

Union Calendar No.

110TH CONGRESS
2^D SESSION**H. R. 5720****[Report No. 110-]**

To amend the Internal Revenue Code of 1986 to provide assistance for housing.

IN THE HOUSE OF REPRESENTATIVES

APRIL 8, 2008

Mr. RANGEL (for himself, Mr. McDERMOTT, Mr. LEWIS of Georgia, Mr. POMEROY, Mr. THOMPSON of California, Mr. EMANUEL, Mr. BLUMENAUER, Ms. BERKLEY, Mr. CROWLEY, Mr. ELLISON, Ms. GIFFORDS, Mr. JOHNSON of Georgia, Mr. MAHONEY of Florida, Mr. RODRIGUEZ, Ms. SHEAPORTER, Mr. SIRES, Mr. WELCH of Vermont, and Mrs. JONES of Ohio) introduced the following bill; which was referred to the Committee on Ways and Means

APRIL --, 2008

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on April 8, 2008]

A BILL

To amend the Internal Revenue Code of 1986 to provide assistance for housing.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

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 otherwise*
5 *expressly provided, whenever in this Act an amendment or*
6 *repeal is expressed in terms of an amendment to, or repeal*
7 *of, a section or other provision, the reference shall be consid-*
8 *ered to be made to a section or other provision of the Inter-*
9 *nal Revenue Code of 1986.*

10 (c) *TABLE OF CONTENTS.*—*The table of contents of this*
11 *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.

*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 nonitemizers.

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 LOW-**
- 6 **INCOME HOUSING TAX CREDIT.**
- 7 *Paragraph (3) of section 42(h) is amended by adding*
- 8 *at the end the following new subparagraph:*

1 “(I) INCREASE IN STATE HOUSING CREDIT
2 CEILING FOR 2008 AND 2009.—In the case of cal-
3 endar years 2008 and 2009, the dollar amount
4 in effect under subparagraph (C)(ii)(I) for such
5 calendar year (after any increase under subpara-
6 graph (H)) shall be increased by \$0.20.”.

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

8 (a) *ELIMINATION OF DISTINCTION BETWEEN NEW AND*
9 *EXISTING BUILDINGS; MINIMUM CREDIT RATE FOR NON-*
10 *FEDERALLY SUBSIDIZED BUILDINGS.—*

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

13 “(b) *APPLICABLE PERCENTAGE.—*For purposes of this
14 *section—*

15 “(1) *IN GENERAL.—*The term ‘applicable per-
16 centage’ means, with respect to any building, the ap-
17 propriate percentage prescribed by the Secretary for
18 the earlier of—

19 “(A) the month in which such building is
20 placed in service, or

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

22 “(i) the month in which the taxpayer
23 and the housing credit agency enter into an
24 agreement with respect to such building
25 (which is binding on such agency, the tax-

1 payer, and all successors in interest) as to
2 the housing credit dollar amount to be allo-
3 cated to such building, or

4 “(ii) in the case of any building to
5 which subsection (h)(4)(B) applies, the
6 month in which the tax-exempt obligations
7 are issued.

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

12 “(2) METHOD OF PRESCRIBING PERCENTAGES.—

13 “(A) IN GENERAL.—For purposes of para-
14 graph (1), the percentages prescribed by the Sec-
15 retary for any month shall be—

16 “(i) in the case of any building which
17 is not federally subsidized for the taxable
18 year, the greater of—

19 “(I) the average percentage deter-
20 mined under subclause (II) for months
21 in the preceding calendar year, or

22 “(II) the percentage which will
23 yield over a 10-year period amounts of
24 credit under subsection (a) which have
25 a present value equal to 70 percent of

1 *the qualified basis of such building,*
2 *and*

3 “(ii) *in the case of any other building,*
4 *the percentage which will yield over a 10-*
5 *year period amounts of credit under sub-*
6 *section (a) which have a present value equal*
7 *to 30 percent of the qualified basis of such*
8 *building.*

9 “(B) *METHOD OF DISCOUNTING.—The*
10 *present value under subparagraph (A) shall be*
11 *determined—*

12 “(i) *as of the last day of the 1st year*
13 *of the 10-year period referred to in subpara-*
14 *graph (A),*

15 “(ii) *by using a discount rate equal to*
16 *72 percent of the average of the annual Fed-*
17 *eral mid-term rate and the annual Federal*
18 *long-term rate applicable under section*
19 *1274(d)(1) to the month applicable under*
20 *subparagraph (A) and compounded annu-*
21 *ally, and*

22 “(iii) *by assuming that the credit al-*
23 *lowable under this section for any year is*
24 *received on the last day of such year.*

25 “(3) *CROSS REFERENCES.—*

1 “(A) For treatment of certain rehabilitation
2 expenditures as separate buildings, see subsection
3 (e).

4 “(B) For determination of applicable per-
5 centage for increases in qualified basis after the
6 1st year of the credit period, see subsection (f)(3).

7 “(C) For authority of housing credit agency
8 to limit applicable percentage and qualified
9 basis which may be taken into account under
10 this section with respect to any building, see sub-
11 section (h)(7).”.

12 (2) CONFORMING AMENDMENTS.—

13 (A) Subparagraph (B) of section 42(e)(3) is
14 amended by striking “subsection (b)(2)(B)(ii)”
15 and inserting “subsection (b)(2)(A)(ii)”.

16 (B) Subparagraph (A) of section 42(i)(2) is
17 amended by striking “new building” and insert-
18 ing “building”.

19 (b) MODIFICATIONS TO DEFINITION OF FEDERALLY
20 SUBSIDIZED BUILDING.—

21 (1) IN GENERAL.—Subparagraph (A) of section
22 42(i)(2) is amended by striking “, or any below mar-
23 ket Federal loan,”.

24 (2) CONFORMING AMENDMENTS.—

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

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

5 (ii) by striking “loan or” in the matter
6 preceding clause (i), and

7 (iii) by striking “subsection (d)—”
8 and all that follows and inserting “sub-
9 section (d) the proceeds of such obligation.”.

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

12 (i) by striking “or below market Fed-
13 eral loan” in the matter preceding clause
14 (i),

15 (ii) in clause (i)—

16 (I) by striking “or loan (when
17 issued or made)” and inserting “(when
18 issued)”, and

19 (II) by striking “the proceeds of
20 such obligation or loan” and inserting

21 “the proceeds of such obligation”, and

22 (iii) by striking “, and such loan is re-
23 paid,” in clause (ii).

1 (C) Paragraph (2) of section 42(i) is
2 amended by striking subparagraphs (D) and
3 (E).

4 (c) *EFFECTIVE DATE.*—The amendments made by this
5 subsection shall apply to buildings placed in service after
6 the date of the enactment of this Act.

7 **SEC. 103. MODIFICATIONS TO DEFINITION OF ELIGIBLE**
8 **BASIS.**

9 (a) *INCREASE IN CREDIT FOR CERTAIN STATE DES-*
10 *IGNATED BUILDINGS.*—Subparagraph (C) of section
11 42(d)(5) (relating to increase in credit for buildings in high
12 cost areas), before redesignation under subsection (f), is
13 amended by adding at the end the following new clause:

14 “(v) *BUILDINGS DESIGNATED BY*
15 *STATE HOUSING CREDIT AGENCY.*—Any
16 building which is designated by the State
17 housing credit agency as requiring the in-
18 crease in credit under this subparagraph in
19 order for such building to be financially fea-
20 sible as part of a qualified low-income hous-
21 ing project shall be treated for purposes of
22 this subparagraph as located in a difficult
23 development area which is designated for
24 purposes of this subparagraph. The pre-
25 ceding sentence shall not apply to any

1 *building if paragraph (1) of subsection (h)*
2 *does not apply to any portion of the eligible*
3 *basis of such building by reason of para-*
4 *graph (4) of such subsection.”.*

5 *(b) MODIFICATION TO REHABILITATION REQUIRE-*
6 *MENTS.—*

7 *(1) IN GENERAL.—Clause (ii) of section*
8 *42(e)(3)(A) is amended—*

9 *(A) by striking “10 percent” in subclause*
10 *(I) and inserting “20 percent”, and*

11 *(B) by striking “\$3,000” in subclause (II)*
12 *and inserting “\$6,000”.*

13 *(2) INFLATION ADJUSTMENT.—Paragraph (3) of*
14 *section 42(e) is amended by adding at the end the fol-*
15 *lowing new subparagraph:*

16 *“(D) INFLATION ADJUSTMENT.—In the case*
17 *of any expenditures which are treated under*
18 *paragraph (4) as placed in service during any*
19 *calendar year after 2009, the \$6,000 amount in*
20 *subparagraph (A)(ii)(II) shall be increased by*
21 *an amount equal to—*

22 *“(i) such dollar amount, multiplied by*

23 *“(ii) the cost-of-living adjustment de-*
24 *termined under section 1(f)(3) for such cal-*
25 *endar year by substituting ‘calendar year*

1 2008' for 'calendar year 1992' in subpara-
2 graph (B) thereof.

3 Any increase under the preceding sentence which
4 is not a multiple of \$100 shall be rounded to the
5 nearest multiple of \$100.”.

6 (3) *CONFORMING AMENDMENT.*—Subclause (II)
7 of section 42(f)(5)(B)(ii) is amended by striking “if
8 subsection (e)(3)(A)(ii)(II)” and all that follows and
9 inserting “if the dollar amount in effect under sub-
10 section (e)(3)(A)(ii)(II) were two-thirds of such
11 amount.”.

12 (c) *INCREASE IN ALLOWABLE COMMUNITY SERVICE*
13 *FACILITY SPACE FOR SMALL PROJECTS.*—Clause (ii) of sec-
14 *tion 42(d)(4)(C) (relating to limitation) is amended by*
15 *striking “10 percent of the eligible basis of the qualified low-*
16 *income housing project of which it is a part. For purposes*
17 *of” and inserting “the sum of—*

18 “(I) 15 percent of so much of the
19 eligible basis of the qualified low-in-
20 come housing project of which it is a
21 part as does not exceed \$5,000,000,
22 plus

23 “(II) 10 percent of so much of the
24 eligible basis of such project as is not
25 taken into account under subclause (I).

1 *For purposes of*”.

2 *(d) CLARIFICATION OF TREATMENT OF FEDERAL*
3 *GRANTS.—Subparagraph (A) of section 42(d)(5) is amend-*
4 *ed to read as follows:*

5 *“(A) FEDERAL GRANTS NOT TAKEN INTO*
6 *ACCOUNT IN DETERMINING ELIGIBLE BASIS.—*
7 *The eligible basis of a building shall not include*
8 *any costs financed with the proceeds of a Feder-*
9 *ally funded grant.”.*

10 *(e) SIMPLIFICATION OF RELATED PARTY RULES.—*
11 *Clause (iii) of section 42(d)(2)(D), before redesignation*
12 *under subsection (f)(2), is amended—*

13 *(1) by striking all that precedes subclause (II),*
14 *(2) by redesignating subclause (II) as clause (iii)*
15 *and moving such clause two ems to the left, and*
16 *(3) by striking the last sentence thereof.*

17 *(f) REPEAL OF DEADWOOD.—*

18 *(1) Clause (ii) of section 42(d)(2)(B) is amended*
19 *by striking “the later of—” and all that follows and*
20 *inserting “the date the building was last placed in*
21 *service,”.*

22 *(2) Subparagraph (D) of section 42(d)(2) is*
23 *amended by striking clause (i) and by redesignating*
24 *clauses (ii) and (iii) as clauses (i) and (ii), respec-*
25 *tively.*

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

4 (g) *EFFECTIVE DATE.*—The amendments made by this
5 subsection shall apply to buildings placed in service after
6 the date of the enactment of this Act.

7 **SEC. 104. OTHER SIMPLIFICATION AND REFORM OF LOW-IN-**
8 **COME HOUSING TAX INCENTIVES.**

9 (a) *REPEAL PROHIBITION ON MODERATE REHABILI-*
10 *TATION ASSISTANCE.*—Paragraph (2) of section 42(c) (de-
11 fining qualified low-income building) is amended by strik-
12 ing the flush sentence at the end.

13 (b) *MODIFICATION OF TIME LIMIT FOR INCURRING 10*
14 *PERCENT OF PROJECT'S COST.*—Clause (ii) of section
15 42(h)(1)(E) is amended by striking “(as of the later of the
16 date which is 6 months after the date that the allocation
17 was made or the close of the calendar year in which the
18 allocation is made)” and inserting “(as of the date which
19 is 1 year after the date that the allocation was made)”.

20 (c) *REPEAL OF BONDING REQUIREMENT ON DISPOSI-*
21 *TION OF BUILDING.*—Paragraph (6) of section 42(j) (relat-
22 ing to no recapture on disposition of building (or interest
23 therein) where bond posted) is amended to read as follows:

24 “(6) *NO RECAPTURE ON DISPOSITION OF BUILD-*
25 *ING WHICH CONTINUES IN QUALIFIED USE.*—

1 “(A) *IN GENERAL.*—*The increase in tax*
2 *under this subsection shall not apply solely by*
3 *reason of the disposition of a building (or an in-*
4 *terest therein) if it is reasonably expected that*
5 *such building will continue to be operated as a*
6 *qualified low-income building for the remaining*
7 *compliance period with respect to such building.*

8 “(B) *STATUTE OF LIMITATIONS.*—*If a*
9 *building (or an interest therein) is disposed of*
10 *during any taxable year and there is any reduc-*
11 *tion in the qualified basis of such building which*
12 *results in an increase in tax under this sub-*
13 *section for such taxable or any subsequent tax-*
14 *able year, then—*

15 “(i) *the statutory period for the assess-*
16 *ment of any deficiency with respect to such*
17 *increase in tax shall not expire before the*
18 *expiration of 3 years from the date the Sec-*
19 *retary is notified by the taxpayer (in such*
20 *manner as the Secretary may prescribe) of*
21 *such reduction in qualified basis, and*

22 “(ii) *such deficiency may be assessed*
23 *before the expiration of such 3-year period*
24 *notwithstanding the provisions of any other*

1 *law or rule of law which would otherwise*
2 *prevent such assessment.”.*

3 (d) *ENERGY EFFICIENCY AND HISTORIC NATURE*
4 *TAKEN INTO ACCOUNT IN MAKING ALLOCATIONS.*—Sub-
5 *paragraph (C) of section 42(m)(1) (relating to plans for*
6 *allocation of credit among projects) is amended by striking*
7 *“and” at the end of clause (vii), by striking the period at*
8 *the end of clause (viii) and inserting a comma, and by add-*
9 *ing at the end the following new clauses:*

10 *“(ix) the energy efficiency of the*
11 *project, and*

12 *“(x) the historic nature of the project.”.*

13 (e) *CONTINUED ELIGIBILITY FOR STUDENTS WHO RE-*
14 *CEIVED FOSTER CARE ASSISTANCE.*—Clause (i) of section
15 *42(i)(3)(D) is amended by striking “or” at the end of sub-*
16 *clause (I), by redesignating subclause (II) as subclause*
17 *(III), and by inserting after subclause (I) the following new*
18 *subclause:*

19 *“(II) a student who was pre-*
20 *viously under the care and placement*
21 *responsibility of the State agency re-*
22 *sponsible for administering a plan*
23 *under part B or part E of title IV of*
24 *the Social Security Act, or”.*

1 (f) *TREATMENT OF RURAL PROJECTS.*—Section 42(i)
2 *(relating to definitions and special rules) is amended by*
3 *adding at the end the following new paragraph:*

4 “(8) *TREATMENT OF RURAL PROJECTS.*—For
5 *purposes of this section, in the case of any project for*
6 *residential rental property located in a rural area (as*
7 *defined in section 520 of the Housing Act of 1949),*
8 *any income limitation measured by reference to area*
9 *median gross income shall be measured by reference*
10 *to the greater of area median gross income or na-*
11 *tional non-metropolitan median income. The pre-*
12 *ceding sentence shall not apply with respect to any*
13 *building if paragraph (1) of section 42(h) does not*
14 *apply by reason of paragraph (4) thereof to any por-*
15 *tion of the credit determined under this section with*
16 *respect to such building.”.*

17 (g) *EFFECTIVE DATE.*—

18 (1) *IN GENERAL.*—*Except as otherwise provided*
19 *in this subsection, the amendments made by this sec-*
20 *tion shall apply to buildings placed in service after*
21 *the date of the enactment of this Act.*

22 (2) *REPEAL OF BONDING REQUIREMENT ON DIS-*
23 *POSITION OF BUILDING.*—*The amendment made by*
24 *subsection (c) shall apply to—*

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

3 (B) interests in buildings disposed of on or
4 before such date if—

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

12 (ii) the taxpayer elects the application
13 of this subparagraph with respect to such
14 disposition.

15 Notwithstanding the preceding sentence, the amend-
16 ments made by subsection (c) shall not apply to any
17 disposition after the date 5 years after the date of the
18 enactment of this Act.

19 (3) *ENERGY EFFICIENCY AND HISTORIC NATURE*
20 *TAKEN INTO ACCOUNT IN MAKING ALLOCATIONS.*—The
21 amendments made by subsection (d) shall apply to al-
22 locations made after December 31, 2008.

23 (4) *CONTINUED ELIGIBILITY FOR STUDENTS WHO*
24 *RECEIVED FOSTER CARE ASSISTANCE.*—The amend-
25 ments made by subsection (e) shall apply to deter-

1 *minations made after the date of the enactment of this*
2 *Act.*

3 (5) *TREATMENT OF RURAL PROJECTS.—The*
4 *amendment made by subsection (f) shall apply to de-*
5 *terminations made after the date of the enactment of*
6 *this Act.*

7 **PART 2—MODIFICATIONS TO TAX-EXEMPT**

8 **HOUSING BOND RULES**

9 **SEC. 111. RECYCLING OF TAX-EXEMPT DEBT FOR FINANC-**
10 **ING RESIDENTIAL RENTAL PROJECTS.**

11 (a) *IN GENERAL.—Subsection (i) of section 146 (relat-*
12 *ing to treatment of refunding issues) is amended by adding*
13 *at the end the following new paragraph:*

14 “(6) *TREATMENT OF CERTAIN RESIDENTIAL*
15 *RENTAL PROJECT BONDS AS REFUNDING BONDS IRRE-*
16 *SPECTIVE OF OBLIGOR.—*

17 “(A) *IN GENERAL.—If, during the 6-month*
18 *period beginning on the date of a repayment of*
19 *a loan financed by an issue 95 percent or more*
20 *of the net proceeds of which are used to provide*
21 *projects described in section 142(d), such repay-*
22 *ment is used to provide a new loan for any*
23 *project so described, any bond which is issued to*
24 *refinance such issue shall be treated as a refund-*
25 *ing issue to the extent the principal amount of*

1 *such refunding issue does not exceed the prin-*
2 *cipal amount of the bonds refunded.*

3 “(B) *LIMITATIONS.*—*Subparagraph (A)*
4 *shall apply to only one refunding of the original*
5 *issue and only if—*

6 “(i) *the refunding issue is issued not*
7 *later than 4 years after the date on which*
8 *the original issue was issued,*

9 “(ii) *the latest maturity date of any*
10 *bond of the refunding issue is not later than*
11 *34 years after the date on which the re-*
12 *funded bond was issued, and*

13 “(iii) *the refunding issue is approved*
14 *in accordance with section 147(f) before the*
15 *issuance of the refunding issue.”.*

16 (b) *LOW-INCOME HOUSING CREDIT.*—*Clause (ii) of*
17 *section 42(h)(4)(A) is amended by inserting “or such fi-*
18 *nancing is refunded as described in section 146(i)(6)” before*
19 *the period at the end.*

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

1 **SEC. 112. COORDINATION OF CERTAIN RULES APPLICABLE**
2 **TO LOW-INCOME HOUSING CREDIT AND**
3 **QUALIFIED RESIDENTIAL RENTAL PROJECT**
4 **EXEMPT FACILITY BONDS.**

5 (a) *DETERMINATION OF NEXT AVAILABLE UNIT.*—

6 *Paragraph (3) of section 142(d) (relating to current income*
7 *determinations) is amended by adding at the end the fol-*
8 *lowing new subparagraph:*

9 “(C) *EXCEPTION FOR PROJECTS WITH RE-*
10 *SPECT TO WHICH AFFORDABLE HOUSING CREDIT*
11 *IS ALLOWED.*—*In the case of a project with re-*
12 *spect to which credit is allowed under section 42,*
13 *the second sentence of subparagraph (B) shall be*
14 *applied by substituting ‘building (within the*
15 *meaning of section 42)’ for ‘project.’”.*

16 (b) *STUDENTS.*—*Paragraph (2) of section 142(d) (re-*
17 *lating to definitions and special rules) is amended by add-*
18 *ing at the end the following new subparagraph:*

19 “(C) *STUDENTS.*—*Rules similar to the rules*
20 *of 42(i)(3)(D) shall apply for purposes of this*
21 *subsection.”.*

22 (c) *SINGLE-ROOM OCCUPANCY UNITS.*—*Paragraph (2)*
23 *of section 142(d) (relating to definitions and special rules),*
24 *as amended by subsection (b), is further amended by adding*
25 *at the end the following new subparagraph:*

1 “(D) *SINGLE-ROOM OCCUPANCY UNITS.*—A
2 *unit shall not fail to be treated as a residential*
3 *unit merely because such unit is a single-room*
4 *occupancy unit (within the meaning of section*
5 *42).*”.

6 (d) *EFFECTIVE DATE.*—*The amendments made by this*
7 *section shall apply to determinations of the status of quali-*
8 *fied residential rental projects for periods beginning after*
9 *the date of the enactment of this Act, with respect to bonds*
10 *issued before, on, or after such date.*

11 **PART 3—REFORMS RELATED TO THE LOW-IN-**
12 **COME HOUSING CREDIT AND TAX-EXEMPT**
13 **HOUSING BONDS**

14 **SEC. 121. HOLD HARMLESS FOR REDUCTIONS IN AREA ME-**
15 **DIAN GROSS INCOME.**

16 (a) *IN GENERAL.*—*Paragraph (2) of section 142(d), as*
17 *amended by section 112, is further amended by adding at*
18 *the end the following new subparagraph:*

19 “(E) *HOLD HARMLESS FOR REDUCTIONS IN*
20 *AREA MEDIAN GROSS INCOME.*—

21 “(i) *IN GENERAL.*—*Any determination*
22 *of area median gross income under sub-*
23 *paragraph (B) with respect to any project*
24 *for any calendar year after 2008 shall not*
25 *be less than the area median gross income*

1 *determined under such subparagraph with*
2 *respect to such project for the calendar year*
3 *preceding the calendar year for which such*
4 *determination is made.*

5 “(ii) *SPECIAL RULE FOR CERTAIN CEN-*
6 *SUS CHANGES.—In the case of a HUD hold*
7 *harmless impacted project, the area median*
8 *gross income with respect to such project for*
9 *any calendar year after 2008 (hereafter in*
10 *this clause referred to as the current cal-*
11 *endar year) shall be the greater of the*
12 *amount determined without regard to this*
13 *clause or the sum of—*

14 “(I) *the area median gross income*
15 *determined under the HUD hold harm-*
16 *less policy with respect to such project*
17 *for calendar year 2008, plus*

18 “(II) *any increase in the area me-*
19 *dian gross income determined under*
20 *subparagraph (B) (determined without*
21 *regard to the HUD hold harmless pol-*
22 *icy and this subparagraph) with re-*
23 *spect to such project for the current*
24 *calendar year over the area median*
25 *gross income (as so determined) with*

1 *respect to such project for calendar*
2 *year 2008.*

3 “(iii) *HUD HOLD HARMLESS POL-*
4 *ICY.—The term ‘HUD hold harmless policy’*
5 *means the regulations under which a policy*
6 *similar to the rules of clause (i) applied to*
7 *prevent a change in the method of deter-*
8 *mining area median gross income from re-*
9 *sulting in a reduction in the area median*
10 *gross income determined with respect to cer-*
11 *tain projects in calendar years 2007 and*
12 *2008.*

13 “(iv) *HUD HOLD HARMLESS IM-*
14 *PACTED PROJECT.—The term ‘HUD hold*
15 *harmless impacted project’ means any*
16 *project with respect to which area median*
17 *gross income was determined under sub-*
18 *paragraph (B) for calendar year 2007 or*
19 *2008 if such determination would have been*
20 *less but for the HUD hold harmless policy.”.*

21 (b) *EFFECTIVE DATE.—The amendment made by this*
22 *section shall apply to determinations of area median gross*
23 *income for calendar years after 2008.*

1 **SEC. 122. EXCEPTION TO ANNUAL CURRENT INCOME DE-**
2 **TERMINATION REQUIREMENT WHERE DETER-**
3 **MINATION NOT RELEVANT.**

4 (a) *IN GENERAL.*—Subparagraph (A) of section
5 142(d)(3) is amended by adding at the end the following
6 new sentence: “The preceding sentence shall not apply with
7 respect to any project for any year if during such year no
8 residential unit in the project is occupied by a new resident
9 whose income exceeds the applicable income limit.”.

10 (b) *EFFECTIVE DATE.*—The amendment made by this
11 section shall apply to years ending after the date of the en-
12 actment of this Act.

13 **Subtitle B—Single Family Housing**

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

15 (a) *IN GENERAL.*—Subpart C of part IV of subchapter
16 A of chapter 1 is amended by redesignating section 36 as
17 section 37 and by inserting after section 35 the following
18 new section:

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

20 “(a) *ALLOWANCE OF CREDIT.*—In the case of an indi-
21 vidual who is a first-time homebuyer of a principal resi-
22 dence in the United States during a taxable year, there shall
23 be allowed as a credit against the tax imposed by this sub-
24 title for such taxable year an amount equal to 10 percent
25 of the purchase price of the residence.

26 “(b) *LIMITATIONS.*—

1 “(1) *DOLLAR LIMITATION.*—

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

5 “(B) *MARRIED INDIVIDUALS FILING SEPA-*
6 *RATELY.*—*In the case of a married individual*
7 *filing a separate return, subparagraph (A) shall*
8 *be applied by substituting ‘\$3,750’ for ‘\$7,500’.*

9 “(C) *OTHER INDIVIDUALS.*—*If two or more*
10 *individuals who are not married purchase a*
11 *principal residence, the amount of the credit al-*
12 *lowed under subsection (a) shall be allocated*
13 *among such individuals in such manner as the*
14 *Secretary may prescribe, except that the total*
15 *amount of the credits allowed to all such individ-*
16 *uals shall not exceed \$7,500.*

17 “(2) *LIMITATION BASED ON MODIFIED ADJUSTED*
18 *GROSS INCOME.*—

19 “(A) *IN GENERAL.*—*The amount allowable*
20 *as a credit under subsection (a) (determined*
21 *without regard to this paragraph) for the taxable*
22 *year shall be reduced (but not below zero) by the*
23 *amount which bears the same ratio to the*
24 *amount which is so allowable as—*

25 “(i) *the excess (if any) of—*

1 “(I) the taxpayer’s modified ad-
2 justed gross income for such taxable
3 year, over

4 “(II) \$70,000 (\$140,000 in the
5 case of a joint return), bears to

6 “(ii) \$20,000.

7 “(B) *MODIFIED ADJUSTED GROSS IN-*
8 *COME.*—For purposes of subparagraph (A), the
9 term ‘modified adjusted gross income’ means the
10 adjusted gross income of the taxpayer for the tax-
11 able year increased by any amount excluded
12 from gross income under section 911, 931, or
13 933.

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

15 “(1) *FIRST-TIME HOMEBUYER.*—The term ‘first-
16 time homebuyer’ means any individual if such indi-
17 vidual (and if married, such individual’s spouse) had
18 no present ownership interest in a principal residence
19 during the 3-year period ending on the date of the
20 purchase of the principal residence to which this sec-
21 tion applies.

22 “(2) *PRINCIPAL RESIDENCE.*—The term ‘prin-
23 cipal residence’ has the same meaning as when used
24 in section 121.

25 “(3) *PURCHASE.*—

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

3 “(i) *the property is not acquired from*
4 *a person related to the person acquiring it,*
5 *and*

6 “(ii) *the basis of the property in the*
7 *hands of the person acquiring it is not de-*
8 *termined—*

9 “(I) *in whole or in part by ref-*
10 *erence to the adjusted basis of such*
11 *property in the hands of the person*
12 *from whom acquired, or*

13 “(II) *under section 1014(a) (relat-*
14 *ing to property acquired from a dece-*
15 *dent).*

16 “(B) *CONSTRUCTION.*—*A residence which is*
17 *constructed by the taxpayer shall be treated as*
18 *purchased by the taxpayer on the date the tax-*
19 *payer first occupies such residence.*

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

23 “(5) *RELATED PERSONS.*—*A person shall be*
24 *treated as related to another person if the relationship*
25 *between such persons would result in the disallowance*

1 of losses under section 267 or 707(b) (but, in applying
2 section 267(b) and (c) for purposes of this section,
3 paragraph (4) of section 267(c) shall be treated as
4 providing that the family of an individual shall in-
5 clude only his spouse, ancestors, and lineal descend-
6 ants).

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

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

14 “(2) the residence is financed by the proceeds of
15 a qualified mortgage issue the interest on which is ex-
16 empt from tax under section 103,

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

18 “(4) the taxpayer disposes of such residence (or
19 such residence ceases to be the principal residence of
20 the taxpayer (and, if married, the taxpayer’s spouse))
21 before the close of such taxable year.

22 “(e) *REPORTING.*—If the Secretary requires informa-
23 tion reporting under section 6045 by a person described in
24 subsection (e)(2) thereof to verify the eligibility of taxpayers

1 *for the credit allowable by this section, the exception pro-*
2 *vided by section 6045(e) shall not apply.*

3 *“(f) RECAPTURE OF CREDIT.—*

4 *“(1) IN GENERAL.—Except as otherwise provided*
5 *in this subsection, if a credit under subsection (a) is*
6 *allowed to a taxpayer, the tax imposed by this chap-*
7 *ter shall be increased by 6²/₃ percent of the amount*
8 *of such credit for each taxable year in the recapture*
9 *period.*

10 *“(2) ACCELERATION OF RECAPTURE.—If a tax-*
11 *payer disposes of the principal residence with respect*
12 *to which a credit was allowed under subsection (a)*
13 *(or such residence ceases to be the principal residence*
14 *of the taxpayer (and, if married, the taxpayer’s*
15 *spouse)) before the end of the recapture period—*

16 *“(A) the tax imposed by this chapter for the*
17 *taxable year of such disposition or cessation,*
18 *shall be increased by the excess of the amount of*
19 *the credit allowed over the amounts of tax im-*
20 *posed by paragraph (1) for preceding taxable*
21 *years, and*

22 *“(B) paragraph (1) shall not apply with re-*
23 *spect to such credit for such taxable year or any*
24 *subsequent taxable year .*

1 “(3) *LIMITATION BASED ON GAIN.*—*In the case of*
2 *the sale of the principal residence to a person who is*
3 *not related to the taxpayer, the increase in tax deter-*
4 *mined under paragraph (2) shall not exceed the*
5 *amount of gain (if any) on such sale. Solely for pur-*
6 *poses of the preceding sentence, the adjusted basis of*
7 *such residence shall be reduced by the amount of the*
8 *credit allowed under subsection (a) to the extent not*
9 *previously recaptured under paragraph (1).*

10 “(4) *EXCEPTIONS.*—

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

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

1 “(C) *TRANSFERS BETWEEN SPOUSES OR IN-*
2 *CIDENT TO DIVORCE.—In the case of a transfer*
3 *of a residence to which section 1041(a) applies—*

4 “(i) *paragraph (2) shall not apply to*
5 *such transfer, and*

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

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

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

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

25 “(b) *CONFORMING AMENDMENTS.—*

1 (1) *Section 26(b)(2) is amended by striking*
2 *“and” at the end of subparagraph (U), by striking the*
3 *period and inserting “, and” and the end of subpara-*
4 *graph (V), and by inserting after subparagraph (V)*
5 *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 striking*
9 *“34,” and all that follows through “6428” and insert-*
10 *ing “34, 35, 36, 53(e), and 6428”.*

11 (3) *Section 1324(b)(2) of title 31, United States*
12 *Code, is amended by inserting “, 36,” after “section*
13 *35”.*

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

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

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

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

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

1 *paragraph (A), by striking the period at the end of subpara-*
2 *graph (B) and inserting “, and”, and by adding at the end*
3 *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 adding*
7 *at the end the following new paragraph:*

8 “(7) *REAL PROPERTY TAX DEDUCTION.*—*For*
9 *purposes of paragraph (1), the real property tax de-*
10 *duction is the lesser of—*

11 “(A) *the amount allowable as a deduction*
12 *under this chapter for State and local taxes de-*
13 *scribed in section 164(a)(1), or*

14 “(B) *\$350 (\$700 in the case of a joint re-*
15 *turn).*

16 *Any taxes taken into account under section 62(a)*
17 *shall not be taken into account under this para-*
18 *graph.*”.

19 (c) *EFFECTIVE DATE.*—*The amendments made by this*
20 *section shall apply to taxable years beginning after Decem-*
21 *ber 31, 2007.*

22 ***Subtitle C—General Provisions***

23 ***SEC. 141. TEMPORARY LIBERALIZATION OF TAX-EXEMPT*** 24 ***HOUSING BOND RULES.***

25 (a) *TEMPORARY INCREASE IN VOLUME CAP.*—

1 (1) *IN GENERAL.*—*Subsection (d) of section 146*
2 *is amended by adding at the end the following new*
3 *paragraph:*

4 “(5) *INCREASE AND SET ASIDE FOR HOUSING*
5 *BONDS FOR 2008.*—

6 “(A) *INCREASE FOR 2008.*—*In the case of*
7 *calendar year 2008, the State ceiling for each*
8 *State shall be increased by an amount equal to*
9 *\$10,000,000,000 multiplied by a fraction—*

10 “(i) *the numerator of which is the pop-*
11 *ulation of such State, and*

12 “(ii) *the denominator of which is the*
13 *total population of all States.*

14 “(B) *SET ASIDE.*—

15 “(i) *IN GENERAL.*—*Any amount of the*
16 *State ceiling for any State which is attrib-*
17 *utable to an increase under this paragraph*
18 *shall be allocated solely for one or more*
19 *qualified housing issues.*

20 “(ii) *QUALIFIED HOUSING ISSUE.*—*For*
21 *purposes of this paragraph, the term ‘quali-*
22 *fied housing issue’ means—*

23 “(I) *an issue described in section*
24 *142(a)(7) (relating to qualified resi-*
25 *dential rental projects), or*

1 “(II) a qualified mortgage issue
2 (determined by substituting ‘12-month
3 period’ for ‘42-month period’ each
4 place it appears in section
5 143(a)(2)(D)(i)).”.

6 (2) *CARRYFORWARD OF UNUSED LIMITATIONS.*—
7 Subsection (f) of section 146 is amended by adding at
8 the end the following new paragraph:

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

13 “(A) for any issue other than a qualified
14 housing issue (as defined in subsection (d)(5)),
15 or

16 “(B) to issue any bond after calendar year
17 2010.”.

18 (b) *TEMPORARY RULE FOR USE OF QUALIFIED MORT-*
19 *GAGE BONDS PROCEEDS FOR SUBPRIME REFINANCING*
20 *LOANS.*—

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

24 “(12) *SPECIAL RULES FOR SUBPRIME*
25 *REFINANCINGS.*—

1 “(A) *IN GENERAL.*—*Notwithstanding the re-*
2 *quirements of subsection (i)(1), the proceeds of a*
3 *qualified mortgage issue may be used to refi-*
4 *nance a mortgage on a residence which was*
5 *originally financed by the mortgagor through a*
6 *qualified subprime loan.*

7 “(B) *SPECIAL RULES.*—*In applying sub-*
8 *paragraph (A) to any refinancing—*

9 “(i) *subsection (a)(2)(D)(i) shall be ap-*
10 *plied by substituting ‘12-month period’ for*
11 *‘42-month period’ each place it appears,*

12 “(ii) *subsection (d) (relating to 3-year*
13 *requirement) shall not apply, and*

14 “(iii) *subsection (e) (relating to pur-*
15 *chase price requirement) shall be applied by*
16 *using the market value of the residence at*
17 *the time of refinancing in lieu of the acqui-*
18 *sition cost.*

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

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

4 (c) *EFFECTIVE DATE*.—*The amendments made by this*
5 *section shall apply to bonds issued after the date of the en-*
6 *actment 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 TAX*.—

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

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

23 “(I) *an exempt facility bond*
24 *issued as part of an issue 95 percent or*
25 *more of the net proceeds of which are*

1 to be used to provide qualified residen-
2 tial rental projects (as defined in sec-
3 tion 142(d)),

4 “*(II) a qualified mortgage bond*
5 *(as defined in section 143(a)), or*

6 “*(III) a qualified veterans’ mort-*
7 *gage bond (as defined in section*
8 *143(b)).*”

9 *The preceding sentence shall not apply to*
10 *any refunding bond unless such preceding*
11 *sentence applied to the refunded bond (or in*
12 *the case of a series of refundings, the origi-*
13 *nal bond).”.*

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

18 “*(iii) TAX EXEMPT INTEREST ON CER-*
19 *TAIN HOUSING BONDS.—Clause (i) shall not*
20 *apply in the case of any interest on a bond*
21 *to which section 57(a)(5)(C)(iii) applies.”.*

22 (b) *ALLOWANCE OF LOW-INCOME HOUSING CREDIT*
23 *AGAINST ALTERNATIVE MINIMUM TAX.—Subparagraph (B)*
24 *of section 38(c)(4) (relating to specified credits) is amended*
25 *by redesignating clauses (ii) through (iv) as clauses (iii)*

1 *through (v) and inserting after clause (i) the following new*
2 *clause:*

3 “(ii) the credit determined under sec-
4 tion 42 to the extent attributable to build-
5 ings placed in service after December 31,
6 2007.”.

7 (c) *ALLOWANCE OF REHABILITATION CREDIT AGAINST*
8 *ALTERNATIVE MINIMUM TAX.*—Subparagraph (B) of sec-
9 *tion 38(c)(4), as amended by subsection (b), is amended by*
10 *striking “and” at the end of clause (iv), by redesignating*
11 *clause (v) as clause (vi), and by inserting after clause (iv)*
12 *the following new clause:*

13 “(v) the credit determined under sec-
14 tion 47 to the extent attributable to quali-
15 fied rehabilitation expenditures properly
16 taken into account for periods after Decem-
17 ber 31, 2007, and”.

18 (d) *EFFECTIVE DATE.*—

19 (1) *HOUSING BONDS.*—The amendments made
20 *by subsection (a) shall apply to bonds issued after the*
21 *date of the enactment of this Act.*

22 (2) *LOW INCOME HOUSING CREDIT.*—The amend-
23 *ments made by subsection (b) shall apply to credits*
24 *determined under section 42 of the Internal Revenue*

1 *Code of 1986 to the extent attributable to buildings*
2 *placed in service after December 31, 2007.*

3 (3) *REHABILITATION CREDIT.*—*The amendments*
4 *made by subsection (c) shall apply to credits deter-*
5 *mined under section 47 of the Internal Revenue Code*
6 *of 1986 to the extent attributable to qualified rehabili-*
7 *tation expenditures properly taken into account for*
8 *periods after December 31, 2007.*

9 **SEC. 143. BONDS GUARANTEED BY FEDERAL HOME LOAN**
10 **BANKS ELIGIBLE FOR TREATMENT AS TAX-EX-**
11 **EMPT BONDS.**

12 (a) *IN GENERAL.*—*Subparagraph (A) of section*
13 *149(b)(3) (relating to exceptions for certain insurance pro-*
14 *grams) is amended by striking “or” at the end of clause*
15 *(ii), by striking the period at the end of clause (iii) and*
16 *inserting “, or” and by adding at the end the following new*
17 *clause:*

18 *“(iv) any guarantee by a Federal home*
19 *loan bank made in connection with the*
20 *original issuance of a bond during the pe-*
21 *riod beginning on the date of the enactment*
22 *of this Act and ending on December 31,*
23 *2010 (or a renewal or extension of a guar-*
24 *antee so made).”.*

1 **(b) SAFETY AND SOUNDNESS REQUIREMENTS.**—*Para-*
2 *graph (3) of section 149(b) is amended by adding at the*
3 *end the following new subparagraph:*

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

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

17 **SEC. 144. MODIFICATION OF RULES PERTAINING TO FIRPTA**
18 **NONFOREIGN AFFIDAVITS.**

19 **(a) IN GENERAL.**—*Subsection (b) of section 1445 (re-*
20 *lating to exemptions) is amended by adding at the end the*
21 *following:*

22 **“(9) ALTERNATIVE PROCEDURE FOR FURNISHING**
23 **NONFOREIGN AFFIDAVIT.**—*For purposes of para-*
24 *graphs (2) and (7)—*

1 “(A) *IN GENERAL.*—Paragraph (2) shall be
2 *treated as applying to a transaction if, in con-*
3 *nection with a disposition of a United States*
4 *real property interest—*

5 “(i) *the affidavit specified in para-*
6 *graph (2) is furnished to a qualified sub-*
7 *stitute, and*

8 “(ii) *the qualified substitute furnishes*
9 *a statement to the transferee stating, under*
10 *penalty of perjury, that the qualified sub-*
11 *stitute has such affidavit in his possession.*

12 “(B) *REGULATIONS.*—*The Secretary shall*
13 *prescribe such regulations as may be necessary*
14 *or appropriate to carry out this paragraph.”.*

15 (b) *QUALIFIED SUBSTITUTE.*—*Subsection (f) of section*
16 *1445 (relating to definitions) is amended by adding at the*
17 *end the following new paragraph:*

18 “(6) *QUALIFIED SUBSTITUTE.*—*The term ‘quali-*
19 *fied substitute’ means, with respect to a disposition of*
20 *a United States real property interest—*

21 “(A) *the person (including any attorney or*
22 *title company) responsible for closing the trans-*
23 *action, other than the transferor’s agent, and*

24 “(B) *the transferee’s agent.”.*

1 (c) *EXEMPTION NOT TO APPLY IF KNOWLEDGE OR NO-*
2 *TICE THAT AFFIDAVIT OR STATEMENT IS FALSE.—*

3 (1) *IN GENERAL.—Paragraph (7) of section*
4 *1445(b) (relating to special rules for paragraphs (2)*
5 *and (3)) is amended to read as follows:*

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

9 “(A) *if—*

10 “(i) *the transferee or qualified sub-*
11 *stitute has actual knowledge that the affi-*
12 *davit referred to in such paragraph, or the*
13 *statement referred to in paragraph*
14 *(9)(A)(ii), is false, or*

15 “(ii) *the transferee or qualified sub-*
16 *stitute receives a notice (as described in sub-*
17 *section (d)) from a transferor’s agent, trans-*
18 *feree’s agent, or qualified substitute that*
19 *such affidavit or statement is false, or*

20 “(B) *if the Secretary by regulations requires*
21 *the transferee or qualified substitute to furnish a*
22 *copy of such affidavit or statement to the Sec-*
23 *retary and the transferee or qualified substitute*
24 *fails to furnish a copy of such affidavit or state-*

1 *ment to the Secretary at such time and in such*
2 *manner as required by such regulations.”.*

3 (2) *LIABILITY.—*

4 (A) *NOTICE.—Paragraph (1) of section*
5 *1445(d) (relating to notice of false affidavit; for-*
6 *foreign corporations) is amended to read as follows:*

7 “(1) *NOTICE OF FALSE AFFIDAVIT; FOREIGN*
8 *CORPORATIONS.—If—*

9 “(A) *the transferor furnishes the transferee*
10 *or qualified substitute an affidavit described in*
11 *paragraph (2) of subsection (b) or a domestic*
12 *corporation furnishes the transferee an affidavit*
13 *described in paragraph (3) of subsection (b), and*

14 “(B) *in the case of—*

15 “(i) *any transferor’s agent—*

16 “(I) *such agent has actual knowl-*
17 *edge that such affidavit is false, or*

18 “(II) *in the case of an affidavit*
19 *described in subsection (b)(2) furnished*
20 *by a corporation, such corporation is a*
21 *foreign corporation, or*

22 “(ii) *any transferee’s agent or qualified*
23 *substitute, such agent or substitute has ac-*
24 *tual knowledge that such affidavit is false,*

1 *such agent or qualified substitute shall so notify*
2 *the transferee at such time and in such manner*
3 *as the Secretary shall require by regulations.”.*

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

7 *“(2) FAILURE TO FURNISH NOTICE.—*

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

17 *“(B) LIABILITY LIMITED TO AMOUNT OF*
18 *COMPENSATION.—An agent’s or substitute’s li-*
19 *ability under subparagraph (A) shall be limited*
20 *to the amount of compensation the agent or sub-*
21 *stitute derives from the transaction.”.*

22 *(C) CONFORMING AMENDMENT.—The head-*
23 *ing for section 1445(d) is amended by striking*
24 *“OR TRANSFEREE’S AGENTS” and inserting “,*

1 *TRANSFeree’S AGENTS, OR QUALIFIED SUB-*
2 *STITUTES”.*

3 *(d) EFFECTIVE DATE.—The amendments made by this*
4 *section shall apply to dispositions of United States real*
5 *property interests after the date of the enactment of this*
6 *Act.*

7 **SEC. 145. MODIFICATION OF DEFINITION OF TAX-EXEMPT**
8 **USE PROPERTY FOR PURPOSES OF THE RE-**
9 **HABILITATION CREDIT.**

10 *(a) IN GENERAL.—Subclause (I) of section*
11 *47(c)(2)(B)(v) is amended by striking “section 168(h)” and*
12 *inserting “section 168(h), except that ‘50 percent’ shall be*
13 *substituted for ‘35 percent’ in paragraph (1)(B)(iii) there-*
14 *of”.*

15 *(b) EFFECTIVE DATE.—The amendments made by this*
16 *section shall apply to expenditures properly taken into ac-*
17 *count for periods after December 31, 2007.*

1 **TITLE II—REFORMS RELATED TO**
2 **REAL ESTATE INVESTMENT**
3 **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; and*

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

22 (b) *RULES REGARDING FOREIGN CURRENCY TRANS-*
23 *ACTIONS.—Section 856 (defining real estate investment*
24 *trust) is amended by adding at the end the following new*
25 *subsection:*

1 “(n) *RULES REGARDING FOREIGN CURRENCY TRANS-*
2 *ACTIONS.—With respect to any taxable year—*

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

6 “(A) *foreign currency gains (as defined in*
7 *section 988(b)(1)) which are attributable to—*

8 “(i) *any item described in subsection*
9 *(c)(3) (other than in subparagraph (J)*
10 *thereof),*

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

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

23 “(B) *gains described in section 987 attrib-*
24 *utable to a qualified business unit (as defined by*
25 *section 989) of the real estate investment trust,*

1 *but only if such qualified business unit meets the*
2 *requirements under—*

3 “(i) subsection (c)(3) (without regard
4 to subparagraph (J) thereof) for the taxable
5 year, and

6 “(ii) subsection (c)(4)(A) at the close of
7 each quarter that the real estate investment
8 trust has directly or indirectly held the
9 qualified business unit, and

10 “(C) any other foreign currency gains as
11 determined by the Secretary.

12 “(2) *PASSIVE FOREIGN EXCHANGE GAINS.*—For
13 purposes of subsection (c)(2)(I), the term ‘passive for-
14 eign exchange gains’ means—

15 “(A) real estate foreign exchange gains,

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

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

23 (c) *ADDITION TO REIT HEDGING RULE.*—Subpara-
24 graph (G) of section 856(c)(5) is amended to read as fol-
25 lows:

1 “(G) *TREATMENT OF CERTAIN HEDGING IN-*
2 *STRUMENTS.—Except to the extent as determined*
3 *by the Secretary—*

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

16 “(ii) *any income of a real estate in-*
17 *vestment trust from a transaction entered*
18 *into by the trust primarily to manage risk*
19 *of currency fluctuations with respect to any*
20 *item described in paragraph (2) or (3), in-*
21 *cluding gain from the termination of such*
22 *a transaction, shall not constitute gross in-*
23 *come under paragraphs (2) and (3), but*
24 *only if such transaction is clearly identified*
25 *as such before the close of the day on which*

1 *it was acquired, originated, or entered into*
2 *(or such other time as the Secretary may*
3 *prescribe).”.*

4 *(d) AUTHORITY TO EXCLUDE ITEMS OF INCOME FROM*
5 *REIT INCOME TESTS.—Section 856(c)(5) is amended by*
6 *adding at the end the following new subparagraph:*

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

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

15 *(a) CLARIFICATION OF VALUATION TEST.—The first*
16 *sentence in the matter following section*
17 *856(c)(4)(B)(iii)(III) is amended by inserting “(including*
18 *a discrepancy caused solely by the change in the foreign*
19 *currency exchange rate used to value a foreign asset)” after*
20 *“such requirements”.*

21 *(b) CLARIFICATION OF PERMISSIBLE ASSET CAT-*
22 *EGORY.—Section 856(c)(5), as amended by section 201(d),*
23 *is amended by adding at the end the following new subpara-*
24 *graph:*

1 “(I) *CASH*.—The term ‘cash’ includes for-
2 *foreign currency if the real estate investment trust*
3 *or its qualified business unit (as defined in sec-*
4 *tion 989) uses such foreign currency as its func-*
5 *tional currency (as defined in section 985(b)).”.*

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

7 (a) *NET INCOME FROM FORECLOSURE PROPERTY*.—
8 *Clause (i) of section 857(b)(4)(B) is amended to read as*
9 *follows:*

10 “(i) *gain (including any foreign cur-*
11 *rency gain, as defined in section 988(b)(1))*
12 *from the sale or other disposition of fore-*
13 *closure property described in section*
14 *1221(a)(1) and the gross income for the tax-*
15 *able year derived from foreclosure property*
16 *(as defined in section 856(e)), but only to*
17 *the extent such gross income is not described*
18 *in (or, in the case of foreign currency gain,*
19 *not attributable to gross income described*
20 *in) section 856(c)(3) other than subpara-*
21 *graph (F) thereof, over”.*

22 (b) *NET INCOME FROM PROHIBITED TRANS-*
23 *ACTIONS*.—*Clause (i) of section 857(b)(6)(B) is amended to*
24 *read as follows:*

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

10 ***Subtitle B—Taxable REIT***
11 ***Subsidiaries***

12 ***SEC. 211. CONFORMING TAXABLE REIT SUBSIDIARY ASSET***

13 ***TEST.***

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

16 ***Subtitle C—Dealer Sales***

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

18 *Section 857(b)(6) (relating to income from prohibited*
19 *transactions) is amended—*

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

22 (2) *by striking “4-year period” in subpara-*
23 *graphs (C)(ii), (D)(ii), and (D)(iii) and inserting “2-*
24 *year period”, and*

1 (3) by striking “real estate asset” and all that fol-
2 lows through “if” in the matter preceding clause (i)
3 of subparagraphs (C) and (D), respectively, and in-
4 serting “real estate asset (as defined in section
5 856(c)(5)(B)) and which is described in section
6 1221(a)(1) if”.

7 **SEC. 222. DETERMINING VALUE OF SALES UNDER SAFE**
8 **HARBOR.**

9 Section 857(b)(6) is amended—

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

17 (2) by adding “or” at the end of subclause (II)
18 of subparagraph (D)(iv) and by adding at the end of
19 such subparagraph the following new subclause:

20 “(III) the fair market value of prop-
21 erty (other than sales of foreclosure property
22 or sales to which section 1033 applies) sold
23 during the taxable year does not exceed 10
24 percent of the fair market value of all of the

1 *assets of the trust as of the beginning of the*
2 *taxable year.”.*

3 ***Subtitle D—Health Care REITs***

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

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

8 *“(B) EXCEPTION FOR CERTAIN LODGING FA-*
9 *CILITIES AND HEALTH CARE PROPERTY.—The*
10 *requirements of this subparagraph are met with*
11 *respect to an interest in real property which is*
12 *a qualified lodging facility or a qualified health*
13 *care property (as defined in subsection*
14 *(e)(6)(D)(i)) leased by the trust to a taxable*
15 *REIT subsidiary of the trust if the property is*
16 *operated on behalf of such subsidiary by a person*
17 *who is an eligible independent contractor. For*
18 *purposes of this section, a taxable REIT sub-*
19 *subsidiary is not considered to be operating or man-*
20 *aging a qualified health care property or quali-*
21 *fied lodging facility solely because it directly or*
22 *indirectly possesses a license, permit or similar*
23 *instrument enabling it to do so.”.*

1 **(b) ELIGIBLE INDEPENDENT CONTRACTOR.**—Subpara-
2 *graphs (A) and (B) of section 856(d)(9) (relating to eligible*
3 *independent contractor) are amended to read as follows:*

4 “(A) *IN GENERAL.*—The term ‘eligible inde-
5 *pendent contractor’ means, with respect to any*
6 *qualified lodging facility or qualified health care*
7 *property (as defined in subsection (e)(6)(D)(i)),*
8 *any independent contractor if, at the time such*
9 *contractor enters into a management agreement*
10 *or other similar service contract with the taxable*
11 *REIT subsidiary to operate such qualified lodg-*
12 *ing facility or qualified health care property,*
13 *such contractor (or any related person) is ac-*
14 *tively engaged in the trade or business of oper-*
15 *ating qualified lodging facilities or qualified*
16 *health care properties, respectively, for any per-*
17 *son who is not a related person with respect to*
18 *the real estate investment trust or the taxable*
19 *REIT subsidiary.*

20 “(B) *SPECIAL RULES.*—Solely for purposes
21 *of this paragraph and paragraph (8)(B), a per-*
22 *son shall not fail to be treated as an independent*
23 *contractor with respect to any qualified lodging*
24 *facility or qualified health care property (as so*
25 *defined) by reason of the following:*

1 “(i) *The taxable REIT subsidiary*
2 *bears the expenses for the operation of such*
3 *qualified lodging facility or qualified health*
4 *care property pursuant to the management*
5 *agreement or other similar service contract.*

6 “(ii) *The taxable REIT subsidiary re-*
7 *ceives the revenues from the operation of*
8 *such qualified lodging facility or qualified*
9 *health care property, net of expenses for*
10 *such operation and fees payable to the oper-*
11 *ator pursuant to such agreement or con-*
12 *tract.*

13 “(iii) *The real estate investment trust*
14 *receives income from such person with re-*
15 *spect to another property that is attrib-*
16 *utable to a lease of such other property to*
17 *such person that was in effect as of the later*
18 *of—*

19 “(I) *January 1, 1999, or*

20 “(II) *the earliest date that any*
21 *taxable REIT subsidiary of such trust*
22 *entered into a management agreement*
23 *or other similar service contract with*
24 *such person with respect to such quali-*

1 *fied lodging facility or qualified health*
2 *care property.”.*

3 (c) *TAXABLE REIT SUBSIDIARIES.*—*The last sentence*
4 *of section 856(l)(3) is amended—*

5 (1) *by inserting “or a health care facility” after*
6 *“a lodging facility”, and*

7 (2) *by inserting “or health care facility” after*
8 *“such lodging facility”.*

9 ***Subtitle E—Effective Dates***

10 ***SEC. 241. EFFECTIVE DATES.***

11 (a) *IN GENERAL.*—*Except as otherwise provided in*
12 *this section, the amendments made by this title shall apply*
13 *to taxable years beginning after the date of the enactment*
14 *of this Act.*

15 (b) *REIT INCOME TESTS.*—

16 (1) *The amendment made by section 201(a) and*
17 *(b) shall apply to gains and items of income recog-*
18 *nized after the date of the enactment of this Act.*

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

22 (3) *The amendment made by section 201(d) shall*
23 *apply after the date of the enactment of this Act.*

24 (c) *CONFORMING FOREIGN CURRENCY REVISIONS.*—

1 (1) *The amendment made by section 203(a) shall*
2 *apply to gains recognized after the date of the enact-*
3 *ment of this Act.*

4 (2) *The amendment made by section 203(b) shall*
5 *apply to gains and deductions recognized after the*
6 *date of the enactment of this Act.*

7 (d) *DEALER SALES.—The amendments made by sub-*
8 *title C shall apply to sales made after the date of the enact-*
9 *ment of this Act.*

10 **TITLE III—REVENUE**
11 **PROVISIONS**

12 **SEC. 301. BROKER REPORTING OF CUSTOMER'S BASIS IN**
13 **SECURITIES TRANSACTIONS.**

14 (a) *IN GENERAL.—*

15 (1) *BROKER REPORTING FOR SECURITIES TRANS-*
16 *ACTIONS.—Section 6045 (relating to returns of bro-*
17 *kers) is amended by adding at the end the following*
18 *new subsection:*

19 “(g) *ADDITIONAL INFORMATION REQUIRED IN THE*
20 *CASE OF SECURITIES TRANSACTIONS, ETC.—*

21 “(1) *IN GENERAL.—If a broker is otherwise re-*
22 *quired to make a return under subsection (a) with re-*
23 *spect to the gross proceeds of the sale of a covered se-*
24 *curity, the broker shall include in such return the in-*
25 *formation described in paragraph (2).*

1 “(2) *ADDITIONAL INFORMATION REQUIRED.*—

2 “(A) *IN GENERAL.*—*The information re-*
3 *quired under paragraph (1) to be shown on a re-*
4 *turn with respect to a covered security of a cus-*
5 *tomer shall include the customer’s adjusted basis*
6 *in such security and whether any gain or loss*
7 *with respect to such security is long-term or*
8 *short-term (within the meaning of section 1222).*

9 “(B) *DETERMINATION OF ADJUSTED*
10 *BASIS.*—*For purposes of subparagraph (A)—*

11 “(i) *IN GENERAL.*—*The customer’s ad-*
12 *justed basis shall be determined—*

13 “(I) *in the case of any security*
14 *(other than any stock for which an av-*
15 *erage basis method is permissible*
16 *under section 1012), in accordance*
17 *with the first-in first-out method unless*
18 *the customer notifies the broker by*
19 *means of making an adequate identi-*
20 *fication of the stock sold or transferred,*
21 *and*

22 “(II) *in the case of any stock for*
23 *which an average basis method is per-*
24 *missible under section 1012, in accord-*
25 *ance with the broker’s default method*

1 *unless the customer notifies the broker*
2 *that he elects another acceptable meth-*
3 *od under section 1012 with respect to*
4 *the account in which such stock is held.*

5 “(ii) *EXCEPTION FOR WASH SALES.—*
6 *Except as otherwise provided by the Sec-*
7 *retary, the customer’s adjusted basis shall be*
8 *determined without regard to section 1091*
9 *(relating to loss from wash sales of stock or*
10 *securities) unless the transactions occur in*
11 *the same account with respect to identical*
12 *securities.*

13 “(3) *COVERED SECURITY.—For purposes of this*
14 *subsection—*

15 “(A) *IN GENERAL.—The term ‘covered secu-*
16 *rity’ means any specified security acquired on or*
17 *after the applicable date if such security—*

18 “(i) *was acquired through a trans-*
19 *action in the account in which such security*
20 *is held, or*

21 “(ii) *was transferred to such account*
22 *from an account in which such security was*
23 *a covered security, but only if the broker re-*
24 *ceived a statement under section 6045A*
25 *with respect to the transfer.*

1 “(B) *SPECIFIED SECURITY.*—The term
2 ‘*specified security*’ means—

3 “(i) *any share of stock in a corpora-*
4 *tion,*

5 “(ii) *any note, bond, debenture, or*
6 *other evidence of indebtedness,*

7 “(iii) *any commodity, or contract or*
8 *derivative with respect to such commodity,*
9 *if the Secretary determines that adjusted*
10 *basis reporting is appropriate for purposes*
11 *of this subsection, and*

12 “(iv) *any other financial instrument*
13 *with respect to which the Secretary deter-*
14 *mines that adjusted basis reporting is ap-*
15 *propriate for purposes of this subsection.*

16 “(C) *APPLICABLE DATE.*—The term ‘*appli-*
17 *cable date*’ means—

18 “(i) *January 1, 2010, in the case of*
19 *any specified security which is stock in a*
20 *corporation (other than any stock described*
21 *in clause (ii)),*

22 “(ii) *January 1, 2011, in the case of*
23 *any stock for which an average basis meth-*
24 *od is permissible under section 1012, and*

1 “(iii) *January 1, 2012, or such later*
2 *date determined by the Secretary in the case*
3 *of any other specified security.*

4 “(4) *TREATMENT OF S CORPORATIONS.—In the*
5 *case of the sale of a covered security acquired by an*
6 *S corporation (other than a financial institution)*
7 *after December 31, 2011, such S corporation shall be*
8 *treated in the same manner as a partnership for pur-*
9 *poses of this section.*

10 “(5) *SPECIAL RULES FOR SHORT SALES.—In the*
11 *case of a short sale, reporting under this section shall*
12 *be made for the year in which such sale is closed.”.*

13 “(2) *BROKER INFORMATION REQUIRED WITH RE-*
14 *SPECT TO OPTIONS.—Section 6045, as amended by*
15 *subsection (a), is amended by adding at the end the*
16 *following new subsection:*

17 “(h) *APPLICATION TO OPTIONS ON SECURITIES.—*

18 “(1) *EXERCISE OF OPTION.—For purposes of*
19 *this section, if a covered security is acquired or dis-*
20 *posed of pursuant to the exercise of an option that*
21 *was granted or acquired in the same account as the*
22 *covered security, the amount received with respect to*
23 *the grant or paid with respect to the acquisition of*
24 *such option shall be treated as an adjustment to gross*

1 *proceeds or as an adjustment to basis, as the case*
2 *may be.*

3 *“(2) LAPSE OR CLOSING TRANSACTION.—In the*
4 *case of the lapse (or closing transaction (as defined in*
5 *section 1234(b)(2)(A))) of an option on a specified se-*
6 *curity or the exercise of a cash-settled option on a*
7 *specified security, reporting under subsections (a) and*
8 *(g) with respect to such option shall be made for the*
9 *calendar year which includes the date of such lapse,*
10 *closing transaction, or exercise.*

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

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

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

20 *(A) IN GENERAL.—Subsection (b) of section*
21 *6045 is amended by striking “January 31” and*
22 *inserting “February 15”.*

23 *(B) STATEMENTS RELATED TO SUBSTITUTE*
24 *PAYMENTS.—Subsection (d) of section 6045 is*
25 *amended—*

1 (i) by striking “at such time and”, and
2 (ii) by inserting after “other item.” the
3 following new sentence: “The written state-
4 ment required under the preceding sentence
5 shall be furnished on or before February 15
6 of the year following the calendar year in
7 which the payment was made.”.

8 (C) OTHER STATEMENTS.—Subsection (b)
9 of section 6045 is amended by adding at the end
10 the following: “In the case of a consolidated re-
11 porting statement (as defined in regulations)
12 with respect to any account, any statement
13 which would otherwise be required to be fur-
14 nished on or before January 31 of a calendar
15 year with respect to any item reportable to the
16 taxpayer shall instead be required to be fur-
17 nished on or before February 15 of such calendar
18 year if furnished with such consolidated report-
19 ing statement.”.

20 (b) DETERMINATION OF BASIS OF CERTAIN SECURI-
21 TIES ON ACCOUNT BY ACCOUNT OR AVERAGE BASIS METH-
22 OD.—Section 1012 (relating to basis of property—cost) is
23 amended—

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

1 “(a) *IN GENERAL.—The basis of property*”,
2 (2) *by striking “The cost of real property” and*
3 *inserting the following:*

4 “(b) *SPECIAL RULE FOR APPORTIONED REAL ESTATE*
5 *TAXES.—The cost of real property*”, and

6 (3) *by adding at the end the following new sub-*
7 *sections:*

8 “(c) *DETERMINATIONS BY ACCOUNT.—*

9 “(1) *IN GENERAL.—In the case of the sale, ex-*
10 *change, or other disposition of a specified security on*
11 *or after the applicable date, the conventions pre-*
12 *scribed by regulations under this section shall be ap-*
13 *plied on an account by account basis.*

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

15 “(A) *IN GENERAL.—Except as provided in*
16 *subparagraph (B), any stock in an open-end*
17 *fund acquired before January 1, 2011, shall be*
18 *treated as a separate account from any such*
19 *stock acquired on or after such date.*

20 “(B) *ELECTION BY OPEN-END FUND FOR*
21 *TREATMENT AS SINGLE ACCOUNT.—If an open-*
22 *end fund elects to have this subparagraph apply*
23 *with respect to one or more of its stockholders—*

1 “(i) subparagraph (A) shall not apply
2 with respect to any stock in such fund held
3 by such stockholders, and

4 “(ii) all stock in such fund which is
5 held by such stockholders shall be treated as
6 covered securities described in section
7 6045(g)(3) without regard to the date of the
8 acquisition of such stock.

9 A rule similar to the rule of the preceding sen-
10 tence shall apply with respect to a broker holding
11 stock in an open-end fund as a nominee.

12 “(3) DEFINITIONS.—For purposes of this sec-
13 tion—

14 “(A) OPEN-END FUND.—The term ‘open-end
15 fund’ means a regulated investment company (as
16 defined in section 851) which is offering for sale
17 or has outstanding any redeemable security of
18 which it is the issuer. Any stock which is traded
19 on an established securities exchange shall not be
20 treated as stock in an open-end fund.

21 “(B) SPECIFIED SECURITY; APPLICABLE
22 DATE.—The terms ‘specified security’ and ‘appli-
23 cable date’ shall have the meaning given such
24 terms in section 6045(g).

1 “(d) *AVERAGE BASIS FOR STOCK ACQUIRED PURSU-*
2 *ANT TO A DIVIDEND REINVESTMENT PLAN.—*

3 “(1) *IN GENERAL.—In the case of any stock ac-*
4 *quired after December 31, 2010, in connection with a*
5 *dividend reinvestment plan, the basis of such stock*
6 *while held as part of such plan shall be determined*
7 *using one of the methods which may be used for deter-*
8 *mining the basis of stock in an open-end fund.*

9 “(2) *TREATMENT AFTER TRANSFER.—In the case*
10 *of the transfer to another account of stock to which*
11 *paragraph (1) applies, such stock shall have a cost*
12 *basis in such other account equal to its basis in the*
13 *dividend reinvestment plan immediately before such*
14 *transfer (properly adjusted for any fees or other*
15 *charges taken into account in connection with such*
16 *transfer).*

17 “(3) *SEPARATE ACCOUNTS; ELECTION FOR*
18 *TREATMENT AS SINGLE ACCOUNT.—Rules similar to*
19 *the rules of subsection (c)(2) shall apply for purposes*
20 *of this subsection.*

21 “(4) *DIVIDEND REINVESTMENT PLAN.—For pur-*
22 *poses of this subsection—*

23 “(A) *IN GENERAL.—The term ‘dividend re-*
24 *investment plan’ means any arrangement under*
25 *which dividends on any stock are reinvested in*

1 *stock identical to the stock with respect to which*
2 *the dividends are paid.*

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

10 (c) *INFORMATION BY TRANSFERORS TO AID BRO-*
11 *KERS.—*

12 (1) *IN GENERAL.—Subpart B of part III of sub-*
13 *chapter A of chapter 61 is amended by inserting after*
14 *section 6045 the following new section:*

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

18 “(a) *FURNISHING OF INFORMATION.—Every applica-*
19 *ble person which transfers to a broker (as defined in section*
20 *6045(c)(1)) a security which is a covered security (as de-*
21 *finied in section 6045(g)(3)) in the hands of such applicable*
22 *person shall furnish to such broker a written statement in*
23 *such manner and setting forth such information as the Sec-*
24 *retary may by regulations prescribe for purposes of ena-*

1 *bling such broker to meet the requirements of section*
2 *6045(g).*

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

5 “(1) *any broker (as defined in section*
6 *6045(c)(1)), and*

7 “(2) *any other person as provided by the Sec-*
8 *retary in regulations.*

9 “(c) *TIME FOR FURNISHING STATEMENT.*—*Except as*
10 *otherwise provided by the Secretary, any statement required*
11 *by subsection (a) shall be furnished not later than 15 days*
12 *after the date of the transfer described in such subsection.”.*

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

19 “(I) *section 6045A (relating to information*
20 *required in connection with transfers of covered*
21 *securities to brokers),”.*

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

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

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

3 (1) *IN GENERAL.—Subpart B of part III of sub-*
4 *chapter A of chapter 61, as amended by subsection*
5 *(b), is amended by inserting after section 6045A the*
6 *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 regula-*
10 *tions prescribed by the Secretary, any issuer of a specified*
11 *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 required*
20 *by subsection (a) shall be filed not later than the earlier*
21 *of—*

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

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

3 “(c) *STATEMENTS TO BE FURNISHED TO HOLDERS OF*
4 *SPECIFIED SECURITIES OR THEIR NOMINEES.—According*
5 *to the forms or regulations prescribed by the Secretary,*
6 *every person required to make a return under subsection*
7 *(a) with respect to a specified security shall furnish to the*
8 *nominee with respect to the specified security (or certificate*
9 *holder if there is no nominee) a written statement show-*
10 *ing—*

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

14 “(2) *the information required to be shown on*
15 *such return with respect to such security, and*

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

18 *The written statement required under the preceding sen-*
19 *tence shall be furnished to the holder on or before January*
20 *15 of the year following the calendar year during which*
21 *the action described in subsection (a) occurred.*

22 “(d) *SPECIFIED SECURITY.—For purposes of this sec-*
23 *tion, the term ‘specified security’ has the meaning given*
24 *such term by section 6045(g)(3)(B). No return shall be re-*
25 *quired under this section with respect to actions described*

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

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

11 “(1) *the name, address, phone number, and*
12 *email address of the information contact of such per-*
13 *son, and*

14 “(2) *the information described in paragraphs*
15 *(1), (2), and (3) of subsection (a).”.*

16 (2) *ASSESSABLE PENALTIES.*—

17 (A) *Subparagraph (B) of section 6724(d)(1)*
18 *of such Code (defining information return) is*
19 *amended by redesignating clause (iv) and each of*
20 *the clauses which follow as clauses (v) through*
21 *(xxii), respectively, and by inserting after clause*
22 *(iii) the following new clause:*

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

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

8 “(J) subsections (c) and (e) of section
9 6045B (relating to returns relating to actions af-
10 fecting 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 relating
15 to section 6045A the following new item:

“Sec. 6045B. Returns relating to actions affecting basis of specified securities.”.

16 (e) EFFECTIVE DATE.—

17 (1) IN GENERAL.—Except as otherwise provided
18 in this subsection, the amendments made by this sec-
19 tion 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 to
23 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 78
14 percent of the amount of such increase determined
15 without regard to this paragraph.”.

16 (c) *EFFECTIVE DATE.*—The amendments made by this
17 section shall apply to taxable years beginning after Decem-
18 ber 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 Prevention
23 and Reconciliation Act of 2005 is amended by striking the
24 percentage contained therein and inserting “100 percent”.

25 (b) *MODIFICATION OF ADJUSTMENT FOR 2013.*—The
26 percentage under subparagraph (C) of section 401(1) of the

- 1 *Tax Increase Prevention and Reconciliation Act of 2005 in*
- 2 *effect on the date of the enactment of this Act is increased*
- 3 *by 13 percentage points.*