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(Original Signature of Member)

110TH CONGRESS  
2D SESSION

# H. R.

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

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## IN THE HOUSE OF REPRESENTATIVES

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

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# 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,*

3 **SECTION 1. SHORT TITLE; ETC.**

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

6 (b) AMENDMENT OF 1986 CODE.—Except as other-  
7 wise expressly provided, whenever in this Act an amend-  
8 ment or repeal is expressed in terms of an amendment  
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents of  
4 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.  
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.”.

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

2 (a) ELIMINATION OF DISTINCTION BETWEEN NEW  
3 AND EXISTING BUILDINGS; MINIMUM CREDIT RATE FOR  
4 NON-FEDERALLY SUBSIDIZED BUILDINGS.—

5 (1) IN GENERAL.—Subsection (b) section 42 is  
6 amended to read as follows:

7 “(b) APPLICABLE PERCENTAGE.—For purposes of  
8 this section—

9 “(1) IN GENERAL.—The term ‘applicable per-  
10 centage’ means, with respect to any building, the ap-  
11 propriate percentage prescribed by the Secretary for  
12 the earlier of—

13 “(A) the month in which such building is  
14 placed in service, or

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

16 “(i) the month in which the taxpayer  
17 and the housing credit agency enter into  
18 an agreement with respect to such building  
19 (which is binding on such agency, the tax-  
20 payer, and all successors in interest) as to  
21 the housing credit dollar amount to be allo-  
22 cated to such building, or

23 “(ii) in the case of any building to  
24 which subsection (h)(4)(B) applies, the  
25 month in which the tax-exempt obligations  
26 are issued.

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

5 “(2) METHOD OF PRESCRIBING PERCENT-  
6 AGES.—

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

10 “(i) in the case of any building which  
11 is not federally subsidized for the taxable  
12 year, the greater of—

13 “(I) 9 percent, or

14 “(II) the percentage which will  
15 yield over a 10-year period amounts of  
16 credit under subsection (a) which have  
17 a present value equal to 70 percent of  
18 the qualified basis of such building,  
19 and

20 “(ii) in the case of any other building,  
21 the percentage which will yield over a 10-  
22 year period amounts of credit under sub-  
23 section (a) which have a present value  
24 equal to 30 percent of the qualified basis  
25 of such building.

1           “(B) METHOD OF DISCOUNTING.—The  
2 present value under subparagraph (A) shall be  
3 determined—

4           “(i) as of the last day of the 1st year  
5 of the 10-year period referred to in sub-  
6 paragraph (A),

7           “(ii) by using a discount rate equal to  
8 72 percent of the average of the annual  
9 Federal mid-term rate and the annual  
10 Federal long-term rate applicable under  
11 section 1274(d)(1) to the month applicable  
12 under subparagraph (A) and compounded  
13 annually, and

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

17           “(3) CROSS REFERENCES.—

18           “(A) For treatment of certain rehabilita-  
19 tion expenditures as separate buildings, see sub-  
20 section (e).

21           “(B) For determination of applicable per-  
22 centage for increases in qualified basis after the  
23 1st year of the credit period, see subsection  
24 (f)(3).

1           “(C) For authority of housing credit agen-  
2           cy to limit applicable percentage and qualified  
3           basis which may be taken into account under  
4           this section with respect to any building, see  
5           subsection (h)(7).”.

6           (2) CONFORMING AMENDMENTS.—

7           (A) Subparagraph (B) of section 42(e)(3)  
8           is amended by striking “subsection  
9           (b)(2)(B)(ii)” and inserting “subsection  
10          (b)(2)(A)(ii)”.

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

14          (b) MODIFICATIONS TO DEFINITION OF FEDERALLY  
15          SUBSIDIZED BUILDING.—

16          (1) IN GENERAL.—Subparagraph (A) of section  
17          42(i)(2) is amended by striking “, or any below mar-  
18          ket Federal loan,”.

19          (2) CONFORMING AMENDMENTS.—

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

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

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

1 (iii) by striking “subsection (d)—”  
2 and all that follows and inserting “sub-  
3 section (d) the proceeds of such obliga-  
4 tion”.

5 (B) Subparagraph (C) of section 42(i)(2)  
6 is amended—

7 (i) by striking “or below market Fed-  
8 eral loan” in the matter preceding clause  
9 (i),

10 (ii) in clause (i)—

11 (I) by striking “or loan (when  
12 issued or made)” and inserting  
13 “(when issued)”, and

14 (II) by striking “the proceeds of  
15 such obligation or loan” and inserting  
16 “the proceeds of such obligation”, and

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

19 (C) Paragraph (2) of section 42(i) is  
20 amended by striking subparagraphs (D) and  
21 (E).

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



1 **SEC. 103. MODIFICATIONS TO DEFINITION OF ELIGIBLE**  
2 **BASIS.**

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

9 “(v) BUILDINGS DESIGNATED BY  
10 STATE HOUSING CREDIT AGENCY.—Any  
11 building which is designated by the State  
12 housing credit agency as requiring the in-  
13 crease in credit under this subparagraph in  
14 order for such building to be financially  
15 feasible as part of a qualified low-income  
16 housing project shall be treated for pur-  
17 poses of this subparagraph as located in a  
18 difficult development area which is des-  
19 ignated for purposes of this subparagraph.  
20 The preceding sentence shall not apply to  
21 any building if paragraph (1) of subsection  
22 (h) does not apply to any portion of the el-  
23 igible basis of such building by reason of  
24 paragraph (4) of such subsection.”.

25 (b) MODIFICATION TO REHABILITATION REQUIRE-  
26 MENTS.—

1           (1) IN GENERAL.—Clause (ii) of section  
2 42(e)(3)(A) is amended—

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

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

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

16           “(i) such dollar amount, multiplied by

17           “(ii) the cost-of-living adjustment de-  
18 termined under section 1(f)(3) for such  
19 calendar year by substituting ‘calendar  
20 year 2008’ for ‘calendar year 1992’ in sub-  
21 paragraph (B) thereof.

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

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

7           (c) INCREASE IN ALLOWABLE COMMUNITY SERVICE  
8           FACILITY SPACE FOR SMALL PROJECTS.—Clause (ii) of  
9           section 42(d)(4)(C) (relating to limitation) is amended by  
10          striking “10 percent of the eligible basis of the qualified  
11          low-income housing project of which it is a part. For pur-  
12          poses of” and inserting “the sum of—

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

18                               “(II) 10 percent of so much of  
19                               the eligible basis of such project as is  
20                               not taken into account under sub-  
21                               clause (I).

22                               For purposes of”.

23          (d) CLARIFICATION OF TREATMENT OF FEDERAL  
24          GRANTS.—Subparagraph (A) of section 42(d)(5) is  
25          amended to read as follows:

1           “(A) FEDERAL GRANTS NOT TAKEN INTO  
2           ACCOUNT IN DETERMINING ELIGIBLE BASIS.—  
3           The eligible basis of a building shall not include  
4           any costs financed directly or indirectly with the  
5           proceeds of a Federally funded grant.”.

6           (e) SIMPLIFICATION OF RELATED PARTY RULES.—

7           Clause (iii) of section 42(d)(2)(D) is amended—

8           (1) by striking all that precedes subclause (II),

9           (2) by redesignating subclause (II) as clause  
10          (iii) and moving such clause two ems to the left, and

11          (3) by striking the last sentence thereof.

12          (f) REPEAL OF DEADWOOD.—

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

17          (2) Subparagraph (D) of section 42(d)(2) is  
18          amended by striking clause (i) and by redesignating  
19          clauses (ii) and (iii) as clauses (i) and (ii), respec-  
20          tively.

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

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

4 **SEC. 104. OTHER SIMPLIFICATION AND REFORM OF LOW-**  
5 **INCOME HOUSING TAX INCENTIVES.**

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

10 (b) MODIFICATION OF TIME LIMIT FOR INCURRING  
11 10 PERCENT OF PROJECT’S COST.—Clause (ii) of section  
12 42(h)(1)(E) is amended by striking “(as of the later of  
13 the date which is 6 months after the date that the alloca-  
14 tion was made or the close of the calendar year in which  
15 the allocation is made)” and inserting “(as of the date  
16 which is 1 year after the date that the allocation was  
17 made)”.

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

23 “(6) NO RECAPTURE ON DISPOSITION OF  
24 BUILDING 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  
12          which results in an increase in tax under this  
13          subsection for such taxable or any subsequent  
14          taxable year, then—

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

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

1 other law or rule of law which would other-  
2 wise 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  
8 at the end of clause (viii), and by adding at the end the  
9 following new clauses:

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

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

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

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

1 (f) EFFECTIVE DATE.—

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

6 (2) REPEAL OF BONDING REQUIREMENT ON  
7 DISPOSITION OF BUILDING.—The amendment made  
8 by subsection (c) shall apply to—

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

11 (B) interests in buildings disposed of on or  
12 before such date if—

13 (i) it is reasonably expected that such  
14 building will continue to be operated as a  
15 qualified low-income building (within the  
16 meaning of section 42 of the Internal Rev-  
17 enue Code of 1986) for the remaining com-  
18 pliance period (within the meaning of such  
19 section) with respect to such building, and

20 (ii) the taxpayer elects the application  
21 of this subparagraph with respect to such  
22 disposition.

23 (3) ENERGY EFFICIENCY AND HISTORIC NA-  
24 TURE TAKEN INTO ACCOUNT IN MAKING ALLOCA-  
25 TIONS.—The amendments made by subsection (d)



1 shall apply to allocations made after December 31,  
2 2008.

3 (4) CONTINUED ELIGIBILITY FOR STUDENTS  
4 WHO RECEIVED FOSTER CARE ASSISTANCE.—The  
5 amendments made by subsection (e) shall apply to  
6 determinations made after the date of the enactment  
7 of this Act.

8 **PART 2—MODIFICATIONS TO TAX-EXEMPT**  
9 **HOUSING BOND RULES**

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

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

15 “(6) TREATMENT OF CERTAIN RESIDENTIAL  
16 RENTAL PROJECT BONDS AS REFUNDING BONDS IR-  
17 RESPECTIVE OF OBLIGOR.—

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

1 as a refunding issue to the extent the principal  
2 amount of such refunding issue does not exceed  
3 the principal amount of the bonds refunded.

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

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

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

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

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

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to repayments of loans received  
23 after the 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 in-  
7 come determinations) is amended by adding at the end  
8 the following new subparagraph:

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

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

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

22 (c) SINGLE-ROOM OCCUPANCY UNITS.—Paragraph  
23 (2) of section 142(d) (relating to definitions and special  
24 rules), as amended by this Act, is further amended by add-  
25 ing 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  
7           this section shall apply to determinations of the status of  
8           qualified residential rental projects for periods beginning  
9           after the date of the enactment of this Act, with respect  
10          to bonds 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)  
17          is amended by adding at the end the following new sub-  
18          paragraph:

19                       “(C) HOLD HARMLESS FOR REDUCTIONS  
20                       IN 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  
3 year preceding the calendar year for which  
4 such determination is made.

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

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

18 “(II) any increase in the area  
19 median gross income determined  
20 under subparagraph (B) (determined  
21 without regard to the HUD hold  
22 harmless policy and this subpara-  
23 graph) with respect to such project  
24 for the current calendar year over the  
25 area median gross income (as so de-

1                   terminated) with respect to such project  
2                   for calendar year 2008.

3                   “(iii) HUD HOLD HARMLESS POL-  
4                   ICY.—The term ‘HUD hold harmless pol-  
5                   icy’ means the regulations under which a  
6                   policy similar to the rules of clause (i) ap-  
7                   plied to prevent a change in the method of  
8                   determining area median gross income  
9                   from resulting in a reduction in the area  
10                  median gross income determined with re-  
11                  spect to certain projects in calendar years  
12                  2007 and 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  
20                  been less but for the HUD hold harmless  
21                  policy.”.

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

1 **SEC. 122. EXCEPTION TO ANNUAL CURRENT INCOME DE-**  
2 **TERMINATION REQUIREMENT WHERE DE-**  
3 **TERMINATION 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  
7 with respect to any project for any year if during such  
8 year no residential unit in the project is occupied by a  
9 new resident whose income exceeds the applicable income  
10 limit.”

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

14 **Subtitle B—Single Family Housing**

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

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

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

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

1 “(b) LIMITATIONS.—

2 “(1) DOLLAR LIMITATION.—

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

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

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

18 “(2) LIMITATION BASED ON MODIFIED AD-  
19 JUSTED GROSS INCOME.—

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



1 “(i) the excess (if any) of—

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

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

7 “(ii) \$20,000.

8 “(B) MODIFIED ADJUSTED GROSS IN-  
9 COME.—For purposes of subparagraph (A), the  
10 term ‘modified adjusted gross income’ means  
11 the adjusted gross income of the taxpayer for  
12 the taxable year increased by any amount ex-  
13 cluded from gross income under section 911,  
14 931, or 933.

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

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

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

1 “(3) PURCHASE.—

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

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

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

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

14 “(II) under section 1014(a) (re-  
15 lating to property acquired from a de-  
16 cedent).

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

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

24 “(5) RELATED PERSONS.—A person shall be  
25 treated as related to another person if the relation-

1 ship between such persons would result in the dis-  
2 allowance of losses under section 267 or 707(b) (but,  
3 in applying section 267(b) and (c) for purposes of  
4 this section, paragraph (4) of section 267(c) shall be  
5 treated as providing that the family of an individual  
6 shall include only his spouse, ancestors, and lineal  
7 descendants).

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

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

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

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

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

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

1 payers for the credit allowable by this section, the excep-  
2 tion provided by section 6045(e) shall not apply.

3 “(f) RECAPTURE OF CREDIT.—

4 “(1) IN GENERAL.—Except as otherwise pro-  
5 vided in this subsection, if a credit under subsection  
6 (a) is allowed to a taxpayer, the tax imposed by this  
7 chapter shall be increased by  $6\frac{2}{3}$  percent of the  
8 amount of such credit for each taxable year in the  
9 recapture 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 resi-  
14 dence of the taxpayer (and, if married, the tax-  
15 payer’s spouse)) before the end of the recapture pe-  
16 riod—

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

23 “(B) paragraph (1) shall not apply with  
24 respect to such credit for such taxable year or  
25 any subsequent taxable year .

1           “(3) LIMITATION BASED ON GAIN.—In the case  
2 of the sale of the principal residence to a person who  
3 is not related to the taxpayer, the increase in tax de-  
4 termined 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  
7 of such residence shall be reduced by the amount of  
8 the credit allowed under subsection (a) to the extent  
9 not 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  
2                   INCIDENT TO DIVORCE.—In the case of a trans-  
3                   fer of a residence to which section 1041(a) ap-  
4                   plies—

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

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

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

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

1       “(g) APPLICATION OF SECTION.—This section shall  
2 only apply to a principal residence purchased by the tax-  
3 payer after \_\_\_\_, and before April 1, 2009.”.

4       (b) CONFORMING AMENDMENTS.—

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

10                   “(W) section 36(f) (relating to recapture of  
11 homebuyer credit).”.

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

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

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

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

22       (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to \_\_\_\_.

1 **SEC. 132. ADDITIONAL STANDARD DEDUCTION FOR REAL**  
2 **PROPERTY TAXES FOR NONITEMIZERS.**

3 (a) IN GENERAL.—Section 63(c)(1) (defining stand-  
4 ard deduction) is amended by striking “and” at the end  
5 of subparagraph (A), by striking the period at the end  
6 of subparagraph (B) and inserting “, and”, and by adding  
7 at the end the following new subparagraph:

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

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

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

19 (c) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to taxable years beginning after  
21 December 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  
2           146 is amended by adding at the end the following  
3           new 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  
11                   population 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  
16                   the State ceiling for any State which is at-  
17                   tributable to an increase under this para-  
18                   graph shall be allocated solely for one or  
19                   more qualified housing issues.

20                   “(ii) QUALIFIED HOUSING ISSUE.—  
21                   For purposes of this paragraph, the term  
22                   ‘qualified 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 LIMITA-  
7                   TIONS.—Subsection (f) of section 146 is amended by  
8                   adding at the end the following new paragraph:

9                   “(6) SPECIAL RULES FOR INCREASED VOLUME  
10                  CAP UNDER SUBSECTION (d)(5).—No amount which  
11                  is attributable to the increase under subsection  
12                  (d)(5) 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  
19                  MORTGAGE BONDS PROCEEDS FOR SUBPRIME REFI-  
20                  NANCING 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  
2 requirements of subsection (i)(1), the proceeds  
3 of a qualified mortgage issue may be used to re-  
4 finance 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  
10 applied by substituting ‘12-month period’  
11 for ‘42-month period’ each place it ap-  
12 pears,

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

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

20           “(C) QUALIFIED SUBPRIME LOAN.—The  
21 term ‘qualified subprime loan’ means an adjust-  
22 able rate single-family residential mortgage loan  
23 made after December 31, 2001, and before  
24 January 1, 2008, that the bond issuer deter-

1           mines would be reasonably likely to cause finan-  
2           cial hardship to the borrower if not refinanced.

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

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

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

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

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

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

1 the enactment of this clause if such bond  
2 is—

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

9 “(II) a qualified mortgage bond  
10 (as defined in section 143(a)), or

11 “(III) a qualified veterans’ mort-  
12 gage bond (as defined in section  
13 143(b)).

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

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

23 “(iii) TAX EXEMPT INTEREST ON CER-  
24 TAIN HOUSING BONDS.—Clause (i) shall  
25 not apply in the case of any interest on a

1 bond to which section 57(a)(5)(C)(iii) ap-  
2 plies.”.

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

9 “(ii) the credit determined under sec-  
10 tion 42 to the extent attributable to build-  
11 ings placed in service after December 31,  
12 2007,”.

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

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

24 (d) EFFECTIVE DATE.—

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

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

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

15 **SEC. 143. BONDS GUARANTEED BY FEDERAL HOME LOAN**  
16                   **BANKS ELIGIBLE FOR TREATMENT AS TAX-**  
17                   **EXEMPT BONDS.**

18          (a) IN GENERAL.—Subparagraph (A) of section  
19          149(b)(3) of the Internal Revenue Code of 1986 (relating  
20          to exceptions for certain insurance programs) is amended  
21          by striking “or” at the end of clause (ii), by striking the  
22          period at the end of clause (iii) and inserting “, or” and  
23          by adding at the end the following new clause:

24                               “(iv) any guarantee by a Federal  
25                               home loan bank made in connection with

1 the original issuance of a bond during the  
2 period beginning on the date of the enact-  
3 ment of this Act and ending on December  
4 31, 2010 (or a renewal or extension of a  
5 guarantee so made).”.

6 (b) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to guarantees made after the date  
8 of the enactment of this Act.

9 **SEC. 144. MODIFICATION OF RULES PERTAINING TO**  
10 **FIRPTA NONFOREIGN AFFIDAVITS.**

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

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

17 “(A) IN GENERAL.—Paragraph (2) shall  
18 be treated as applying to a transaction if, in  
19 connection with a disposition of a United States  
20 real property interest—

21 “(i) the affidavit specified in para-  
22 graph (2) is furnished to a qualified sub-  
23 stitute, and

24 “(ii) the qualified substitute furnishes  
25 a statement to the transferee stating,



1 under penalty of perjury, that the qualified  
2 substitute has such affidavit in his posses-  
3 sion.

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

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

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

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

16 “(B) the transferee’s agent.”.

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

19 (1) IN GENERAL.—Paragraph (7) of section  
20 1445(b) (relating to special rules for paragraphs (2)  
21 and (3)) is amended to read as follows:

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

25 “(A) if—

1           “(i) the transferee or qualified sub-  
2           stitute has actual knowledge that the affi-  
3           davit referred to in such paragraph, or the  
4           statement referred to in paragraph  
5           (9)(A)(ii), is false, or

6           “(ii) the transferee or qualified sub-  
7           stitute receives a notice (as described in  
8           subsection (d)) from a transferor’s agent,  
9           transferee’s agent, or qualified substitute  
10          that such affidavit or statement is false, or

11          “(B) if the Secretary by regulations re-  
12          quires the transferee or qualified substitute to  
13          furnish a copy of such affidavit or statement to  
14          the Secretary and the transferee or qualified  
15          substitute fails to furnish a copy of such affi-  
16          davit or statement to the Secretary at such  
17          time and in such manner as required by such  
18          regulations.”.

19          (2) LIABILITY.—

20                 (A) NOTICE.—Paragraph (1) of section  
21                 1445(d) (relating to notice of false affidavit;  
22                 foreign corporations) is amended to read as fol-  
23                 lows:

24                 “(1) NOTICE OF FALSE AFFIDAVIT; FOREIGN  
25                 CORPORATIONS.—If—

1           “(A) the transferor furnishes the trans-  
2           feree or qualified substitute an affidavit de-  
3           scribed in paragraph (2) of subsection (b) or a  
4           domestic corporation furnishes the transferee  
5           an affidavit described in paragraph (3) of sub-  
6           section (b), and

7           “(B) in the case of—

8           “(i) any transferor’s agent—

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

11          “(II) in the case of an affidavit  
12          described in subsection (b)(2) fur-  
13          nished by a corporation, such corpora-  
14          tion is a foreign corporation, or

15          “(ii) any transferee’s agent or quali-  
16          fied substitute, such agent or substitute  
17          has actual knowledge that such affidavit is  
18          false,

19          such agent or qualified substitute shall so notify  
20          the transferee at such time and in such manner  
21          as the Secretary shall require by regulations.”.

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

25          “(2) FAILURE TO FURNISH NOTICE.—

1           “(A) IN GENERAL.—If any transferor’s  
2           agent, transferee’s agent, or qualified substitute  
3           is required by paragraph (1) to furnish notice,  
4           but fails to furnish such notice at such time or  
5           times and in such manner as may be required  
6           by regulations, such agent or substitute shall  
7           have the same duty to deduct and withhold that  
8           the transferee would have had if such agent or  
9           substitute had complied with paragraph (1).

10           “(B) LIABILITY LIMITED TO AMOUNT OF  
11           COMPENSATION.—An agent’s or substitute’s li-  
12           ability under subparagraph (A) shall be limited  
13           to the amount of compensation the agent or  
14           substitute derives from the transaction.”.

15           (C) CONFORMING AMENDMENT.—The  
16           heading for section 1445(d) is amended by  
17           striking “OR TRANSFEREE’S AGENTS” and in-  
18           serting “, TRANSFEREE’S AGENTS, OR QUALI-  
19           FIED SUBSTITUTES”.

20           (d) EFFECTIVE DATE.—The amendments made by  
21           this section shall apply to dispositions of United States  
22           real property interests after the date of the enactment of  
23           this Act.

1 **SEC. 145. MODIFICATION OF DEFINITION OF TAX-EXEMPT**  
2 **USE PROPERTY FOR PURPOSES OF THE RE-**  
3 **HABILITATION CREDIT.**

4 (a) IN GENERAL.—Clause (I) of section  
5 47(c)(2)(B)(v) is amended by striking “section 168(h)”  
6 and inserting “section 168(h), except that ‘50 percent’  
7 shall be substituted for ‘35 percent’ in paragraph  
8 (1)(B)(iii) thereof”.

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

12 **TITLE II—REFORMS RELATED**  
13 **TO REAL ESTATE INVEST-**  
14 **MENT TRUSTS**

15 **Subtitle A—Foreign Currency and**  
16 **Other Qualified Activities**

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

18 (a) ADDITION OF PERMISSIBLE INCOME CAT-  
19 EGORIES.—Section 856(c) (relating to limitations) is  
20 amended—

21 (1) by striking “and” at the end of paragraph  
22 (2)(G) and by inserting after paragraph (2)(H) the  
23 following new subparagraphs:

24 “(I) passive foreign exchange gains; and

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

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

4 “(J) real estate foreign exchange gains;  
5 and

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

8 (b) RULES REGARDING FOREIGN CURRENCY TRANS-  
9 ACTIONS.—Section 856 (defining real estate investment  
10 trust) is amended by adding at the end the following new  
11 subsection:

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

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

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

19 “(i) any item described in subsection  
20 (c)(3) (other than in subparagraph (J)  
21 thereof),

22 “(ii) the acquisition or ownership of  
23 obligations secured by mortgages on real  
24 property or on interests in real property  
25 (other than foreign currency gains attrib-

1           utable to any item described in clause (i)),  
2           or

3           “(iii) becoming or being the obligor  
4           under obligations secured by mortgages on  
5           real property or on interests in real prop-  
6           erty (other than foreign currency gains at-  
7           tributable to any item described in clause  
8           (i)),

9           “(B) gains described in section 987 attrib-  
10          utable to a qualified business unit (as defined  
11          by section 989) of the real estate investment  
12          trust, but only if such qualified business unit  
13          meets the requirements under—

14               “(i) subsection (c)(3) (without regard  
15               to subparagraph (J) thereof) for the tax-  
16               able year, and

17               “(ii) subsection (c)(4)(A) at the close  
18               of each quarter that the real estate invest-  
19               ment trust has directly or indirectly held  
20               the qualified business unit, and

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

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

1 “(A) real estate foreign exchange gains,

2 “(B) foreign currency gains (as defined in  
3 section 988(b)(1)) which are not described in  
4 subparagraph (A) and which are attributable to  
5 any item described in subsection (e)(2) (other  
6 than in subparagraph (I) thereof), and

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

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

12 “(G) TREATMENT OF CERTAIN HEDGING  
13 INSTRUMENTS.—Except to the extent as deter-  
14 mined by the Secretary—

15 “(i) any income of a real estate in-  
16 vestment trust from a hedging transaction  
17 (as defined in clause (ii) or (iii) of section  
18 1221(b)(2)(A)) which is clearly identified  
19 pursuant to section 1221(a)(7), including  
20 gain from the sale or disposition of such a  
21 transaction, shall not constitute gross in-  
22 come under paragraphs (2) and (3) to the  
23 extent that the transaction hedges any in-  
24 debtedness incurred or to be incurred by



1 the trust to acquire or carry real estate as-  
2 sets, and

3 “(ii) any income of a real estate in-  
4 vestment trust from a transaction entered  
5 into by the trust primarily to manage risk  
6 of currency fluctuations with respect to  
7 any item described in paragraph (2) or (3),  
8 including gain from the termination of  
9 such a transaction, shall not constitute  
10 gross income under paragraphs (2) and  
11 (3), but only if such transaction is clearly  
12 identified as such before the close of the  
13 day on which it was acquired, originated,  
14 or entered into (or such other time as the  
15 Secretary may prescribe).”.

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

20 “(H) **SECRETARIAL AUTHORITY TO EX-**  
21 **CLUDE OTHER ITEMS OF INCOME.**—The Sec-  
22 retary is authorized to determine whether any  
23 item of income or gain which does not otherwise  
24 qualify under paragraph (2) or (3) may be con-

1           sidered as not constituting gross income solely  
2           for purposes of this part.”.

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

4           (a) CLARIFICATION OF VALUATION TEST.—The first  
5 sentence in the matter following section  
6 856(c)(4)(B)(iii)(III) is amended by inserting “(including  
7 a discrepancy caused solely by the change in the foreign  
8 currency exchange rate used to value a foreign asset)”  
9 after “such requirements”.

10          (b) CLARIFICATION OF PERMISSIBLE ASSET CAT-  
11 EGORY.—Section 856(c)(5), as amended by section  
12 301(d), is amended by adding at the end the following new  
13 subparagraph:

14                   “(I) CASH.—The term ‘cash’ includes for-  
15                   eign currency if the real estate investment trust  
16                   or its qualified business unit (as defined in sec-  
17                   tion 989) uses such foreign currency as its  
18                   functional currency (as defined in section  
19                   985(b)).”.

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

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

24                   “(i) gain (including any foreign cur-  
25                   rency gain, as defined in section 988(b)(1))

1 from the sale or other disposition of fore-  
2 closure property described in section  
3 1221(a)(1) and the gross income for the  
4 taxable year derived from foreclosure prop-  
5 erty (as defined in section 856(e)), but  
6 only to the extent such gross income is not  
7 described in (or, in the case of foreign cur-  
8 rency gain, not attributable to gross in-  
9 come described in) section 856(e)(3) other  
10 than subparagraph (F) thereof, over”.

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

14 “(i) the term ‘net income derived from  
15 prohibited transactions’ means the excess  
16 of the gain (including any foreign currency  
17 gain, as defined in section 988(b)(1)) from  
18 prohibited transactions over the deductions  
19 (including any foreign currency loss, as de-  
20 fined in section 988(b)(2)) allowed by this  
21 chapter which are directly connected with  
22 prohibited transactions;”.

1                   **Subtitle B—Taxable REIT**  
2                   **Subsidiaries**

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

4                   **TEST.**

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

7                   **Subtitle C—Dealer Sales**

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

9           Section 857(b)(6) (relating to income from prohibited  
10 transactions) is amended—

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

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

16                   (3) by striking “real estate asset” and all that  
17 follows through “if” in the matter preceding clause  
18 (i) of subparagraphs (C) and (D), respectively, and  
19 inserting “real estate asset (as defined in section  
20 856(c)(5)(B)) and which is described in section  
21 1221(a)(1) if”.

22 **SEC. 222. DETERMINING VALUE OF SALES UNDER SAFE**  
23                   **HARBOR.**

24           Section 857(b)(6) is amended—

1           (1) by striking the semicolon at the end of sub-  
2           paragraph (C)(iii) and inserting “, or (III) the fair  
3           market value of property (other than sales of fore-  
4           closure property or sales to which section 1033 ap-  
5           plies) sold during the taxable year does not exceed  
6           10 percent of the fair market value of all of the as-  
7           sets of the trust as of the beginning of the taxable  
8           year;”, and

9           (2) by adding “or” at the end of subclause (II)  
10          of subparagraph (D)(iv) and by adding at the end  
11          of such subparagraph the following new subclause:

12                       “(III) the fair market value of prop-  
13                       erty (other than sales of foreclosure prop-  
14                       erty or sales to which section 1033 applies)  
15                       sold during the taxable year does not ex-  
16                       ceed 10 percent of the fair market value of  
17                       all of the assets of the trust as of the be-  
18                       ginning of the taxable year.”.

## 19           **Subtitle D—Health Care REITs**

### 20           **SEC. 231. CONFORMITY FOR HEALTH CARE FACILITIES.**

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

24                       “(B) EXCEPTION FOR CERTAIN LODGING  
25                       FACILITIES AND HEALTH CARE PROPERTY.—

1           The requirements of this subparagraph are met  
2           with respect to an interest in real property  
3           which is a qualified lodging facility or a quali-  
4           fied health care property (as defined in sub-  
5           section (e)(6)(D)(i)) leased by the trust to a  
6           taxable REIT subsidiary of the trust if the  
7           property is operated on behalf of such sub-  
8           sidiary by a person who is an eligible inde-  
9           pendent contractor. For purposes of this sec-  
10          tion, a taxable REIT subsidiary is not consid-  
11          ered to be operating or managing a qualified  
12          health care property or qualified lodging facility  
13          solely because it directly or indirectly possesses  
14          a license, permit or similar instrument enabling  
15          it to do so.”.

16          (b) ELIGIBLE INDEPENDENT CONTRACTOR.—Sub-  
17          paragraphs (A) and (B) of section 856(d)(9) (relating to  
18          eligible independent contractor) are amended to read as  
19          follows:

20                   “(A) IN GENERAL.—The term ‘eligible  
21                   independent contractor’ means, with respect to  
22                   any qualified lodging facility or qualified health  
23                   care property (as defined in subsection  
24                   (e)(6)(D)(i)), any independent contractor if, at  
25                   the time such contractor enters into a manage-

1           ment agreement or other similar service con-  
2           tract with the taxable REIT subsidiary to oper-  
3           ate such qualified lodging facility or qualified  
4           health care property, such contractor (or any  
5           related person) is actively engaged in the trade  
6           or business of operating qualified lodging facili-  
7           ties or qualified health care properties, respec-  
8           tively, for any person who is not a related per-  
9           son with respect to the real estate investment  
10          trust or the taxable REIT subsidiary.

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

17           “(i) The taxable REIT subsidiary  
18          bears the expenses for the operation of  
19          such qualified lodging facility or qualified  
20          health care property pursuant to the man-  
21          agement agreement or other similar service  
22          contract.

23           “(ii) The taxable REIT subsidiary re-  
24          ceives the revenues from the operation of  
25          such qualified lodging facility or qualified

1 health care property, net of expenses for  
2 such operation and fees payable to the op-  
3 erator pursuant to such agreement or con-  
4 tract.

5 “(iii) The real estate investment trust  
6 receives income from such person with re-  
7 spect to another property that is attrib-  
8 utable to a lease of such other property to  
9 such person that was in effect as of the  
10 later of—

11 “(I) January 1, 1999, or

12 “(II) the earliest date that any  
13 taxable REIT subsidiary of such trust  
14 entered into a management agreement  
15 or other similar service contract with  
16 such person with respect to such  
17 qualified lodging facility or qualified  
18 health care property.”.

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

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

23 (2) by inserting “or health care facility” after  
24 “such lodging facility”.



1           **Subtitle E—Effective Dates**

2   **SEC. 241. EFFECTIVE DATES.**

3           (a) IN GENERAL.—Except as otherwise provided in  
4 this section, the amendments made by this title shall apply  
5 to taxable years beginning after the date of the enactment  
6 of this Act.

7           (b) REIT INCOME TESTS.—

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

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

14                (3) The amendment made by section 201(d)  
15 shall apply after the date of the enactment of this  
16 Act.

17           (c) CONFORMING FOREIGN CURRENCY REVISIONS.—

18                 (1) The amendment made by section 203(a)  
19 shall apply to gains recognized after the date of the  
20 enactment of this Act.

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

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

## 4 **TITLE III—REVENUE** 5 **PROVISIONS**

### 6 **SEC. 301. BROKER REPORTING OF CUSTOMER'S BASIS IN** 7 **SECURITIES TRANSACTIONS.**

8 (a) IN GENERAL.—

9 (1) BROKER REPORTING FOR SECURITIES  
10 TRANSACTIONS.—Section 6045 (relating to returns  
11 of brokers) is amended by adding at the end the fol-  
12 lowing new subsection:

13 “(g) ADDITIONAL INFORMATION REQUIRED IN THE  
14 CASE OF SECURITIES TRANSACTIONS.—

15 “(1) IN GENERAL.—If a broker is otherwise re-  
16 quired to make a return under subsection (a) with  
17 respect to the gross proceeds of the sale of a covered  
18 security, the broker shall include in such return the  
19 information described in paragraph (2).

20 “(2) ADDITIONAL INFORMATION REQUIRED.—

21 “(A) IN GENERAL.—The information re-  
22 quired under paragraph (1) to be shown on a  
23 return with respect to a covered security of a  
24 customer shall include the customer's adjusted  
25 basis in such security and whether any gain or

1 loss with respect to such security is long-term  
2 or short-term (within the meaning of section  
3 1222).

4 “(B) DETERMINATION OF ADJUSTED  
5 BASIS.—For purposes of subparagraph (A)—

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

8 “(I) in the case of any security  
9 (other than any stock for which an av-  
10 erage basis method is permissible  
11 under section 1012), in accordance  
12 with the first-in first-out method un-  
13 less the customer notifies the broker  
14 by means of making an adequate  
15 identification of the stock sold or  
16 transferred,

17 “(II) in the case of any stock for  
18 which an average basis method is per-  
19 missible under section 1012 and  
20 which is acquired before January 1,  
21 2012, in accordance with any accept-  
22 able method under section 1012 with  
23 respect to the account in which such  
24 interest is held, and

1                   “(III) in the case of any stock for  
2                   which an average basis method is per-  
3                   missible under section 1012 and  
4                   which is acquired after December 31,  
5                   2011, in accordance with the broker’s  
6                   default method unless the customer  
7                   notifies the broker that he elects an-  
8                   other acceptable method under section  
9                   1012 with respect to the account in  
10                  which such interest is held.

11                  “(ii) EXCEPTION FOR WASH SALES.—  
12                  Except as otherwise provided by the Sec-  
13                  retary, the customer’s adjusted basis shall  
14                  be determined without regard to section  
15                  1091 (relating to loss from wash sales of  
16                  stock or securities) unless the transactions  
17                  occur in the same account with respect to  
18                  identical securities.

19                  “(3) COVERED SECURITY.—For purposes of  
20                  this subsection—

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

1           “(i) was acquired through a trans-  
2           action in the account in which such secu-  
3           rity is held, or

4           “(ii) was transferred to such account  
5           from an account in which such security  
6           was a covered security, but only if the  
7           broker received a statement under section  
8           6045A with respect to the transfer.

9           “(B) SPECIFIED SECURITY.—The term  
10          ‘specified security’ means—

11           “(i) any share of stock in a corpora-  
12           tion,

13           “(ii) any note, bond, debenture, or  
14           other evidence of indebtedness,

15           “(iii) any commodity, or contract or  
16           derivative with respect to such commodity,  
17           if the Secretary determines that adjusted  
18           basis reporting is appropriate for purposes  
19           of this subsection, and

20           “(iv) any other financial instrument  
21           with respect to which the Secretary deter-  
22           mines that adjusted basis reporting is ap-  
23           propriate for purposes of this subsection.

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

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

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

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

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

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

17                  “(B) EXCEPTION FOR CONSTRUCTIVE  
18                  SALES.—Subparagraph (A) shall not apply to  
19                  any short sale which results in a constructive  
20                  sale under section 1259 with respect to prop-  
21                  erty held in the account in which the short sale  
22                  is entered into.”.

23                  “(2) BROKER INFORMATION REQUIRED WITH RE-  
24                  SPECT TO OPTIONS.—Section 6045, as amended by

1 subsection (a), is amended by adding at the end the  
2 following new subsection:

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

4 “(1) EXERCISE OF OPTION.—For purposes of  
5 this section, in the case of any exercise of an option  
6 on a covered security where the option was granted  
7 or acquired in the same account as the covered secu-  
8 rity, the amount received or paid with respect to  
9 such exercise shall be treated as an adjustment to  
10 gross proceeds or as an adjustment to basis, as the  
11 case may be.

12 “(2) LAPSE OR CLOSING TRANSACTION.—For  
13 purposes of this section, in the case of the lapse (or  
14 closing transaction (as defined in section  
15 1234(b)(2)(A))) of an option on a specified security  
16 where the taxpayer is the grantor of the option, this  
17 section shall apply as if the premium received for  
18 such option were gross proceeds received on the date  
19 of the lapse or closing transaction, and the cost (if  
20 any) of the closing transaction shall be taken into  
21 account as adjusted basis. In the case of an option  
22 on a specified security where the taxpayer is the  
23 grantee of such option, this section shall apply as if  
24 the grantee received gross proceeds of zero on the  
25 date of the lapse.

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

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

8           (3) EXTENSION OF PERIOD FOR STATEMENTS  
9           SENT TO CUSTOMERS.—

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

13           (B) STATEMENTS RELATED TO SUB-  
14           STITUTE PAYMENTS.—Subsection (d) of section  
15           6045 is amended—

16           (i) by striking “at such time and”,  
17           and

18           (ii) by inserting after “other item.”  
19           the following new sentence: “The written  
20           statement required under the preceding  
21           sentence shall be furnished on or before  
22           February 15 of the year following the cal-  
23           endar year in which the payment was  
24           made.”.



1           (C) OTHER STATEMENTS.—Subsection (b)  
2           of section 6045 is amended by adding at the  
3           end the following: “In the case of a consolidated  
4           reporting statement (as defined in regulations)  
5           with respect to any account which includes the  
6           statement required by this subsection, any  
7           statement which would otherwise be required to  
8           be furnished on or before January 31 of a cal-  
9           endar year under section 6042(c),  
10          6049(c)(2)(A), or 6050N(b) with respect to any  
11          item in such account shall instead be required  
12          to be furnished on or before February 15 of  
13          such calendar year if furnished as part of such  
14          consolidated reporting statement.”.

15          (b) DETERMINATION OF BASIS OF CERTAIN SECURI-  
16          TIES ON ACCOUNT BY ACCOUNT OR AVERAGE BASIS  
17          METHOD.—Section 1012 (relating to basis of property-  
18          cost) is amended—

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

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

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

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

1           (3) by adding at the end the following new sub-  
2 sections:

3           “(c) DETERMINATIONS BY ACCOUNT.—

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

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

10           “(A) IN GENERAL.—Except as provided in  
11 subparagraph (B), any stock in an open-end  
12 fund acquired before January 1, 2010, shall be  
13 treated as a separate account from any such  
14 stock acquired on or after such date.

15           “(B) ELECTION BY OPEN-END FUND FOR  
16 TREATMENT AS SINGLE ACCOUNT.—If an open-  
17 end fund elects to have this subparagraph apply  
18 with respect to one or more of its stock-  
19 holders—

20           “(i) subparagraph (A) shall not apply  
21 with respect to any stock in such fund held  
22 by such stockholders, and

23           “(ii) all stock in such fund which is  
24 held by such stockholders shall be treated  
25 as covered securities described in section

1                   6045(g)(3) without regard to the date of  
2                   the acquisition of such stock.

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

6                   “(3) DEFINITIONS.—For purposes of this sec-  
7                   tion—

8                   “(A) OPEN-END FUND.—The term ‘open-  
9                   end fund’ means a regulated investment com-  
10                  pany (as defined in section 851) which is offer-  
11                  ing for sale or has outstanding any redeemable  
12                  security of which it is the issuer and the shares  
13                  of which are not traded on an established secu-  
14                  rities exchange.

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

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

21                  “(1) IN GENERAL.—In the case of any stock ac-  
22                  quired after December 31, 2009, in connection with  
23                  a dividend reinvestment plan, the basis of such stock  
24                  shall be determined using one of the methods which

1       may be used for determining the basis of stock in an  
2       open-end fund.

3           “(2) SEPARATE ACCOUNTS; ELECTION FOR  
4       TREATMENT AS SINGLE ACCOUNT.—Rules similar to  
5       the rules of subsection (c)(2) shall apply for pur-  
6       poses of this subsection.

7           “(3) DIVIDEND REINVESTMENT PLAN.—For  
8       purposes of this subsection—

9           “(A) IN GENERAL.—The term ‘dividend re-  
10       investment plan’ means any arrangement under  
11       which dividends on any stock are reinvested in  
12       stock identical to the stock with respect to  
13       which the dividends are paid.

14           “(B) INITIAL STOCK ACQUISITION TREAT-  
15       ED AS ACQUIRED IN CONNECTION WITH  
16       PLAN.—Stock shall be treated as acquired in  
17       connection with a dividend reinvestment plan if  
18       such stock is acquired pursuant to such plan or  
19       if the dividends paid on such stock are subject  
20       to such plan.”.

21       (c) INFORMATION BY TRANSFERORS TO AID BRO-  
22       KERS.—

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

1 **“SEC. 6045A. INFORMATION REQUIRED IN CONNECTION**  
2 **WITH TRANSFERS OF COVERED SECURITIES**  
3 **TO BROKERS.**

4 “(a) FURNISHING OF INFORMATION.—Every applica-  
5 ble person which transfers to a broker (as defined in sec-  
6 tion 6045(c)(1)) a security which is a covered security (as  
7 defined in section 6045(g)(3)) in the hands of such appli-  
8 cable person shall furnish to such broker a written state-  
9 ment in such manner and setting forth such information  
10 as the Secretary may by regulations prescribe for purposes  
11 of enabling such broker to meet the requirements of sec-  
12 tion 6045(g).

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

15 “(1) any broker (as defined in section  
16 6045(c)(1)), and

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

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

23 (2) ASSESSABLE PENALTIES.—Paragraph (2)  
24 of section 6724(d) (defining payee statement) is  
25 amended by redesignating subparagraphs (I)  
26 through (CC) as subparagraphs (J) through (DD),

1       respectively, and by inserting after subparagraph  
2       (H) the following new subparagraph:

3               “(I) section 6045A (relating to information  
4               required in connection with transfers of covered  
5               securities to brokers).”.

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

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

10       (d) ADDITIONAL ISSUER INFORMATION TO AID BRO-  
11       KERS.—

12               (1) IN GENERAL.—Subpart B of part III of  
13       subchapter A of chapter 61 of the Internal Revenue  
14       Code of 1986, as amended by subsection (b), is  
15       amended by inserting after section 6045A the fol-  
16       lowing new section:

17       **“SEC. 6045B. RETURNS RELATING TO ACTIONS AFFECTING**  
18       **BASIS OF SPECIFIED SECURITIES.**

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

22               “(1) a description of any organizational action  
23       which affects the basis of such specified security of  
24       such issuer,

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

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

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

8           “(1) 45 days after the date of the action de-  
9           scribed in subsection (a), or

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

12           “(c) STATEMENTS TO BE FURNISHED TO HOLDERS  
13           OF SPECIFIED SECURITIES OR THEIR NOMINEES.—Ac-  
14           cording to the forms or regulations prescribed by the Sec-  
15           retary, every person required to make a return under sub-  
16           section (a) with respect to a specified security shall furnish  
17           to the nominee with respect to the specified security (or  
18           certificate holder if there is no nominee) a written state-  
19           ment showing—

20           “(1) the name, address, and phone number of  
21           the information contact of the person required to  
22           make such return,

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

1           “(3) such other information as the Secretary  
2           may prescribe.

3 The written statement required under the preceding sen-  
4 tence shall be furnished to the holder on or before January  
5 15 of the year following the calendar year during which  
6 the action described in subsection (a) occurred.

7           “(d) SPECIFIED SECURITY.—For purposes of this  
8 section, the term ‘specified security’ has the meaning given  
9 such term by section 6045(g)(3)(B). No return shall be  
10 required under this section with respect to actions de-  
11 scribed in subsection (a) with respect to a specified secu-  
12 rity which occur before the applicable date (as defined in  
13 section 6045(g)(3)(C)) with respect to such security.

14           “(e) PUBLIC REPORTING IN LIEU OF RETURN.—The  
15 Secretary may waive the requirements under subsections  
16 (a) and (c) with respect to a specified security, if the per-  
17 son required to make the return under subsection (a)  
18 makes publicly available, in such form and manner as the  
19 Secretary determines necessary to carry out the purposes  
20 of this section—

21           “(1) the name, address, phone number, and  
22           email address of the information contact of such  
23           person, and

24           “(2) the information described in paragraphs  
25           (1), (2), and (3) of subsection (a).”.



1 (2) ASSESSABLE PENALTIES.—

2 (A) Subparagraph (B) of section  
3 6724(d)(1) of such Code (defining information  
4 return) is amended by redesignating clauses (iv)  
5 through (xix) as clauses (v) through (xx), re-  
6 spectively, and by inserting after clause (iii) the  
7 following new clause:

8 “(iv) section 6045B(a) (relating to re-  
9 turns relating to actions affecting basis of  
10 specified securities),”.

11 (B) Paragraph (2) of section 6724(d) of  
12 such Code (defining payee statement), as  
13 amended by subsection (c)(2), is amended by  
14 redesignating subparagraphs (J) through (DD)  
15 as subparagraphs (K) through (EE), respec-  
16 tively, and by inserting after subparagraph (I)  
17 the following new subparagraph:

18 “(J) subsections (c) and (e) of section  
19 6045B (relating to returns relating to actions  
20 affecting basis of specified securities).”.

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

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

1 (e) EFFECTIVE DATE.—

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

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

9 **SEC. 302. DELAY IN APPLICATION OF WORLDWIDE ALLOCA-**  
10 **TION OF INTEREST.**

11 (a) IN GENERAL.—Paragraphs (5)(D) and (6) of sec-  
12 tion 864(f) are each amended by striking “December 31,  
13 2008” and inserting “December 31, 2009”.

14 (b) TRANSITIONAL RULE.—Subsection (f) of section  
15 864 is amended by adding at the end the following new  
16 paragraph:

17 “(7) TRANSITION.—In the case of the first tax-  
18 able year to which this subsection applies, the in-  
19 crease (if any) in the amount of the interest expense  
20 allocable to sources within the United States by rea-  
21 son of the application of this subsection shall be 90  
22 percent of the amount of such increase determined  
23 without regard to this paragraph.”.

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

4 **SEC. 303. TIME FOR PAYMENT OF CORPORATE ESTIMATED**  
5 **TAXES.**

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

11           (b) MODIFICATION OF ADJUSTMENT FOR 2013.—  
12 The percentage under subparagraph (C) of section 401(1)  
13 of the Tax Increase Prevention and Reconciliation Act of  
14 2005 in effect on the date of the enactment of this Act  
15 is increased by 13 percentage points.