.**

7 Paragraph (3) of section 42(h) is amended by adding
8 at the end the following new subparagraph:

9 “(I) INCREASE IN STATE HOUSING CREDIT
10 CEILING FOR 2008 AND 2009.—In the case of
11 calendar years 2008 and 2009, the dollar
12 amount in effect under subparagraph (C)(ii)(I)
13 for such calendar year (after any increase under
14 subparagraph (H)) shall be increased by
15 \$0.20.”.

16 **SEC. 102. DETERMINATION OF CREDIT RATE.**

17 (a) **ELIMINATION OF DISTINCTION BETWEEN NEW**
18 **AND EXISTING BUILDINGS; MINIMUM CREDIT RATE FOR**
19 **NON-FEDERALLY SUBSIDIZED BUILDINGS.—**

20 (1) **IN GENERAL.—**Subsection (b) section 42 is
21 amended to read as follows:

22 “(b) **APPLICABLE PERCENTAGE.—**For purposes of
23 this section—

24 “(1) **IN GENERAL.—**The term ‘applicable per-
25 centage’ means, with respect to any building, the ap-

1 appropriate percentage prescribed by the Secretary for
2 the earlier of—

3 “(A) the month in which such building is
4 placed in service, or

5 “(B) at the election of the taxpayer—

6 “(i) the month in which the taxpayer
7 and the housing credit agency enter into
8 an agreement with respect to such building
9 (which is binding on such agency, the tax-
10 payer, and all successors in interest) as to
11 the housing credit dollar amount to be allo-
12 cated to such building, or

13 “(ii) in the case of any building to
14 which subsection (h)(4)(B) applies, the
15 month in which the tax-exempt obligations
16 are issued.

17 A month may be elected under clause (ii) only if the
18 election is made not later than the 5th day after the
19 close of such month. Such an election, once made,
20 shall be irrevocable.

21 “(2) METHOD OF PRESCRIBING PERCENT-
22 AGES.—

23 “(A) IN GENERAL.—For purposes of para-
24 graph (1), the percentages prescribed by the
25 Secretary for any month shall be—

1 “(i) in the case of any building which
2 is not federally subsidized for the taxable
3 year, the greater of—

4 “(I) 9 percent, or

5 “(II) the percentage which will
6 yield over a 10-year period amounts of
7 credit under subsection (a) which have
8 a present value equal to 70 percent of
9 the qualified basis of such building,
10 and

11 “(ii) in the case of any other building,
12 the percentage which will yield over a 10-
13 year period amounts of credit under sub-
14 section (a) which have a present value
15 equal to 30 percent of the qualified basis
16 of such building.

17 “(B) METHOD OF DISCOUNTING.—The
18 present value under subparagraph (A) shall be
19 determined—

20 “(i) as of the last day of the 1st year
21 of the 10-year period referred to in sub-
22 paragraph (A),

23 “(ii) by using a discount rate equal to
24 72 percent of the average of the annual
25 Federal mid-term rate and the annual

1 Federal long-term rate applicable under
2 section 1274(d)(1) to the month applicable
3 under subparagraph (A) and compounded
4 annually, and

5 “(iii) by assuming that the credit al-
6 lowable under this section for any year is
7 received on the last day of such year.

8 “(3) CROSS REFERENCES.—

9 “(A) For treatment of certain rehabilita-
10 tion expenditures as separate buildings, see sub-
11 section (e).

12 “(B) For determination of applicable per-
13 centage for increases in qualified basis after the
14 1st year of the credit period, see subsection
15 (f)(3).

16 “(C) For authority of housing credit agen-
17 cy to limit applicable percentage and qualified
18 basis which may be taken into account under
19 this section with respect to any building, see
20 subsection (h)(7).”.

21 (2) CONFORMING AMENDMENTS.—

22 (A) Subparagraph (B) of section 42(e)(3)
23 is amended by striking “subsection
24 (b)(2)(B)(ii)” and inserting “subsection
25 (b)(2)(A)(ii)”.

1 (B) Subparagraph (A) of section 42(i)(2)
2 is amended by striking “new building” and in-
3 serting “building”.

4 (b) MODIFICATIONS TO DEFINITION OF FEDERALLY
5 SUBSIDIZED BUILDING.—

6 (1) IN GENERAL.—Subparagraph (A) of section
7 42(i)(2) is amended by striking “, or any below mar-
8 ket Federal loan,”.

9 (2) CONFORMING AMENDMENTS.—

10 (A) Subparagraph (B) of section 42(i)(2)
11 is amended—

12 (i) by striking “BALANCE OF LOAN
13 OR” in the heading thereof,

14 (ii) by striking “loan or” in the mat-
15 ter preceding clause (i), and

16 (iii) by striking “subsection (d)—”
17 and all that follows and inserting “sub-
18 section (d) the proceeds of such obliga-
19 tion”.

20 (B) Subparagraph (C) of section 42(i)(2)
21 is amended—

22 (i) by striking “or below market Fed-
23 eral loan” in the matter preceding clause

24 (i),

25 (ii) in clause (i)—

1 (I) by striking “or loan (when
2 issued or made)” and inserting
3 “(when issued)”, and

4 (II) by striking “the proceeds of
5 such obligation or loan” and inserting
6 “the proceeds of such obligation”, and
7 (iii) by striking “, and such loan is re-
8 paid,” in clause (ii).

9 (C) Paragraph (2) of section 42(i) is
10 amended by striking subparagraphs (D) and
11 (E).

12 (c) EFFECTIVE DATE.—The amendments made by
13 this subsection shall apply to buildings placed in service
14 after the date of the enactment of this Act.

15 **SEC. 103. MODIFICATIONS TO DEFINITION OF ELIGIBLE**
16 **BASIS.**

17 (a) INCREASE IN CREDIT FOR CERTAIN STATE DES-
18 IGNATED BUILDINGS.—Subparagraph (C) of section
19 42(d)(5) (relating to increase in credit for buildings in
20 high cost areas), before redesignation under subsection
21 (d), is amended by adding at the end the following new
22 clause:

23 “(v) BUILDINGS DESIGNATED BY
24 STATE HOUSING CREDIT AGENCY.—Any
25 building which is designated by the State

1 housing credit agency as requiring the in-
2 crease in credit under this subparagraph in
3 order for such building to be financially
4 feasible as part of a qualified low-income
5 housing project shall be treated for pur-
6 poses of this subparagraph as located in a
7 difficult development area which is des-
8 ignated for purposes of this subparagraph.
9 The preceding sentence shall not apply to
10 any building if paragraph (1) of subsection
11 (h) does not apply to any portion of the el-
12 igible basis of such building by reason of
13 paragraph (4) of such subsection.”.

14 (b) MODIFICATION TO REHABILITATION REQUIRE-
15 MENTS.—

16 (1) IN GENERAL.—Clause (ii) of section
17 42(e)(3)(A) is amended—

18 (A) by striking “10 percent” in subclause
19 (I) and inserting “20 percent”, and
20 (B) by striking “\$3,000” in subclause (II)
21 and inserting “\$6,000”.

22 (2) INFLATION ADJUSTMENT.—Paragraph (3)
23 of section 42(e) is amended by adding at the end the
24 following new subparagraph:

1 “(D) INFLATION ADJUSTMENT.—In the
2 case of any expenditures which are treated
3 under paragraph (4) as placed in service during
4 any calendar year after 2009, the \$6,000
5 amount in subparagraph (A)(ii)(II) shall be in-
6 creased by an amount equal to—

7 “(i) such dollar amount, multiplied by

8 “(ii) the cost-of-living adjustment de-
9 termined under section 1(f)(3) for such
10 calendar year by substituting ‘calendar
11 year 2008’ for ‘calendar year 1992’ in sub-
12 paragraph (B) thereof.

13 Any increase under the preceding sentence
14 which is not a multiple of \$100 shall be round-
15 ed to the nearest multiple of \$100.”.

16 (3) CONFORMING AMENDMENT.—Subclause (II)
17 of section 42(f)(5)(B)(ii) is amended by striking “if
18 subsection (e)(3)(A)(ii)(II)” and all that follows and
19 inserting “if the dollar amount in effect under sub-
20 section (e)(3)(A)(ii)(II) were two-thirds of such
21 amount.”.

22 (c) INCREASE IN ALLOWABLE COMMUNITY SERVICE
23 FACILITY SPACE FOR SMALL PROJECTS.—Clause (ii) of
24 section 42(d)(4)(C) (relating to limitation) is amended by
25 striking “10 percent of the eligible basis of the qualified

1 low-income housing project of which it is a part. For pur-
2 poses of” and inserting “the sum of—

3 “(I) 15 percent of so much of the
4 eligible basis of the qualified low-in-
5 come housing project of which it is a
6 part as does not exceed \$5,000,000,
7 plus

8 “(II) 10 percent of so much of
9 the eligible basis of such project as is
10 not taken into account under sub-
11 clause (I).

12 For purposes of”.

13 (d) CLARIFICATION OF TREATMENT OF FEDERAL
14 GRANTS.—Subparagraph (A) of section 42(d)(5) is
15 amended to read as follows:

16 “(A) FEDERAL GRANTS NOT TAKEN INTO
17 ACCOUNT IN DETERMINING ELIGIBLE BASIS.—
18 The eligible basis of a building shall not include
19 any costs financed directly or indirectly with the
20 proceeds of a Federally funded grant.”.

21 (e) SIMPLIFICATION OF RELATED PARTY RULES.—
22 Clause (iii) of section 42(d)(2)(D) is amended—

23 (1) by striking all that precedes subclause (II),
24 (2) by redesignating subclause (II) as clause
25 (iii) and moving such clause two ems to the left, and

1 (3) by striking the last sentence thereof.

2 (f) REPEAL OF DEADWOOD.—

3 (1) Clause (ii) of section 42(d)(2)(B) is amend-
4 ed by striking “the later of—” and all that follows
5 and inserting “the date the building was last placed
6 in service,”.

7 (2) Subparagraph (D) of section 42(d)(2) is
8 amended by striking clause (i) and by redesignating
9 clauses (ii) and (iii) as clauses (i) and (ii), respec-
10 tively.

11 (3) Paragraph (5) of section 42(d) is amended
12 by striking subparagraph (B) and by redesignating
13 subparagraph (C) as subparagraph (B).

14 (g) EFFECTIVE DATE.—The amendments made by
15 this subsection shall apply to buildings placed in service
16 after the date of the enactment of this Act.

17 **SEC. 104. OTHER SIMPLIFICATION AND REFORM OF LOW-**
18 **INCOME HOUSING TAX INCENTIVES.**

19 (a) REPEAL PROHIBITION ON MODERATE REHABILI-
20 TATION ASSISTANCE.—Paragraph (2) of section 42(c) (de-
21 fining qualified low-income building) is amended by strik-
22 ing the flush sentence at the end.

23 (b) MODIFICATION OF TIME LIMIT FOR INCURRING
24 10 PERCENT OF PROJECT’S COST.—Clause (ii) of section
25 42(h)(1)(E) is amended by striking “(as of the later of

1 the date which is 6 months after the date that the alloca-
2 tion was made or the close of the calendar year in which
3 the allocation is made)” and inserting “(as of the date
4 which is 1 year after the date that the allocation was
5 made)”.

6 (c) REPEAL OF BONDING REQUIREMENT ON DIS-
7 POSITION OF BUILDING.—Paragraph (6) of section 42(j)
8 (relating to no recapture on disposition of building (or in-
9 terest therein) where bond posted) is amended to read as
10 follows:

11 “(6) NO RECAPTURE ON DISPOSITION OF
12 BUILDING WHICH CONTINUES IN QUALIFIED USE.—

13 “(A) IN GENERAL.—The increase in tax
14 under this subsection shall not apply solely by
15 reason of the disposition of a building (or an in-
16 terest therein) if it is reasonably expected that
17 such building will continue to be operated as a
18 qualified low-income building for the remaining
19 compliance period with respect to such building.

20 “(B) STATUTE OF LIMITATIONS.—If a
21 building (or an interest therein) is disposed of
22 during any taxable year and there is any reduc-
23 tion in the qualified basis of such building
24 which results in an increase in tax under this

1 subsection for such taxable or any subsequent
2 taxable year, then—

3 “(i) the statutory period for the as-
4 sessment of any deficiency with respect to
5 such increase in tax shall not expire before
6 the expiration of 3 years from the date the
7 Secretary is notified by the taxpayer (in
8 such manner as the Secretary may pre-
9 scribe) of such reduction in qualified basis,
10 and

11 “(ii) such deficiency may be assessed
12 before the expiration of such 3-year period
13 notwithstanding the provisions of any
14 other law or rule of law which would other-
15 wise prevent such assessment.”.

16 (d) ENERGY EFFICIENCY AND HISTORIC NATURE
17 TAKEN INTO ACCOUNT IN MAKING ALLOCATIONS.—Sub-
18 paragraph (C) of section 42(m)(1) (relating to plans for
19 allocation of credit among projects) is amended by striking
20 “and” at the end of clause (vii), by striking the period
21 at the end of clause (viii), and by adding at the end the
22 following new clauses:

23 “(ix) the energy efficiency of the
24 project, and

1 “(x) the historic nature of the
2 project.”.

3 (e) CONTINUED ELIGIBILITY FOR STUDENTS WHO
4 RECEIVED FOSTER CARE ASSISTANCE.—Clause (i) of sec-
5 tion 42(i)(3)(D) is amended by striking “or” at the end
6 of subclause (I), by redesignating subclause (II) as sub-
7 clause (III), and by inserting after subclause (I) the fol-
8 lowing new subclause:

9 “(II) a student who was pre-
10 viously under the care and placement
11 responsibility of the State agency re-
12 sponsible for administering a plan
13 under part B or part E of title IV of
14 the Social Security Act, or”.

15 (f) EFFECTIVE DATE.—

16 (1) IN GENERAL.—Except as otherwise pro-
17 vided in this subsection, the amendments made by
18 this section shall apply to buildings placed in service
19 after the date of the enactment of this Act.

20 (2) REPEAL OF BONDING REQUIREMENT ON
21 DISPOSITION OF BUILDING.—The amendment made
22 by subsection (c) shall apply to—

23 (A) interests in buildings disposed after
24 the date of the enactment of this Act, and

1 (B) interests in buildings disposed of on or
2 before such date if—

- 3 (i) it is reasonably expected that such
4 building will continue to be operated as a
5 qualified low-income building (within the
6 meaning of section 42 of the Internal Rev-
7 enue Code of 1986) for the remaining com-
8 pliance period (within the meaning of such
9 section) with respect to such building, and
10 (ii) the taxpayer elects the application
11 of this subparagraph with respect to such
12 disposition.

13 (3) ENERGY EFFICIENCY AND HISTORIC NA-
14 TURE TAKEN INTO ACCOUNT IN MAKING ALLOCA-
15 TIONS.—The amendments made by subsection (d)
16 shall apply to allocations made after December 31,
17 2008.

18 (4) CONTINUED ELIGIBILITY FOR STUDENTS
19 WHO RECEIVED FOSTER CARE ASSISTANCE.—The
20 amendments made by subsection (e) shall apply to
21 determinations made after the date of the enactment
22 of this Act.

1 **PART 2—MODIFICATIONS TO TAX-EXEMPT**
2 **HOUSING BOND RULES**
3 **SEC. 111. RECYCLING OF TAX-EXEMPT DEBT FOR FINANC-**
4 **ING RESIDENTIAL RENTAL PROJECTS.**

5 (a) IN GENERAL.—Subsection (i) of section 146 (re-
6 lating to treatment of refunding issues) is amended by
7 adding at the end the following new paragraph:

8 “(6) TREATMENT OF CERTAIN RESIDENTIAL
9 RENTAL PROJECT BONDS AS REFUNDING BONDS IR-
10 RESPECTIVE OF OBLIGOR.—

11 “(A) IN GENERAL.—If, during the 6-
12 month period beginning on the date of a repay-
13 ment of a loan financed by an issue 95 percent
14 or more of the net proceeds of which are used
15 to provide projects described in section 142(d),
16 such repayment is used to provide a new loan
17 for any project so described, any bond which is
18 issued to refinance such issue shall be treated
19 as a refunding issue to the extent the principal
20 amount of such refunding issue does not exceed
21 the principal amount of the bonds refunded.

22 “(B) LIMITATIONS.—Subparagraph (A)
23 shall apply to only one refunding of the original
24 issue and only if—

1 “(i) the refunding issue is issued not
2 later than 4 years after the date on which
3 the original issue was issued,

4 “(ii) the latest maturity date of any
5 bond of the refunding issue is not later
6 than 34 years after the date on which the
7 refunded bond was issued, and

8 “(iii) the refunding issue is approved
9 in accordance with section 147(f) before
10 the issuance of the refunding issue.”.

11 (b) **LOW-INCOME HOUSING CREDIT.**—Clause (ii) of
12 section 42(h)(4)(A) is amended by inserting “or such fi-
13 nancing is refunded as described in section 146(i)(6)” be-
14 fore the period at the end.

15 (c) **EFFECTIVE DATE.**—The amendments made by
16 this section shall apply to repayments of loans received
17 after the date of the enactment of this Act.

18 **SEC. 112. COORDINATION OF CERTAIN RULES APPLICABLE**
19 **TO LOW-INCOME HOUSING CREDIT AND**
20 **QUALIFIED RESIDENTIAL RENTAL PROJECT**
21 **EXEMPT FACILITY BONDS.**

22 (a) **DETERMINATION OF NEXT AVAILABLE UNIT.**—
23 Paragraph (3) of section 142(d) (relating to current in-
24 come determinations) is amended by adding at the end
25 the following new subparagraph:

1 “(C) EXCEPTION FOR PROJECTS WITH RE-
2 SPECT TO WHICH AFFORDABLE HOUSING CRED-
3 IT IS ALLOWED.—In the case of a project with
4 respect to which credit is allowed under section
5 42, the second sentence of subparagraph (B)
6 shall be applied by substituting ‘building (with-
7 in the meaning of section 42)’ for ‘project’.”.

8 (b) STUDENTS.—Paragraph (2) of section 142(d)
9 (relating to definitions and special rules) is amended by
10 adding at the end the following new subparagraph:

11 “(C) STUDENTS.—Rules similar to the
12 rules of 42(i)(3)(D) shall apply for purposes of
13 this subsection.”.

14 (c) SINGLE-ROOM OCCUPANCY UNITS.—Paragraph
15 (2) of section 142(d) (relating to definitions and special
16 rules), as amended by this Act, is further amended by add-
17 ing at the end the following new subparagraph:

18 “(D) SINGLE-ROOM OCCUPANCY UNITS.—A
19 unit shall not fail to be treated as a residential
20 unit merely because such unit is a single-room
21 occupancy unit (within the meaning of section
22 42).”.

23 (d) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to determinations of the status of
25 qualified residential rental projects for periods beginning

1 after the date of the enactment of this Act, with respect
2 to bonds issued before, on, or after such date.

3 **PART 3—REFORMS RELATED TO THE LOW-IN-**
4 **COME HOUSING CREDIT AND TAX-EXEMPT**
5 **HOUSING BONDS**

6 **SEC. 121. HOLD HARMLESS FOR REDUCTIONS IN AREA ME-**
7 **DIAN GROSS INCOME.**

8 (a) IN GENERAL.—Paragraph (2) of section 142(d)
9 is amended by adding at the end the following new sub-
10 paragraph:

11 “(C) HOLD HARMLESS FOR REDUCTIONS
12 IN AREA MEDIAN GROSS INCOME.—

13 “(i) IN GENERAL.—Any determination
14 of area median gross income under sub-
15 paragraph (B) with respect to any project
16 for any calendar year after 2008 shall not
17 be less than the area median gross income
18 determined under such subparagraph with
19 respect to such project for the calendar
20 year preceding the calendar year for which
21 such determination is made.

22 “(ii) SPECIAL RULE FOR CERTAIN
23 CENSUS CHANGES.—In the case of a HUD
24 hold harmless impacted project, the area
25 median gross income with respect to such

1 project for any calendar year after 2008
2 (hereafter in this clause referred to as the
3 current calendar year) shall be the greater
4 of the amount determined without regard
5 to this clause or the sum of—

6 “(I) the area median gross in-
7 come determined under the HUD hold
8 harmless policy with respect to such
9 project for calendar year 2008, plus

10 “(II) any increase in the area
11 median gross income determined
12 under subparagraph (B) (determined
13 without regard to the HUD hold
14 harmless policy and this subpara-
15 graph) with respect to such project
16 for the current calendar year over the
17 area median gross income (as so de-
18 termined) with respect to such project
19 for calendar year 2008.

20 “(iii) HUD HOLD HARMLESS POL-
21 ICY.—The term ‘HUD hold harmless pol-
22 icy’ means the regulations under which a
23 policy similar to the rules of clause (i) ap-
24 plied to prevent a change in the method of
25 determining area median gross income

1 from resulting in a reduction in the area
2 median gross income determined with re-
3 spect to certain projects in calendar years
4 2007 and 2008.

5 “(iv) HUD HOLD HARMLESS IM-
6 PACTED PROJECT.—The term ‘HUD hold
7 harmless impacted project’ means any
8 project with respect to which area median
9 gross income was determined under sub-
10 paragraph (B) for calendar year 2007 or
11 2008 if such determination would have
12 been less but for the HUD hold harmless
13 policy.”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 this section shall apply to determinations of area median
16 gross income for calendar years after 2008.

17 **SEC. 122. EXCEPTION TO ANNUAL CURRENT INCOME DE-**
18 **TERMINATION REQUIREMENT WHERE DE-**
19 **TERMINATION NOT RELEVANT.**

20 (a) IN GENERAL.—Subparagraph (A) of section
21 142(d)(3) is amended by adding at the end the following
22 new sentence: “The preceding sentence shall not apply
23 with respect to any project for any year if during such
24 year no residential unit in the project is occupied by a

1 new resident whose income exceeds the applicable income
2 limit.”

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to years ending after the date of
5 the enactment of this Act.

6 **Subtitle B—Single Family Housing**

7 **SEC. 131. FIRST-TIME HOMEBUYER CREDIT.**

8 (a) IN GENERAL.—Subpart C of part IV of sub-
9 chapter A of chapter 1 is amended by redesignating sec-
10 tion 36 as section 37 and by inserting after section 35
11 the following new section:

12 **“SEC. 36. FIRST-TIME HOMEBUYER CREDIT.**

13 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
14 dividual who is a first-time homebuyer of a principal resi-
15 dence in the United States during a taxable year, there
16 shall be allowed as a credit against the tax imposed by
17 this subtitle for such taxable year an amount equal to 10
18 percent of the purchase price of the residence.

19 “(b) LIMITATIONS.—

20 “(1) DOLLAR LIMITATION.—

21 “(A) IN GENERAL.—Except as otherwise
22 provided in this paragraph, the credit allowed
23 under subsection (a) shall not exceed \$7,500.

24 “(B) MARRIED INDIVIDUALS FILING SEPA-
25 RATELY.—In the case of a married individual

1 filing a separate return, subparagraph (A) shall
2 be applied by substituting ‘\$3,750’ for ‘\$7,500’.

3 “(C) OTHER INDIVIDUALS.—If two or
4 more individuals who are not married purchase
5 a principal residence, the amount of the credit
6 allowed under subsection (a) shall be allocated
7 among such individuals in such manner as the
8 Secretary may prescribe, except that the total
9 amount of the credits allowed to all such indi-
10 viduals shall not exceed \$7,500.

11 “(2) LIMITATION BASED ON MODIFIED AD-
12 JUSTED GROSS INCOME.—

13 “(A) IN GENERAL.—The amount allowable
14 as a credit under subsection (a) (determined
15 without regard to this paragraph) for the tax-
16 able year shall be reduced (but not below zero)
17 by the amount which bears the same ratio to
18 the amount which is so allowable as—

19 “(i) the excess (if any) of—

20 “(I) the taxpayer’s modified ad-
21 justed gross income for such taxable
22 year, over

23 “(II) \$70,000 (\$110,000 in the
24 case of a joint return), bears to

25 “(ii) \$20,000.

1 “(B) MODIFIED ADJUSTED GROSS IN-
2 COME.—For purposes of subparagraph (A), the
3 term ‘modified adjusted gross income’ means
4 the adjusted gross income of the taxpayer for
5 the taxable year increased by any amount ex-
6 cluded from gross income under section 911,
7 931, or 933.

8 “(c) DEFINITIONS.—For purposes of this section—

9 “(1) FIRST-TIME HOMEBUYER.—The term
10 ‘first-time homebuyer’ means any individual if such
11 individual (and if married, such individual’s spouse)
12 had no present ownership interest in a principal resi-
13 dence during the 3-year period ending on the date
14 of the purchase of the principal residence to which
15 this section applies.

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

19 “(3) PURCHASE.—

20 “(A) IN GENERAL.—The term ‘purchase’
21 means any acquisition, but only if—

22 “(i) the property is not acquired from
23 a person related to the person acquiring it,
24 and

1 “(ii) the basis of the property in the
2 hands of the person acquiring it is not de-
3 termined—

4 “(I) in whole or in part by ref-
5 erence to the adjusted basis of such
6 property in the hands of the person
7 from whom acquired, or

8 “(II) under section 1014(a) (re-
9 lating to property acquired from a de-
10 cedent).

11 “(B) CONSTRUCTION.—A residence which
12 is constructed by the taxpayer shall be treated
13 as purchased by the taxpayer on the date the
14 taxpayer first occupies such residence.

15 “(4) PURCHASE PRICE.—The term ‘purchase
16 price’ means the adjusted basis of the principal resi-
17 dence on the date such residence is purchased.

18 “(5) RELATED PERSONS.—A person shall be
19 treated as related to another person if the relation-
20 ship between such persons would result in the dis-
21 allowance of losses under section 267 or 707(b) (but,
22 in applying section 267(b) and (c) for purposes of
23 this section, paragraph (4) of section 267(c) shall be
24 treated as providing that the family of an individual

1 shall include only his spouse, ancestors, and lineal
2 descendants).

3 “(d) EXCEPTIONS.—No credit under subsection (a)
4 shall be allowed to any taxpayer for any taxable year with
5 respect to the purchase of a residence if—

6 “(1) a credit under section 1400C (relating to
7 first-time homebuyer in the District of Columbia) is
8 allowable to the taxpayer (or the taxpayer’s spouse)
9 for such taxable year or any prior taxable year,

10 “(2) the residence is financed by the proceeds
11 of a qualified mortgage issue the interest on which
12 is exempt from tax under section 103,

13 “(3) the taxpayer is a nonresident alien, or

14 “(4) the taxpayer disposes of such residence (or
15 such residence ceases to be the principal residence of
16 the taxpayer (and, if married, the taxpayer’s
17 spouse)) before the close of such taxable year.

18 “(e) REPORTING.—If the Secretary requires informa-
19 tion reporting under section 6045 by a person described
20 in subsection (e)(2) thereof to verify the eligibility of tax-
21 payers for the credit allowable by this section, the excep-
22 tion provided by section 6045(e) shall not apply.

23 “(f) RECAPTURE OF CREDIT.—

24 “(1) IN GENERAL.—Except as otherwise pro-
25 vided in this subsection, if a credit under subsection

1 (a) is allowed to a taxpayer, the tax imposed by this
2 chapter shall be increased by $6\frac{2}{3}$ percent of the
3 amount of such credit for each taxable year in the
4 recapture period.

5 “(2) ACCELERATION OF RECAPTURE.—If a tax-
6 payer disposes of the principal residence with respect
7 to which a credit was allowed under subsection (a)
8 (or such residence ceases to be the principal resi-
9 dence of the taxpayer (and, if married, the tax-
10 payer’s spouse)) before the end of the recapture pe-
11 riod—

12 “(A) the tax imposed by this chapter for
13 the taxable year of such disposition or ces-
14 sation, shall be increased by the excess of the
15 amount of the credit allowed over the amounts
16 of tax imposed by paragraph (1) for preceding
17 taxable years, and

18 “(B) paragraph (1) shall not apply with
19 respect to such credit for such taxable year or
20 any subsequent taxable year .

21 “(3) LIMITATION BASED ON GAIN.—In the case
22 of the sale of the principal residence to a person who
23 is not related to the taxpayer, the increase in tax de-
24 termined under paragraph (2) shall not exceed the
25 amount of gain (if any) on such sale. Solely for pur-

1 poses of the preceding sentence, the adjusted basis
2 of such residence shall be reduced by the amount of
3 the credit allowed under subsection (a) to the extent
4 not previously recaptured under paragraph (1).

5 “(4) EXCEPTIONS.—

6 “(A) DEATH OF TAXPAYER.—Paragraphs
7 (1) and (2) shall not apply to any taxable year
8 ending after the date of the taxpayer’s death.

9 “(B) INVOLUNTARY CONVERSION.—Para-
10 graph (2) shall not apply in the case of a resi-
11 dence which is compulsorily or involuntarily
12 converted (within the meaning of section
13 1033(a)) if the taxpayer acquires a new prin-
14 cipal residence during the 2-year period begin-
15 ning on the date of the disposition or cessation
16 referred to in paragraph (2). Paragraph (2)
17 shall apply to such new principal residence dur-
18 ing the recapture period in the same manner as
19 if such new principal residence were the con-
20 verted residence.

21 “(C) TRANSFERS BETWEEN SPOUSES OR
22 INCIDENT TO DIVORCE.—In the case of a trans-
23 fer of a residence to which section 1041(a) ap-
24 plies—

1 “(i) paragraph (2) shall not apply to
2 such transfer, and

3 “(ii) in the case of taxable years end-
4 ing after such transfer, paragraphs (1) and
5 (2) shall apply to the transferee in the
6 same manner as if such transferee were
7 the transferor (and shall not apply to the
8 transferor).

9 “(5) JOINT RETURNS.—In the case of a credit
10 allowed under subsection (a) with respect to a joint
11 return, half of such credit shall be treated as having
12 been allowed to each individual filing such return for
13 purposes of this subsection.

14 “(6) RECAPTURE PERIOD.—For purposes of
15 this subsection, the term ‘recapture period’ means
16 the 15 taxable years beginning with the second tax-
17 able year following the taxable year in which the
18 purchase of the principal residence for which a cred-
19 it is allowed under subsection (a) was made.

20 “(g) APPLICATION OF SECTION.—This section shall
21 only apply to a principal residence purchased by the tax-
22 payer on or after April 9, 2008, and before April 1,
23 2009.”.

24 (b) CONFORMING AMENDMENTS.—

1 (1) Section 26(b)(2) is amended by striking
2 “and” at the end of subparagraph (U), by striking
3 the period and inserting “, and” and the end of sub-
4 paragraph (V), and by inserting after subparagraph
5 (V) the following new subparagraph:

6 “(W) section 36(f) (relating to recapture of
7 homebuyer credit).”.

8 (2) Section 6211(b)(4)(A) is amended by strik-
9 ing “ and 35,” and inserting “35, 36,”.

10 (3) Section 1324(b)(2) of title 31, United
11 States Code, is amended by inserting “, 36,” after
12 “section 35”.

13 (4) The table of sections for subpart C of part
14 IV of subchapter A of chapter 1 is amended by re-
15 designating the item relating to section 36 as an
16 item relating to section 37 and by inserting before
17 such item the following new item:

 “Sec. 36. First-time homebuyer credit.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to residences purchased on or after
20 April 9, 2008, in taxable years ending on or after such
21 date.

22 **SEC. 132. ADDITIONAL STANDARD DEDUCTION FOR REAL**
23 **PROPERTY TAXES FOR NONITEMIZERS.**

24 (a) IN GENERAL.—Section 63(c)(1) (defining stand-
25 ard deduction) is amended by striking “and” at the end

1 of subparagraph (A), by striking the period at the end
2 of subparagraph (B) and inserting “, and”, and by adding
3 at the end the following new subparagraph:

4 “(C) in the case of any taxable year begin-
5 ning in 2008, the real property tax deduction.”.

6 (b) DEFINITION.—Section 63(c) is amended by add-
7 ing at the end the following new paragraph:

8 “(8) REAL PROPERTY TAX DEDUCTION.—For
9 purposes of paragraph (1), the real property tax de-
10 duction is so much of the amount of State and local
11 real property taxes (within the meaning of section
12 164) paid or accrued by the taxpayer during the tax-
13 able year which do not exceed \$350 (\$700 in the
14 case of a joint return).”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 2007.

18 **Subtitle C—General Provisions**

19 **SEC. 141. TEMPORARY LIBERALIZATION OF TAX-EXEMPT** 20 **HOUSING BOND RULES.**

21 (a) TEMPORARY INCREASE IN VOLUME CAP.—

22 (1) IN GENERAL.—Subsection (d) of section
23 146 is amended by adding at the end the following
24 new paragraph:

1 “(5) INCREASE AND SET ASIDE FOR HOUSING
2 BONDS FOR 2008.—

3 “(A) INCREASE FOR 2008.—In the case of
4 calendar year 2008, the State ceiling for each
5 State shall be increased by an amount equal to
6 \$10,000,000,000 multiplied by a fraction—

7 “(i) the numerator of which is the
8 population of such State, and

9 “(ii) the denominator of which is the
10 total population of all States.

11 “(B) SET ASIDE.—

12 “(i) IN GENERAL.—Any amount of
13 the State ceiling for any State which is at-
14 tributable to an increase under this para-
15 graph shall be allocated solely for one or
16 more qualified housing issues.

17 “(ii) QUALIFIED HOUSING ISSUE.—
18 For purposes of this paragraph, the term
19 ‘qualified housing issue’ means—

20 “(I) an issue described in section
21 142(a)(7) (relating to qualified resi-
22 dential rental projects), or

23 “(II) a qualified mortgage issue
24 (determined by substituting ‘12-month
25 period’ for ‘42-month period’ each

1 place it appears in section
2 143(a)(2)(D)(i).”.

3 (2) CARRYFORWARD OF UNUSED LIMITA-
4 TIONS.—Subsection (f) of section 146 is amended by
5 adding at the end the following new paragraph:

6 “(6) SPECIAL RULES FOR INCREASED VOLUME
7 CAP UNDER SUBSECTION (d)(5).—No amount which
8 is attributable to the increase under subsection
9 (d)(5) may be used—

10 “(A) for any issue other than a qualified
11 housing issue (as defined in subsection (d)(5)),
12 or

13 “(B) to issue any bond after calendar year
14 2010.”.

15 (b) TEMPORARY RULE FOR USE OF QUALIFIED
16 MORTGAGE BONDS PROCEEDS FOR SUBPRIME REFI-
17 NANCING LOANS.—

18 (1) IN GENERAL.—Section 143(k) (relating to
19 other definitions and special rules) is amended by
20 adding at the end the following new paragraph:

21 “(12) SPECIAL RULES FOR SUBPRIME
22 REFINANCINGS.—

23 “(A) IN GENERAL.—Notwithstanding the
24 requirements of subsection (i)(1), the proceeds
25 of a qualified mortgage issue may be used to re-

1 finance a mortgage on a residence which was
2 originally financed by the mortgagor through a
3 qualified subprime loan.

4 “(B) SPECIAL RULES.—In applying sub-
5 paragraph (A) to any refinancing—

6 “(i) subsection (a)(2)(D)(i) shall be
7 applied by substituting ‘12-month period’
8 for ‘42-month period’ each place it ap-
9 pears,

10 “(ii) subsection (d) (relating to 3-year
11 requirement) shall not apply, and

12 “(iii) subsection (e) (relating to pur-
13 chase price requirement) shall be applied
14 by using the market value of the residence
15 at the time of refinancing in lieu of the ac-
16 quisition cost.

17 “(C) QUALIFIED SUBPRIME LOAN.—The
18 term ‘qualified subprime loan’ means an adjust-
19 able rate single-family residential mortgage loan
20 made after December 31, 2001, and before
21 January 1, 2008, that the bond issuer deter-
22 mines would be reasonably likely to cause finan-
23 cial hardship to the borrower if not refinanced.

1 “(D) TERMINATION.—This paragraph
2 shall not apply to any bonds issued after De-
3 cember 31, 2010.”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to bonds issued after the date of
6 the enactment of this Act.

7 **SEC. 142. REPEAL OF ALTERNATIVE MINIMUM TAX LIMITA-**
8 **TIONS ON TAX-EXEMPT HOUSING BONDS,**
9 **LOW-INCOME HOUSING TAX CREDIT, AND RE-**
10 **HABILITATION CREDIT.**

11 (a) TAX-EXEMPT INTEREST ON CERTAIN HOUSING
12 BONDS EXEMPTED FROM ALTERNATIVE MINIMUM
13 TAX.—

14 (1) IN GENERAL.—Subparagraph (C) of section
15 57(a)(5) (relating to specified private activity bonds)
16 is amended by redesignating clauses (iii) and (iv) as
17 clauses (iv) and (v), respectively, and by inserting
18 after clause (ii) the following new clause:

19 “(iii) EXCEPTION FOR CERTAIN HOUS-
20 ING BONDS.—For purposes of clause (i),
21 the term ‘private activity bond’ shall not
22 include any bond issued after the date of
23 the enactment of this clause if such bond
24 is—

1 “(I) an exempt facility bond
2 issued as part of an issue 95 percent
3 or more of the net proceeds of which
4 are to be used to provide qualified res-
5 idential rental projects (as defined in
6 section 142(d)),

7 “(II) a qualified mortgage bond
8 (as defined in section 143(a)), or

9 “(III) a qualified veterans’ mort-
10 gage bond (as defined in section
11 143(b)).

12 The preceding sentence shall not apply to
13 any refunding bond unless such preceding
14 sentence applied to the refunded bond (or
15 in the case of a series of refundings, the
16 original bond).”.

17 (2) NO ADJUSTMENT TO ADJUSTED CURRENT
18 EARNINGS.—Subparagraph (B) of section 56(g)(4)
19 is amended by adding at the end the following new
20 clause:

21 “(iii) TAX EXEMPT INTEREST ON CER-
22 TAIN HOUSING BONDS.—Clause (i) shall
23 not apply in the case of any interest on a
24 bond to which section 57(a)(5)(C)(iii) ap-
25 plies.”.

1 (b) ALLOWANCE OF LOW-INCOME HOUSING CREDIT
2 AGAINST ALTERNATIVE MINIMUM TAX.—Subparagraph
3 (B) of section 38(c)(4) (relating to specified credits) is
4 amended by redesignating clauses (ii) through (iv) as
5 clauses (iii) through (v) and inserting after clause (i) the
6 following new clause:

7 “(ii) the credit determined under sec-
8 tion 42 to the extent attributable to build-
9 ings placed in service after December 31,
10 2007.”.

11 (c) ALLOWANCE OF REHABILITATION CREDIT
12 AGAINST ALTERNATIVE MINIMUM TAX.—Subparagraph
13 (B) of section 38(c)(4), as amended by subsection (b), is
14 amended by striking “and” at the end of clause (iv), by
15 redesignating clause (v) as clause (vi), and by inserting
16 after clause (iv) the following new clause:

17 “(v) the credit determined under sec-
18 tion 47 to the extent attributable to quali-
19 fied rehabilitation expenditures properly
20 taken into account for periods after De-
21 cember 31, 2007, and”.

22 (d) EFFECTIVE DATE.—

23 (1) HOUSING BONDS.—The amendments made
24 by subsection (a) shall apply to bonds issued after
25 the date of the enactment of this Act.

1 (2) LOW INCOME HOUSING CREDIT.—The
2 amendments made by subsection (b) shall apply to
3 credits determined under section 42 of the Internal
4 Revenue Code of 1986 to the extent attributable to
5 buildings placed in service after December 31, 2007.

6 (3) REHABILITATION CREDIT.—The amend-
7 ments made by subsection (c) shall apply to credits
8 determined under section 47 of the Internal Revenue
9 Code of 1986 to the extent attributable to qualified
10 rehabilitation expenditures properly taken into ac-
11 count for periods after December 31, 2007.

12 **SEC. 143. BONDS GUARANTEED BY FEDERAL HOME LOAN**
13 **BANKS ELIGIBLE FOR TREATMENT AS TAX-**
14 **EXEMPT BONDS.**

15 (a) IN GENERAL.—Subparagraph (A) of section
16 149(b)(3) (relating to exceptions for certain insurance
17 programs) is amended by striking “or” at the end of
18 clause (ii), by striking the period at the end of clause (iii)
19 and inserting “, or” and by adding at the end the following
20 new clause:

21 “(iv) any guarantee by a Federal
22 home loan bank made in connection with
23 the original issuance of a bond during the
24 period beginning on the date of the enact-
25 ment of this Act and ending on December

1 31, 2010 (or a renewal or extension of a
2 guarantee so made).”.

3 (b) SAFETY AND SOUNDNESS REQUIREMENTS.—
4 Paragraph (3) of section 149(b) is amended by adding at
5 the end the following new subparagraph:

6 “(E) SAFETY AND SOUNDNESS REQUIRE-
7 MENTS FOR FEDERAL HOME LOAN BANKS.—
8 Clause (iv) of subparagraph (A) shall not apply
9 to any guarantee by a Federal home loan bank
10 unless such bank meets safety and soundness
11 collateral requirements for such guarantees
12 which are at least as stringent as such require-
13 ments which apply under regulations applicable
14 to such guarantees by Federal home loan banks
15 as in effect on April 9, 2008.”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to guarantees made after the date
18 of the enactment of this Act.

19 **SEC. 144. MODIFICATION OF RULES PERTAINING TO**
20 **FIRPTA NONFOREIGN AFFIDAVITS.**

21 (a) IN GENERAL.—Subsection (b) of section 1445
22 (relating to exemptions) is amended by adding at the end
23 the following:

1 “(9) ALTERNATIVE PROCEDURE FOR FUR-
2 NISHING NONFOREIGN AFFIDAVIT.—For purposes of
3 paragraphs (2) and (7)—

4 “(A) IN GENERAL.—Paragraph (2) shall
5 be treated as applying to a transaction if, in
6 connection with a disposition of a United States
7 real property interest—

8 “(i) the affidavit specified in para-
9 graph (2) is furnished to a qualified sub-
10 stitute, and

11 “(ii) the qualified substitute furnishes
12 a statement to the transferee stating,
13 under penalty of perjury, that the qualified
14 substitute has such affidavit in his posses-
15 sion.

16 “(B) REGULATIONS.—The Secretary shall
17 prescribe such regulations as may be necessary
18 or appropriate to carry out this paragraph.”.

19 (b) QUALIFIED SUBSTITUTE.—Subsection (f) of sec-
20 tion 1445 (relating to definitions) is amended by adding
21 at the end the following new paragraph:

22 “(6) QUALIFIED SUBSTITUTE.—The term
23 ‘qualified substitute’ means, with respect to a dis-
24 position of a United States real property interest—

1 “(A) the person (including any attorney or
2 title company) responsible for closing the trans-
3 action, other than the transferor’s agent, and

4 “(B) the transferee’s agent.”.

5 (c) EXEMPTION NOT TO APPLY IF KNOWLEDGE OR
6 NOTICE THAT AFFIDAVIT OR STATEMENT IS FALSE.—

7 (1) IN GENERAL.—Paragraph (7) of section
8 1445(b) (relating to special rules for paragraphs (2)
9 and (3)) is amended to read as follows:

10 “(7) SPECIAL RULES FOR PARAGRAPHS (2), (3),
11 AND (9).—Paragraph (2), (3), or (9) (as the case
12 may be) shall not apply to any disposition—

13 “(A) if—

14 “(i) the transferee or qualified sub-
15 stitute has actual knowledge that the affi-
16 davit referred to in such paragraph, or the
17 statement referred to in paragraph
18 (9)(A)(ii), is false, or

19 “(ii) the transferee or qualified sub-
20 stitute receives a notice (as described in
21 subsection (d)) from a transferor’s agent,
22 transferee’s agent, or qualified substitute
23 that such affidavit or statement is false, or

24 “(B) if the Secretary by regulations re-
25 quires the transferee or qualified substitute to

1 furnish a copy of such affidavit or statement to
2 the Secretary and the transferee or qualified
3 substitute fails to furnish a copy of such affi-
4 davit or statement to the Secretary at such
5 time and in such manner as required by such
6 regulations.”.

7 (2) LIABILITY.—

8 (A) NOTICE.—Paragraph (1) of section
9 1445(d) (relating to notice of false affidavit;
10 foreign corporations) is amended to read as fol-
11 lows:

12 “(1) NOTICE OF FALSE AFFIDAVIT; FOREIGN
13 CORPORATIONS.—If—

14 “(A) the transferor furnishes the trans-
15 feree or qualified substitute an affidavit de-
16 scribed in paragraph (2) of subsection (b) or a
17 domestic corporation furnishes the transferee
18 an affidavit described in paragraph (3) of sub-
19 section (b), and

20 “(B) in the case of—

21 “(i) any transferor’s agent—

22 “(I) such agent has actual knowl-
23 edge that such affidavit is false, or

24 “(II) in the case of an affidavit
25 described in subsection (b)(2) fur-

1 nished by a corporation, such corpora-
2 tion is a foreign corporation, or

3 “(ii) any transferee’s agent or quali-
4 fied substitute, such agent or substitute
5 has actual knowledge that such affidavit is
6 false,

7 such agent or qualified substitute shall so notify
8 the transferee at such time and in such manner
9 as the Secretary shall require by regulations.”.

10 (B) FAILURE TO FURNISH NOTICE.—Para-
11 graph (2) of section 1445(d) (relating to failure
12 to furnish notice) is amended to read as follows:

13 “(2) FAILURE TO FURNISH NOTICE.—

14 “(A) IN GENERAL.—If any transferor’s
15 agent, transferee’s agent, or qualified substitute
16 is required by paragraph (1) to furnish notice,
17 but fails to furnish such notice at such time or
18 times and in such manner as may be required
19 by regulations, such agent or substitute shall
20 have the same duty to deduct and withhold that
21 the transferee would have had if such agent or
22 substitute had complied with paragraph (1).

23 “(B) LIABILITY LIMITED TO AMOUNT OF
24 COMPENSATION.—An agent’s or substitute’s li-
25 ability under subparagraph (A) shall be limited

1 to the amount of compensation the agent or
2 substitute derives from the transaction.”.

3 (C) CONFORMING AMENDMENT.—The
4 heading for section 1445(d) is amended by
5 striking “OR TRANSFEREE’S AGENTS” and in-
6 serting “, TRANSFEREE’S AGENTS, OR QUALI-
7 FIED SUBSTITUTES”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to dispositions of United States
10 real property interests after the date of the enactment of
11 this Act.

12 **SEC. 145. MODIFICATION OF DEFINITION OF TAX-EXEMPT**
13 **USE PROPERTY FOR PURPOSES OF THE RE-**
14 **HABILITATION CREDIT.**

15 (a) IN GENERAL.—Clause (I) of section
16 47(c)(2)(B)(v) is amended by striking “section 168(h)”
17 and inserting “section 168(h), except that ‘50 percent’
18 shall be substituted for ‘35 percent’ in paragraph
19 (1)(B)(iii) thereof”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to expenditures properly taken into
22 account for periods after December 31, 2007.

1 **TITLE II—REFORMS RELATED**
2 **TO REAL ESTATE INVEST-**
3 **MENT TRUSTS**

4 **Subtitle A—Foreign Currency and**
5 **Other Qualified Activities**

6 **SEC. 201. REVISIONS TO REIT INCOME TESTS.**

7 (a) ADDITION OF PERMISSIBLE INCOME CAT-
8 EGORIES.—Section 856(c) (relating to limitations) is
9 amended—

10 (1) by striking “and” at the end of paragraph
11 (2)(G) and by inserting after paragraph (2)(H) the
12 following new subparagraphs:

13 “(I) passive foreign exchange gains; and

14 “(J) any other item of income or gain as
15 determined by the Secretary;”, and

16 (2) by striking “and” at the end of paragraphs
17 (3)(H) and (3)(I) and by inserting after paragraph
18 (3)(I) the following new subparagraphs:

19 “(J) real estate foreign exchange gains;

20 and

21 “(K) any other item of income or gain as
22 determined by the Secretary; and”.

23 (b) RULES REGARDING FOREIGN CURRENCY TRANS-
24 ACTIONS.—Section 856 (defining real estate investment

1 trust) is amended by adding at the end the following new
2 subsection:

3 “(n) RULES REGARDING FOREIGN CURRENCY
4 TRANSACTIONS.—With respect to any taxable year—

5 “(1) REAL ESTATE FOREIGN EXCHANGE
6 GAINS.—For purposes of subsection (c)(3)(J), the
7 term ‘real estate foreign exchange gains’ means—

8 “(A) foreign currency gains (as defined in
9 section 988(b)(1)) which are attributable to—

10 “(i) any item described in subsection
11 (c)(3) (other than in subparagraph (J)
12 thereof),

13 “(ii) the acquisition or ownership of
14 obligations secured by mortgages on real
15 property or on interests in real property
16 (other than foreign currency gains attrib-
17 utable to any item described in clause (i)),
18 or

19 “(iii) becoming or being the obligor
20 under obligations secured by mortgages on
21 real property or on interests in real prop-
22 erty (other than foreign currency gains at-
23 tributable to any item described in clause
24 (i)),

1 “(B) gains described in section 987 attrib-
2 utable to a qualified business unit (as defined
3 by section 989) of the real estate investment
4 trust, but only if such qualified business unit
5 meets the requirements under—

6 “(i) subsection (c)(3) (without regard
7 to subparagraph (J) thereof) for the tax-
8 able year, and

9 “(ii) subsection (c)(4)(A) at the close
10 of each quarter that the real estate invest-
11 ment trust has directly or indirectly held
12 the qualified business unit, and

13 “(C) any other foreign currency gains as
14 determined by the Secretary.

15 “(2) PASSIVE FOREIGN EXCHANGE GAINS.—For
16 purposes of subsection (c)(2)(I), the term ‘passive
17 foreign exchange gains’ means—

18 “(A) real estate foreign exchange gains,

19 “(B) foreign currency gains (as defined in
20 section 988(b)(1)) which are not described in
21 subparagraph (A) and which are attributable to
22 any item described in subsection (c)(2) (other
23 than in subparagraph (I) thereof), and

24 “(C) any other foreign currency gains as
25 determined by the Secretary.”.

1 (c) ADDITION TO REIT HEDGING RULE.—Subpara-
2 graph (G) of section 856(c)(5) is amended to read as fol-
3 lows:

4 “(G) TREATMENT OF CERTAIN HEDGING
5 INSTRUMENTS.—Except to the extent as deter-
6 mined by the Secretary—

7 “(i) any income of a real estate in-
8 vestment trust from a hedging transaction
9 (as defined in clause (ii) or (iii) of section
10 1221(b)(2)(A)) which is clearly identified
11 pursuant to section 1221(a)(7), including
12 gain from the sale or disposition of such a
13 transaction, shall not constitute gross in-
14 come under paragraphs (2) and (3) to the
15 extent that the transaction hedges any in-
16 debtedness incurred or to be incurred by
17 the trust to acquire or carry real estate as-
18 sets, and

19 “(ii) any income of a real estate in-
20 vestment trust from a transaction entered
21 into by the trust primarily to manage risk
22 of currency fluctuations with respect to
23 any item described in paragraph (2) or (3),
24 including gain from the termination of
25 such a transaction, shall not constitute

1 gross income under paragraphs (2) and
2 (3), but only if such transaction is clearly
3 identified as such before the close of the
4 day on which it was acquired, originated,
5 or entered into (or such other time as the
6 Secretary may prescribe).”.

7 (d) **AUTHORITY TO EXCLUDE ITEMS OF INCOME**
8 **FROM REIT INCOME TESTS.**—Section 856(c)(5) is
9 amended by adding at the end the following new subpara-
10 graph:

11 “(H) **SECRETARIAL AUTHORITY TO EX-**
12 **CLUDE OTHER ITEMS OF INCOME.**—The Sec-
13 retary is authorized to determine whether any
14 item of income or gain which does not otherwise
15 qualify under paragraph (2) or (3) may be con-
16 sidered as not constituting gross income solely
17 for purposes of this part.”.

18 **SEC. 202. REVISIONS TO REIT ASSET TESTS.**

19 (a) **CLARIFICATION OF VALUATION TEST.**—The first
20 sentence in the matter following section
21 856(c)(4)(B)(iii)(III) is amended by inserting “(including
22 a discrepancy caused solely by the change in the foreign
23 currency exchange rate used to value a foreign asset)”
24 after “such requirements”.

1 (b) CLARIFICATION OF PERMISSIBLE ASSET CAT-
2 EGORY.—Section 856(c)(5), as amended by section
3 201(d), is amended by adding at the end the following new
4 subparagraph:

5 “(I) CASH.—The term ‘cash’ includes for-
6 eign currency if the real estate investment trust
7 or its qualified business unit (as defined in sec-
8 tion 989) uses such foreign currency as its
9 functional currency (as defined in section
10 985(b)).”.

11 **SEC. 203. CONFORMING FOREIGN CURRENCY REVISIONS.**

12 (a) NET INCOME FROM FORECLOSURE PROPERTY.—
13 Clause (i) of section 857(b)(4)(B) is amended to read as
14 follows:

15 “(i) gain (including any foreign cur-
16 rency gain, as defined in section 988(b)(1))
17 from the sale or other disposition of fore-
18 closure property described in section
19 1221(a)(1) and the gross income for the
20 taxable year derived from foreclosure prop-
21 erty (as defined in section 856(e)), but
22 only to the extent such gross income is not
23 described in (or, in the case of foreign cur-
24 rency gain, not attributable to gross in-

1 come described in) section 856(c)(3) other
2 than subparagraph (F) thereof, over”.

3 (b) NET INCOME FROM PROHIBITED TRANS-
4 ACTIONS.—Clause (i) of section 857(b)(6)(B) is amended
5 to read as follows:

6 “(i) the term ‘net income derived from
7 prohibited transactions’ means the excess
8 of the gain (including any foreign currency
9 gain, as defined in section 988(b)(1)) from
10 prohibited transactions over the deductions
11 (including any foreign currency loss, as de-
12 fined in section 988(b)(2)) allowed by this
13 chapter which are directly connected with
14 prohibited transactions;”.

15 **Subtitle B—Taxable REIT** 16 **Subsidiaries**

17 **SEC. 211. CONFORMING TAXABLE REIT SUBSIDIARY ASSET**
18 **TEST.**

19 Section 856(c)(4)(B)(ii) is amended by striking “20
20 percent” and inserting “25 percent”.

21 **Subtitle C—Dealer Sales**

22 **SEC. 221. HOLDING PERIOD UNDER SAFE HARBOR.**

23 Section 857(b)(6) (relating to income from prohibited
24 transactions) is amended—

1 (1) by striking “4 years” in subparagraphs
2 (C)(i), (C)(iv), and (D)(i) and inserting “2 years”,

3 (2) by striking “4-year period” in subpara-
4 graphs (C)(ii), (D)(ii), and (D)(iii) and inserting “2-
5 year period”, and

6 (3) by striking “real estate asset” and all that
7 follows through “if” in the matter preceding clause
8 (i) of subparagraphs (C) and (D), respectively, and
9 inserting “real estate asset (as defined in section
10 856(c)(5)(B)) and which is described in section
11 1221(a)(1) if”.

12 **SEC. 222. DETERMINING VALUE OF SALES UNDER SAFE**
13 **HARBOR.**

14 Section 857(b)(6) is amended—

15 (1) by striking the semicolon at the end of sub-
16 paragraph (C)(iii) and inserting “, or (III) the fair
17 market value of property (other than sales of fore-
18 closure property or sales to which section 1033 ap-
19 plies) sold during the taxable year does not exceed
20 10 percent of the fair market value of all of the as-
21 sets of the trust as of the beginning of the taxable
22 year;”, and

23 (2) by adding “or” at the end of subclause (II)
24 of subparagraph (D)(iv) and by adding at the end
25 of such subparagraph the following new subclause:

1 “(III) the fair market value of prop-
2 erty (other than sales of foreclosure prop-
3 erty or sales to which section 1033 applies)
4 sold during the taxable year does not ex-
5 ceed 10 percent of the fair market value of
6 all of the assets of the trust as of the be-
7 ginning of the taxable year.”.

8 **Subtitle D—Health Care REITs**

9 **SEC. 231. CONFORMITY FOR HEALTH CARE FACILITIES.**

10 (a) RELATED PARTY RENTALS.—Subparagraph (B)
11 of section 856(d)(8) (relating to special rule for taxable
12 REIT subsidiaries) is amended to read as follows:

13 “(B) EXCEPTION FOR CERTAIN LODGING
14 FACILITIES AND HEALTH CARE PROPERTY.—
15 The requirements of this subparagraph are met
16 with respect to an interest in real property
17 which is a qualified lodging facility or a quali-
18 fied health care property (as defined in sub-
19 section (e)(6)(D)(i)) leased by the trust to a
20 taxable REIT subsidiary of the trust if the
21 property is operated on behalf of such sub-
22 sidiary by a person who is an eligible inde-
23 pendent contractor. For purposes of this sec-
24 tion, a taxable REIT subsidiary is not consid-
25 ered to be operating or managing a qualified

1 health care property or qualified lodging facility
2 solely because it directly or indirectly possesses
3 a license, permit or similar instrument enabling
4 it to do so.”.

5 (b) ELIGIBLE INDEPENDENT CONTRACTOR.—Sub-
6 paragraphs (A) and (B) of section 856(d)(9) (relating to
7 eligible independent contractor) are amended to read as
8 follows:

9 “(A) IN GENERAL.—The term ‘eligible
10 independent contractor’ means, with respect to
11 any qualified lodging facility or qualified health
12 care property (as defined in subsection
13 (e)(6)(D)(i)), any independent contractor if, at
14 the time such contractor enters into a manage-
15 ment agreement or other similar service con-
16 tract with the taxable REIT subsidiary to oper-
17 ate such qualified lodging facility or qualified
18 health care property, such contractor (or any
19 related person) is actively engaged in the trade
20 or business of operating qualified lodging facili-
21 ties or qualified health care properties, respec-
22 tively, for any person who is not a related per-
23 son with respect to the real estate investment
24 trust or the taxable REIT subsidiary.

1 “(B) SPECIAL RULES.—Solely for purposes
2 of this paragraph and paragraph (8)(B), a per-
3 son shall not fail to be treated as an inde-
4 pendent contractor with respect to any qualified
5 lodging facility or qualified health care property
6 (as so defined) by reason of the following:

7 “(i) The taxable REIT subsidiary
8 bears the expenses for the operation of
9 such qualified lodging facility or qualified
10 health care property pursuant to the man-
11 agement agreement or other similar service
12 contract.

13 “(ii) The taxable REIT subsidiary re-
14 ceives the revenues from the operation of
15 such qualified lodging facility or qualified
16 health care property, net of expenses for
17 such operation and fees payable to the op-
18 erator pursuant to such agreement or con-
19 tract.

20 “(iii) The real estate investment trust
21 receives income from such person with re-
22 spect to another property that is attrib-
23 utable to a lease of such other property to
24 such person that was in effect as of the
25 later of—

1 “(I) January 1, 1999, or
2 “(II) the earliest date that any
3 taxable REIT subsidiary of such trust
4 entered into a management agreement
5 or other similar service contract with
6 such person with respect to such
7 qualified lodging facility or qualified
8 health care property.”.

9 (c) TAXABLE REIT SUBSIDIARIES.—The last sen-
10 tence of section 856(l)(3) is amended—

11 (1) by inserting “or a health care facility” after
12 “a lodging facility”, and

13 (2) by inserting “or health care facility” after
14 “such lodging facility”.

15 **Subtitle E—Effective Dates**

16 **SEC. 241. EFFECTIVE DATES.**

17 (a) IN GENERAL.—Except as otherwise provided in
18 this section, the amendments made by this title shall apply
19 to taxable years beginning after the date of the enactment
20 of this Act.

21 (b) REIT INCOME TESTS.—

22 (1) The amendment made by section 201(a)
23 and (b) shall apply to gains and items of income rec-
24 ognized after the date of the enactment of this Act.

1 (2) The amendment made by section 201(c)
2 shall apply to transactions entered into after the
3 date of the enactment of this Act.

4 (3) The amendment made by section 201(d)
5 shall apply after the date of the enactment of this
6 Act.

7 (c) CONFORMING FOREIGN CURRENCY REVISIONS.—

8 (1) The amendment made by section 203(a)
9 shall apply to gains recognized after the date of the
10 enactment of this Act.

11 (2) The amendment made by section 203(b)
12 shall apply to gains and deductions recognized after
13 the date of the enactment of this Act.

14 (d) DEALER SALES.—The amendments made by sub-
15 title C shall apply to sales made after the date of the en-
16 actment of this Act.

17 **TITLE III—REVENUE** 18 **PROVISIONS**

19 **SEC. 301. BROKER REPORTING OF CUSTOMER'S BASIS IN**
20 **SECURITIES TRANSACTIONS.**

21 (a) IN GENERAL.—

22 (1) BROKER REPORTING FOR SECURITIES
23 TRANSACTIONS.—Section 6045 (relating to returns
24 of brokers) is amended by adding at the end the fol-
25 lowing new subsection:

1 “(g) ADDITIONAL INFORMATION REQUIRED IN THE
2 CASE OF SECURITIES TRANSACTIONS.—

3 “(1) IN GENERAL.—If a broker is otherwise re-
4 quired to make a return under subsection (a) with
5 respect to the gross proceeds of the sale of a covered
6 security, the broker shall include in such return the
7 information described in paragraph (2).

8 “(2) ADDITIONAL INFORMATION REQUIRED.—

9 “(A) IN GENERAL.—The information re-
10 quired under paragraph (1) to be shown on a
11 return with respect to a covered security of a
12 customer shall include the customer’s adjusted
13 basis in such security and whether any gain or
14 loss with respect to such security is long-term
15 or short-term (within the meaning of section
16 1222).

17 “(B) DETERMINATION OF ADJUSTED
18 BASIS.—For purposes of subparagraph (A)—

19 “(i) IN GENERAL.—The customer’s
20 adjusted basis shall be determined—

21 “(I) in the case of any security
22 (other than any stock for which an av-
23 erage basis method is permissible
24 under section 1012), in accordance
25 with the first-in first-out method un-

1 less the customer notifies the broker
2 by means of making an adequate
3 identification of the stock sold or
4 transferred,

5 “(II) in the case of any stock for
6 which an average basis method is per-
7 missible under section 1012 and
8 which is acquired before January 1,
9 2012, in accordance with any accept-
10 able method under section 1012 with
11 respect to the account in which such
12 interest is held, and

13 “(III) in the case of any stock for
14 which an average basis method is per-
15 missible under section 1012 and
16 which is acquired after December 31,
17 2011, in accordance with the broker’s
18 default method unless the customer
19 notifies the broker that he elects an-
20 other acceptable method under section
21 1012 with respect to the account in
22 which such interest is held.

23 “(ii) EXCEPTION FOR WASH SALES.—
24 Except as otherwise provided by the Sec-
25 retary, the customer’s adjusted basis shall

1 be determined without regard to section
2 1091 (relating to loss from wash sales of
3 stock or securities) unless the transactions
4 occur in the same account with respect to
5 identical securities.

6 “(3) COVERED SECURITY.—For purposes of
7 this subsection—

8 “(A) IN GENERAL.—The term ‘covered se-
9 curity’ means any specified security acquired on
10 or after the applicable date if such security—

11 “(i) was acquired through a trans-
12 action in the account in which such secu-
13 rity is held, or

14 “(ii) was transferred to such account
15 from an account in which such security
16 was a covered security, but only if the
17 broker received a statement under section
18 6045A with respect to the transfer.

19 “(B) SPECIFIED SECURITY.—The term
20 ‘specified security’ means—

21 “(i) any share of stock in a corpora-
22 tion,

23 “(ii) any note, bond, debenture, or
24 other evidence of indebtedness,

1 “(iii) any commodity, or contract or
2 derivative with respect to such commodity,
3 if the Secretary determines that adjusted
4 basis reporting is appropriate for purposes
5 of this subsection, and

6 “(iv) any other financial instrument
7 with respect to which the Secretary deter-
8 mines that adjusted basis reporting is ap-
9 propriate for purposes of this subsection.

10 “(C) APPLICABLE DATE.—The term ‘appli-
11 cable date’ means—

12 “(i) January 1, 2010, in the case of
13 any specified security which is stock in a
14 corporation, and

15 “(ii) January 1, 2012, or such later
16 date determined by the Secretary in the
17 case of any other specified security.

18 “(4) TREATMENT OF S CORPORATIONS.—In the
19 case of the sale of a covered security acquired by an
20 S corporation (other than a financial institution)
21 after December 31, 2011, such S corporation shall
22 be treated in the same manner as a partnership for
23 purposes of this section.

24 “(5) SPECIAL RULES FOR SHORT SALES.—

1 “(A) IN GENERAL.—In the case of a short
2 sale, reporting under this section shall be made
3 for the year in which such sale is closed.

4 “(B) EXCEPTION FOR CONSTRUCTIVE
5 SALES.—Subparagraph (A) shall not apply to
6 any short sale which results in a constructive
7 sale under section 1259 with respect to prop-
8 erty held in the account in which the short sale
9 is entered into.”.

10 (2) BROKER INFORMATION REQUIRED WITH RE-
11 SPECT TO OPTIONS.—Section 6045, as amended by
12 subsection (a), is amended by adding at the end the
13 following new subsection:

14 “(h) APPLICATION TO OPTIONS ON SECURITIES.—

15 “(1) EXERCISE OF OPTION.—For purposes of
16 this section, in the case of any exercise of an option
17 on a covered security where the option was granted
18 or acquired in the same account as the covered secu-
19 rity, the amount received or paid with respect to
20 such exercise shall be treated as an adjustment to
21 gross proceeds or as an adjustment to basis, as the
22 case may be.

23 “(2) LAPSE OR CLOSING TRANSACTION.—For
24 purposes of this section, in the case of the lapse (or
25 closing transaction (as defined in section

1 1234(b)(2)(A))) of an option on a specified security
2 where the taxpayer is the grantor of the option, this
3 section shall apply as if the premium received for
4 such option were gross proceeds received on the date
5 of the lapse or closing transaction, and the cost (if
6 any) of the closing transaction shall be taken into
7 account as adjusted basis. In the case of an option
8 on a specified security where the taxpayer is the
9 grantee of such option, this section shall apply as if
10 the grantee received gross proceeds of zero on the
11 date of the lapse.

12 “(3) PROSPECTIVE APPLICATION.—Paragraphs
13 (1) and (2) shall not apply to any option which is
14 granted or acquired before January 1, 2012.

15 “(4) DEFINITIONS.—For purposes of this sub-
16 section, the terms ‘covered security’ and ‘specified
17 security’ shall have the meanings given such terms
18 in subsection (g)(3).”.

19 (3) EXTENSION OF PERIOD FOR STATEMENTS
20 SENT TO CUSTOMERS.—

21 (A) IN GENERAL.—Subsection (b) of sec-
22 tion 6045 is amended by striking “January 31”
23 and inserting “February 15”.

1 (B) STATEMENTS RELATED TO SUB-
2 STITUTE PAYMENTS.—Subsection (d) of section
3 6045 is amended—

4 (i) by striking “at such time and”,
5 and

6 (ii) by inserting after “other item.”
7 the following new sentence: “The written
8 statement required under the preceding
9 sentence shall be furnished on or before
10 February 15 of the year following the cal-
11 endar year in which the payment was
12 made.”.

13 (C) OTHER STATEMENTS.—Subsection (b)
14 of section 6045 is amended by adding at the
15 end the following: “In the case of a consolidated
16 reporting statement (as defined in regulations)
17 with respect to any account which includes the
18 statement required by this subsection, any
19 statement which would otherwise be required to
20 be furnished on or before January 31 of a cal-
21 endar year under section 6042(c),
22 6049(c)(2)(A), or 6050N(b) with respect to any
23 item in such account shall instead be required
24 to be furnished on or before February 15 of

1 such calendar year if furnished as part of such
2 consolidated reporting statement.”.

3 (b) DETERMINATION OF BASIS OF CERTAIN SECURI-
4 TIES ON ACCOUNT BY ACCOUNT OR AVERAGE BASIS
5 METHOD.—Section 1012 (relating to basis of property–
6 cost) is amended—

7 (1) by striking “The basis of property” and in-
8 serting the following:

9 “(a) IN GENERAL.—The basis of property”,

10 (2) by striking “The cost of real property” and
11 inserting the following:

12 “(b) SPECIAL RULE FOR APPORTIONED REAL ES-
13 TATE TAXES.—The cost of real property”, and

14 (3) by adding at the end the following new sub-
15 sections:

16 “(c) DETERMINATIONS BY ACCOUNT.—

17 “(1) IN GENERAL.—In the case of the sale, ex-
18 change, or other disposition of a specified security
19 on or after the applicable date, the conventions pre-
20 scribed by regulations under this section shall be ap-
21 plied on an account by account basis.

22 “(2) APPLICATION TO OPEN-END FUNDS.—

23 “(A) IN GENERAL.—Except as provided in
24 subparagraph (B), any stock in an open-end
25 fund acquired before January 1, 2010, shall be

1 treated as a separate account from any such
2 stock acquired on or after such date.

3 “(B) ELECTION BY OPEN-END FUND FOR
4 TREATMENT AS SINGLE ACCOUNT.—If an open-
5 end fund elects to have this subparagraph apply
6 with respect to one or more of its stock-
7 holders—

8 “(i) subparagraph (A) shall not apply
9 with respect to any stock in such fund held
10 by such stockholders, and

11 “(ii) all stock in such fund which is
12 held by such stockholders shall be treated
13 as covered securities described in section
14 6045(g)(3) without regard to the date of
15 the acquisition of such stock.

16 A rule similar to the rule of the preceding sen-
17 tence shall apply with respect to a broker hold-
18 ing stock in an open-end fund as a nominee.

19 “(3) DEFINITIONS.—For purposes of this sec-
20 tion—

21 “(A) OPEN-END FUND.—The term ‘open-
22 end fund’ means a regulated investment com-
23 pany (as defined in section 851) which is offer-
24 ing for sale or has outstanding any redeemable
25 security of which it is the issuer and the shares

1 of which are not traded on an established secu-
2 rities exchange.

3 “(B) SPECIFIED SECURITY; APPLICABLE
4 DATE.—The terms ‘specified security’ and ‘ap-
5 plicable date’ shall have the meaning given such
6 terms in section 6045(g).

7 “(d) AVERAGE BASIS FOR STOCK ACQUIRED PURSU-
8 ANT TO A DIVIDEND REINVESTMENT PLAN.—

9 “(1) IN GENERAL.—In the case of any stock ac-
10 quired after December 31, 2009, in connection with
11 a dividend reinvestment plan, the basis of such stock
12 shall be determined using one of the methods which
13 may be used for determining the basis of stock in an
14 open-end fund.

15 “(2) SEPARATE ACCOUNTS; ELECTION FOR
16 TREATMENT AS SINGLE ACCOUNT.—Rules similar to
17 the rules of subsection (c)(2) shall apply for pur-
18 poses of this subsection.

19 “(3) DIVIDEND REINVESTMENT PLAN.—For
20 purposes of this subsection—

21 “(A) IN GENERAL.—The term ‘dividend re-
22 investment plan’ means any arrangement under
23 which dividends on any stock are reinvested in
24 stock identical to the stock with respect to
25 which the dividends are paid.

1 “(B) INITIAL STOCK ACQUISITION TREAT-
2 ED AS ACQUIRED IN CONNECTION WITH
3 PLAN.—Stock shall be treated as acquired in
4 connection with a dividend reinvestment plan if
5 such stock is acquired pursuant to such plan or
6 if the dividends paid on such stock are subject
7 to such plan.”.

8 (c) INFORMATION BY TRANSFERORS TO AID BRO-
9 KERS.—

10 (1) IN GENERAL.—Subpart B of part III of
11 subchapter A of chapter 61 is amended by inserting
12 after section 6045 the following new section:

13 **“SEC. 6045A. INFORMATION REQUIRED IN CONNECTION**
14 **WITH TRANSFERS OF COVERED SECURITIES**
15 **TO BROKERS.**

16 “(a) FURNISHING OF INFORMATION.—Every applica-
17 ble person which transfers to a broker (as defined in sec-
18 tion 6045(c)(1)) a security which is a covered security (as
19 defined in section 6045(g)(3)) in the hands of such appli-
20 cable person shall furnish to such broker a written state-
21 ment in such manner and setting forth such information
22 as the Secretary may by regulations prescribe for purposes
23 of enabling such broker to meet the requirements of sec-
24 tion 6045(g).

1 “(b) APPLICABLE PERSON.—For purposes of sub-
2 section (a), the term ‘applicable person’ means—

3 “(1) any broker (as defined in section
4 6045(e)(1)), and

5 “(2) any other person as provided by the Sec-
6 retary in regulations.

7 “(c) TIME FOR FURNISHING STATEMENT.—Except
8 as otherwise provided by the Secretary, any statement re-
9 quired by subsection (a) shall be furnished on the date
10 of the transfer described in such subsection.”.

11 (2) ASSESSABLE PENALTIES.—Paragraph (2)
12 of section 6724(d) (defining payee statement) is
13 amended by redesignating subparagraphs (I)
14 through (CC) as subparagraphs (J) through (DD),
15 respectively, and by inserting after subparagraph
16 (H) the following new subparagraph:

17 “(I) section 6045A (relating to information
18 required in connection with transfers of covered
19 securities to brokers).”.

20 (3) CLERICAL AMENDMENT.—The table of sec-
21 tions for subpart B of part III of subchapter A of
22 chapter 61 is amended by inserting after the item
23 relating to section 6045 the following new item:

“Sec. 6045A. Information required in connection with transfers of covered se-
curities to brokers.”.

1 (d) ADDITIONAL ISSUER INFORMATION TO AID BRO-
2 KERS.—

3 (1) IN GENERAL.—Subpart B of part III of
4 subchapter A of chapter 61, as amended by sub-
5 section (b), is amended by inserting after section
6 6045A the following new section:

7 **“SEC. 6045B. RETURNS RELATING TO ACTIONS AFFECTING**
8 **BASIS OF SPECIFIED SECURITIES.**

9 “(a) IN GENERAL.—According to the forms or regu-
10 lations prescribed by the Secretary, any issuer of a speci-
11 fied security shall make a return setting forth—

12 “(1) a description of any organizational action
13 which affects the basis of such specified security of
14 such issuer,

15 “(2) the quantitative effect on the basis of such
16 specified security resulting from such action, and

17 “(3) such other information as the Secretary
18 may prescribe.

19 “(b) TIME FOR FILING RETURN.—Any return re-
20 quired by subsection (a) shall be filed not later than the
21 earlier of—

22 “(1) 45 days after the date of the action de-
23 scribed in subsection (a), or

24 “(2) January 15 of the year following the cal-
25 endar year during which such action occurred.

1 “(c) STATEMENTS TO BE FURNISHED TO HOLDERS
2 OF SPECIFIED SECURITIES OR THEIR NOMINEES.—Ac-
3 cording to the forms or regulations prescribed by the Sec-
4 retary, every person required to make a return under sub-
5 section (a) with respect to a specified security shall furnish
6 to the nominee with respect to the specified security (or
7 certificate holder if there is no nominee) a written state-
8 ment showing—

9 “(1) the name, address, and phone number of
10 the information contact of the person required to
11 make such return,

12 “(2) the information required to be shown on
13 such return with respect to such security, and

14 “(3) such other information as the Secretary
15 may prescribe.

16 The written statement required under the preceding sen-
17 tence shall be furnished to the holder on or before January
18 15 of the year following the calendar year during which
19 the action described in subsection (a) occurred.

20 “(d) SPECIFIED SECURITY.—For purposes of this
21 section, the term ‘specified security’ has the meaning given
22 such term by section 6045(g)(3)(B). No return shall be
23 required under this section with respect to actions de-
24 scribed in subsection (a) with respect to a specified secu-

1 rity which occur before the applicable date (as defined in
2 section 6045(g)(3)(C)) with respect to such security.

3 “(e) PUBLIC REPORTING IN LIEU OF RETURN.—The
4 Secretary may waive the requirements under subsections
5 (a) and (c) with respect to a specified security, if the per-
6 son required to make the return under subsection (a)
7 makes publicly available, in such form and manner as the
8 Secretary determines necessary to carry out the purposes
9 of this section—

10 “(1) the name, address, phone number, and
11 email address of the information contact of such
12 person, and

13 “(2) the information described in paragraphs
14 (1), (2), and (3) of subsection (a).”.

15 (2) ASSESSABLE PENALTIES.—

16 (A) Subparagraph (B) of section
17 6724(d)(1) of such Code (defining information
18 return) is amended by redesignating clauses (iv)
19 through (xix) as clauses (v) through (xx), re-
20 spectively, and by inserting after clause (iii) the
21 following new clause:

22 “(iv) section 6045B(a) (relating to re-
23 turns relating to actions affecting basis of
24 specified securities),”.

1 (B) Paragraph (2) of section 6724(d) of
2 such Code (defining payee statement), as
3 amended by subsection (c)(2), is amended by
4 redesignating subparagraphs (J) through (DD)
5 as subparagraphs (K) through (EE), respec-
6 tively, and by inserting after subparagraph (I)
7 the following new subparagraph:

8 “(J) subsections (c) and (e) of section
9 6045B (relating to returns relating to actions
10 affecting basis of specified securities).”.

11 (3) CLERICAL AMENDMENT.—The table of sec-
12 tions for subpart B of part III of subchapter A of
13 chapter 61 of such Code, as amended by subsection
14 (b)(3), is amended by inserting after the item relat-
15 ing to section 6045A the following new item:

“Sec. 6045B. Returns relating to actions affecting basis of specified securi-
ties.”.

16 (e) EFFECTIVE DATE.—

17 (1) IN GENERAL.—Except as otherwise pro-
18 vided in this subsection, the amendments made by
19 this section shall take effect on January 1, 2010.

20 (2) EXTENSION OF PERIOD FOR STATEMENTS
21 SENT TO CUSTOMERS.—The amendments made by
22 subsection (a)(3) shall apply to statements required
23 to be furnished after December 31, 2008.

1 **SEC. 302. DELAY IN APPLICATION OF WORLDWIDE ALLOCA-**
2 **TION OF INTEREST.**

3 (a) IN GENERAL.—Paragraphs (5)(D) and (6) of sec-
4 tion 864(f) are each amended by striking “December 31,
5 2008” and inserting “December 31, 2009”.

6 (b) TRANSITIONAL RULE.—Subsection (f) of section
7 864 is amended by adding at the end the following new
8 paragraph:

9 “(7) TRANSITION.—In the case of the first tax-
10 able year to which this subsection applies, the in-
11 crease (if any) in the amount of the interest expense
12 allocable to sources within the United States by rea-
13 son of the application of this subsection shall be 90
14 percent of the amount of such increase determined
15 without regard to this paragraph.”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2008.

19 **SEC. 303. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
20 **TAXES.**

21 (a) REPEAL OF ADJUSTMENT FOR 2012.—Subpara-
22 graph (B) of section 401(1) of the Tax Increase Preven-
23 tion and Reconciliation Act of 2005 is amended by striking
24 the percentage contained therein and inserting “100 per-
25 cent”.

1 (b) MODIFICATION OF ADJUSTMENT FOR 2013.—
2 The percentage under subparagraph (C) of section 401(1)
3 of the Tax Increase Prevention and Reconciliation Act of
4 2005 in effect on the date of the enactment of this Act
5 is increased by 13 percentage points.