

1           **DIVISION C—TAX-RELATED**  
2                           **PROVISIONS**

3   **SECTION 3000. SHORT TITLE; ETC.**

4           (a) **SHORT TITLE.**—This division 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 division an  
8   amendment or repeal is expressed in terms of an amend-  
9   ment to, or repeal of, a section or other provision, the ref-  
10   erence shall be considered to be made to a section or other  
11   provision of the Internal Revenue Code of 1986.

12                   **TITLE I—HOUSING TAX**  
13                           **INCENTIVES**

14   **Subtitle A—Multi-Family Housing**

15           **PART I—LOW-INCOME HOUSING TAX CREDIT**

16   **SEC. 3001. TEMPORARY INCREASE IN VOLUME CAP FOR**  
17                   **LOW-INCOME HOUSING TAX CREDIT.**

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

20                   “(I) **INCREASE IN STATE HOUSING CREDIT**  
21                   **CEILING FOR 2008 AND 2009.**—In the case of  
22                   calendar years 2008 and 2009—

1                   “(i) the dollar amount in effect under  
2                   subparagraph (C)(ii)(I) for such calendar  
3                   year (after any increase under subpara-  
4                   graph (H)) shall be increased by \$0.20,  
5                   and

6                   “(ii) the dollar amount in effect under  
7                   subparagraph (C)(ii)(II) for such calendar  
8                   year (after any increase under subpara-  
9                   graph (H)) shall be increased by an  
10                  amount equal to 10 percent of such dollar  
11                  amount (rounded to the next lowest mul-  
12                  tiple of \$5,000).”.

13 **SEC. 3002. DETERMINATION OF CREDIT RATE.**

14           (a) **TEMPORARY MINIMUM CREDIT RATE FOR NON-**  
15 **FEDERALLY SUBSIDIZED NEW BUILDINGS.**—Subsection  
16 (b) of section 42 is amended by redesignating paragraph  
17 (3) as paragraph (4) and by inserting after paragraph (2)  
18 the following new paragraph:

19                   “(3) **TEMPORARY MINIMUM CREDIT RATE FOR**  
20 **NON-FEDERALLY SUBSIDIZED NEW BUILDINGS.**—In  
21 the case of any new building—

22                   “(A) which is placed in service by the tax-  
23 payer after the date of the enactment of this  
24 paragraph and before December 31, 2013, and

1                   “(B) which is not federally subsidized for  
2                   the taxable year,  
3                   the applicable percentage shall not be less than 9  
4                   percent.”.

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

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

10                   (2) CONFORMING AMENDMENTS.—

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

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

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

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

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

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

1 (ii) in clause (i)—

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

5 (II) by striking “the proceeds of  
6 such obligation or loan” and inserting  
7 “the proceeds of such obligation”, and

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

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

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

16 **SEC. 3003. MODIFICATIONS TO DEFINITION OF ELIGIBLE**  
17 **BASIS.**

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

24 “(v) BUILDINGS DESIGNATED BY  
25 STATE HOUSING CREDIT AGENCY.—Any

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

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

17 (1) IN GENERAL.—Clause (ii) of section  
18 42(e)(3)(A) is amended—

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

21 (B) by striking “\$3,000” in subclause (II)  
22 and inserting “\$6,000”.

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

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

7                   “(i) such dollar amount, multiplied by

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

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

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

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

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

3 “(I) 25 percent of so much of the  
4 eligible basis of the qualified low-in-  
5 come housing project of which it is a  
6 part as does not exceed \$15,000,000,  
7 plus

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

12 For purposes of”.

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

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

21 (e) SIMPLIFICATION OF RELATED PARTY RULES.—  
22 Clause (iii) of section 42(d)(2)(D), before redesignation  
23 under subsection (g)(2), is amended—

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

1           (2) by redesignating subclause (II) as clause  
2           (iii) and moving such clause two ems to the left, and  
3           (3) by striking the last sentence thereof.

4           (f) EXCEPTION TO 10-YEAR NONACQUISITION PE-  
5           RIOD FOR EXISTING BUILDINGS APPLICABLE TO  
6           FEDERALLY- OR STATE-ASSISTED BUILDINGS.—Para-  
7           graph (6) of section 42(d) is amended to read as follows:

8           “(6) CREDIT ALLOWABLE FOR CERTAIN BUILD-  
9           INGS ACQUIRED DURING 10-YEAR PERIOD DE-  
10          SCRIBED IN PARAGRAPH (2)(B)(ii).—

11           “(A) IN GENERAL.—Paragraph (2)(B)(ii)  
12           shall not apply to any Federally- or State-as-  
13           sisted building.

14           “(B) BUILDINGS ACQUIRED FROM IN-  
15           SURED DEPOSITORY INSTITUTIONS IN DE-  
16           FAULT.—On application by the taxpayer, the  
17           Secretary may waive paragraph (2)(B)(ii) with  
18           respect to any building acquired from an in-  
19           sured depository institution in default (as de-  
20           fined in section 3 of the Federal Deposit Insur-  
21           ance Act) or from a receiver or conservator of  
22           such an institution.

23           “(C) FEDERALLY- OR STATE-ASSISTED  
24           BUILDING.—For purposes of this paragraph—

1                   “(i) FEDERALLY-ASSISTED BUILD-  
2                   ING.—The term ‘Federally-assisted build-  
3                   ing’ means any building which is substan-  
4                   tially assisted, financed, or operated under  
5                   section 8 of the United States Housing Act  
6                   of 1937, section 221(d)(3), 221(d)(4), or  
7                   236 of the National Housing Act, or sec-  
8                   tion 515 of the Housing Act of 1949 (as  
9                   such Acts are in effect on the date of the  
10                  enactment of the Tax Reform Act of  
11                  1986).

12                  “(ii) STATE-ASSISTED BUILDING.—  
13                  The term ‘State-assisted building’ means  
14                  any building which is substantially as-  
15                  sisted, financed, or operated under any  
16                  State law similar in purposes to any of the  
17                  laws referred to in clause (i).”.

18                  (g) REPEAL OF DEADWOOD.—

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

23                  (2) Subparagraph (D) of section 42(d)(2) is  
24                  amended by striking clause (i) and by redesignating

1 clauses (ii) and (iii) as clauses (i) and (ii), respec-  
2 tively.

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

6 (h) EFFECTIVE DATE.—

7 (1) IN GENERAL.—Except as otherwise pro-  
8 vided in paragraph (2), the amendments made by  
9 this subsection shall apply to buildings placed in  
10 service after the date of the enactment of this Act.

11 (2) REHABILITATION REQUIREMENTS.—

12 (A) IN GENERAL.—The amendments made  
13 by subsection (b) shall apply with respect to  
14 housing credit dollar amounts allocated after  
15 the date of the enactment of this Act.

16 (B) BUILDINGS NOT SUBJECT TO ALLOCA-  
17 TION LIMITS.—To the extent paragraph (1) of  
18 section 42(h) of the Internal Revenue Code of  
19 1986 does not apply to any building by reason  
20 of paragraph (4) thereof, the amendments made  
21 by subsection (b) shall apply to buildings placed  
22 in service after the date of the enactment of  
23 this Act.

1 **SEC. 3004. OTHER SIMPLIFICATION AND REFORM OF LOW-**  
2 **INCOME HOUSING TAX INCENTIVES.**

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

7 (b) MODIFICATION OF TIME LIMIT FOR INCURRING  
8 10 PERCENT OF PROJECT'S COST.—Clause (ii) of section  
9 42(h)(1)(E) is amended by striking “(as of the later of  
10 the date which is 6 months after the date that the alloca-  
11 tion was made or the close of the calendar year in which  
12 the allocation is made)” and inserting “(as of the date  
13 which is 1 year after the date that the allocation was  
14 made)”.

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

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

22 “(A) IN GENERAL.—The increase in tax  
23 under this subsection shall not apply solely by  
24 reason of the disposition of a building (or an in-  
25 terest therein) if it is reasonably expected that  
26 such building will continue to be operated as a

1 qualified low-income building for the remaining  
2 compliance period with respect to such building.

3 “(B) STATUTE OF LIMITATIONS.—If a  
4 building (or an interest therein) is disposed of  
5 during any taxable year and there is any reduc-  
6 tion in the qualified basis of such building  
7 which results in an increase in tax under this  
8 subsection for such taxable or any subsequent  
9 taxable year, then—

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

18 “(ii) such deficiency may be assessed  
19 before the expiration of such 3-year period  
20 notwithstanding the provisions of any  
21 other law or rule of law which would other-  
22 wise prevent such assessment.”.

23 (d) ENERGY EFFICIENCY AND HISTORIC NATURE  
24 TAKEN INTO ACCOUNT IN MAKING ALLOCATIONS.—Sub-  
25 paragraph (C) of section 42(m)(1) (relating to plans for

1 allocation of credit among projects) is amended by striking  
2 “and” at the end of clause (vii), by striking the period  
3 at the end of clause (viii) and inserting a comma, and by  
4 adding at the end the following new clauses:

5                   “(ix) the energy efficiency of the  
6                   project, and

7                   “(x) the historic nature of the  
8                   project.”.

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

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

21           (f) TREATMENT OF RURAL PROJECTS.—Section  
22 42(i) (relating to definitions and special rules) is amended  
23 by adding at the end the following new paragraph:

24                   “(8) TREATMENT OF RURAL PROJECTS.—For  
25                   purposes of this section, in the case of any project

1 for residential rental property located in a rural area  
2 (as defined in section 520 of the Housing Act of  
3 1949), any income limitation measured by reference  
4 to area median gross income shall be measured by  
5 reference to the greater of area median gross income  
6 or national non-metropolitan median income. The  
7 preceding sentence shall not apply with respect to  
8 any building if paragraph (1) of section 42(h) does  
9 not apply by reason of paragraph (4) thereof to any  
10 portion of the credit determined under this section  
11 with respect to such building.”.

12 (g) CLARIFICATION OF GENERAL PUBLIC USE RE-  
13 QUIREMENT.—Subsection (c) of section 42 is amended by  
14 adding at the end the following new paragraph:

15 “(3) CLARIFICATION OF GENERAL PUBLIC USE  
16 REQUIREMENT.—

17 “(A) IN GENERAL.—A building which  
18 meets the requirements of subparagraph (B)  
19 shall not fail to be treated as a qualified low-  
20 income building solely because occupancy in  
21 such building is restricted to individuals who  
22 have special needs, share a common occupation  
23 or common interests, or are members of a spec-  
24 ified group based on Federal, State, or local  
25 programs or requirements.

1           “(B) BASIC PUBLIC USE REQUIRE-  
2           MENTS.—A building meets the requirements of  
3           this subparagraph if—

4                   “(i) such building is used consistent  
5                   with housing policy governing non-discrimi-  
6                   nation as evidenced by rules and regula-  
7                   tions of the Department of Housing and  
8                   Urban Development,

9                   “(ii) occupancy in such building is not  
10                  restricted on the basis of membership in a  
11                  social organization or on the basis of em-  
12                  ployment by specific employers, and

13                  “(iii) such building is not part of a  
14                  hospital, nursing home, sanitarium, lifecare  
15                  facility, trailer park, or intermediate care  
16                  facility for the mentally or physically  
17                  handicapped.”.

18           (h) GAO STUDY REGARDING MODIFICATIONS TO  
19           LOW-INCOME HOUSING TAX CREDIT.—Not later than  
20           December 31, 2012, the Comptroller General of the  
21           United States shall submit to Congress a report which  
22           analyzes the implementation of the modifications made by  
23           this subtitle to the low-income housing tax credit under  
24           section 42 of the Internal Revenue Code of 1986. Such  
25           report shall include an analysis of the distribution of credit

1 allocations before and after the effective date of such  
2 modifications.

3 (i) EFFECTIVE DATE.—

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

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

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

13 (B) interests in buildings disposed of on or  
14 before such date if—

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

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

1           (3) ENERGY EFFICIENCY AND HISTORIC NA-  
2           TURE TAKEN INTO ACCOUNT IN MAKING ALLOCA-  
3           TIONS.—The amendments made by subsection (d)  
4           shall apply to allocations made after December 31,  
5           2008.

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

11          (5) TREATMENT OF RURAL PROJECTS.—The  
12          amendment made by subsection (f) shall apply to de-  
13          terminations made after the date of the enactment  
14          of this Act.

15          (6) CLARIFICATION OF GENERAL PUBLIC USE  
16          REQUIREMENT.—The amendment made by sub-  
17          section (g) shall apply to buildings placed in service  
18          before, on, or after the date of the enactment of this  
19          Act.

20   **SEC. 3005. TREATMENT OF MILITARY BASIC PAY.**

21          (a) IN GENERAL.—Subparagraph (B) of section  
22    142(d)(2) (relating to income of individuals; area median  
23    gross income) is amended—

24                (1) by striking “The income” and inserting the  
25                following:



1                   “(iv) QUALIFIED MILITARY INSTALLA-  
2                   TION.—For purposes of clause (iii), the  
3                   term ‘qualified military installation’ means  
4                   any military installation or facility the  
5                   number of members of the Armed Forces  
6                   of the United States assigned to which, as  
7                   of June 1, 2008, is not less than 1,000.”.

8           (b) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to—

10           (1) determinations made after the date of the  
11           enactment of this Act and before January 1, 2012,  
12           in the case of any qualified building (as defined in  
13           section 142(d)(2)(B)(iii) of the Internal Revenue  
14           Code of 1986)—

15                   (A) with respect to which housing credit  
16                   dollar amounts have been allocated before the  
17                   date of the enactment of this Act, or

18                   (B) with respect to buildings placed in  
19                   service before such date of enactment, to the  
20                   extent paragraph (1) of section 42(h) of such  
21                   Code does not apply to such building by reason  
22                   of paragraph (4) thereof, but only with respect  
23                   to bonds issued before such date of enactment,  
24                   and

1           (2) determinations made after the date of en-  
2           actment of this Act, in the case of qualified build-  
3           ings (as so defined)—

4                   (A) with respect to which housing credit  
5           dollar amounts are allocated after the date of  
6           the enactment of this Act and before January  
7           1, 2012, or

8                   (B) with respect to which buildings placed  
9           in service after the date of enactment of this  
10          Act and before January 1, 2012, to the extent  
11          paragraph (1) of section 42(h) of such Code  
12          does not apply to such building by reason of  
13          paragraph (4) thereof, but only with respect to  
14          bonds issued after such date of enactment and  
15          before January 1, 2012.

## 16           **PART II—MODIFICATIONS TO TAX-EXEMPT**

### 17                   **HOUSING BOND RULES**

#### 18           **SEC. 3007. RECYCLING OF TAX-EXEMPT DEBT FOR FINANC-**

#### 19                   **ING RESIDENTIAL RENTAL PROJECTS.**

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

23                   “(6) **TREATMENT OF CERTAIN RESIDENTIAL**  
24          **RENTAL PROJECT BONDS AS REFUNDING BONDS IR-**  
25          **RESPECTIVE OF OBLIGOR.**—

1           “(A) IN GENERAL.—If, during the 6-  
2 month period beginning on the date of a repay-  
3 ment of a loan financed by an issue 95 percent  
4 or more of the net proceeds of which are used  
5 to provide projects described in section 142(d),  
6 such repayment is used to provide a new loan  
7 for any project so described, any bond which is  
8 issued to refinance such issue shall be treated  
9 as a refunding issue to the extent the principal  
10 amount of such refunding issue does not exceed  
11 the principal amount of the bonds refunded.

12           “(B) LIMITATIONS.—Subparagraph (A)  
13 shall apply to only one refunding of the original  
14 issue and only if—

15                   “(i) the refunding issue is issued not  
16 later than 4 years after the date on which  
17 the original issue was issued,

18                   “(ii) the latest maturity date of any  
19 bond of the refunding issue is not later  
20 than 34 years after the date on which the  
21 refunded bond was issued, and

22                   “(iii) the refunding issue is approved  
23 in accordance with section 147(f) before  
24 the issuance of the refunding issue.”.

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

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to repayments of loans received  
7 after the date of the enactment of this Act.

8 **SEC. 3008. COORDINATION OF CERTAIN RULES APPLICA-**  
9 **BLE TO LOW-INCOME HOUSING CREDIT AND**  
10 **QUALIFIED RESIDENTIAL RENTAL PROJECT**  
11 **EXEMPT FACILITY BONDS.**

12 (a) DETERMINATION OF NEXT AVAILABLE UNIT.—  
13 Paragraph (3) of section 142(d) (relating to current in-  
14 come determinations) is amended by adding at the end  
15 the following new subparagraph:

16 “(C) EXCEPTION FOR PROJECTS WITH RE-  
17 SPECT TO WHICH AFFORDABLE HOUSING CRED-  
18 IT IS ALLOWED.—In the case of a project with  
19 respect to which credit is allowed under section  
20 42, the second sentence of subparagraph (B)  
21 shall be applied by substituting ‘building (with-  
22 in the meaning of section 42)’ for ‘project.’”.

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

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

4           (c) SINGLE-ROOM OCCUPANCY UNITS.—Paragraph  
5 (2) of section 142(d) (relating to definitions and special  
6 rules), as amended by subsection (b), is amended by add-  
7 ing at the end the following new subparagraph:

8           “(D) SINGLE-ROOM OCCUPANCY UNITS.—A  
9           unit shall not fail to be treated as a residential  
10          unit merely because such unit is a single-room  
11          occupancy unit (within the meaning of section  
12          42).”.

13          (d) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to determinations of the status of  
15 qualified residential rental projects for periods beginning  
16 after the date of the enactment of this Act, with respect  
17 to bonds issued before, on, or after such date.

18 **PART III—REFORMS RELATED TO THE LOW-IN-**  
19 **COME HOUSING CREDIT AND TAX-EXEMPT**  
20 **HOUSING BONDS**

21 **SEC. 3009. HOLD HARMLESS FOR REDUCTIONS IN AREA ME-**  
22 **DIAN GROSS INCOME.**

23          (a) IN GENERAL.—Paragraph (2) of section 142(d),  
24 as amended by section 3008, is amended by adding at the  
25 end the following new subparagraph:

1                   “(E) HOLD HARMLESS FOR REDUCTIONS  
2                   IN AREA MEDIAN GROSS INCOME.—

3                   “(i) IN GENERAL.—Any determination  
4                   of area median gross income under sub-  
5                   paragraph (B) with respect to any project  
6                   for any calendar year after 2008 shall not  
7                   be less than the area median gross income  
8                   determined under such subparagraph with  
9                   respect to such project for the calendar  
10                  year preceding the calendar year for which  
11                  such determination is made.

12                  “(ii) SPECIAL RULE FOR CERTAIN  
13                  CENSUS CHANGES.—In the case of a HUD  
14                  hold harmless impacted project, the area  
15                  median gross income with respect to such  
16                  project for any calendar year after 2008  
17                  (hereafter in this clause referred to as the  
18                  current calendar year) shall be the greater  
19                  of the amount determined without regard  
20                  to this clause or the sum of—

21                  “(I) the area median gross in-  
22                  come determined under the HUD hold  
23                  harmless policy with respect to such  
24                  project for calendar year 2008, plus

1                   “(II) any increase in the area  
2                   median gross income determined  
3                   under subparagraph (B) (determined  
4                   without regard to the HUD hold  
5                   harmless policy and this subpara-  
6                   graph) with respect to such project  
7                   for the current calendar year over the  
8                   area median gross income (as so de-  
9                   termined) with respect to such project  
10                  for calendar year 2008.

11                  “(iii) HUD HOLD HARMLESS POL-  
12                  ICY.—The term ‘HUD hold harmless pol-  
13                  icy’ means the regulations under which a  
14                  policy similar to the rules of clause (i) ap-  
15                  plied to prevent a change in the method of  
16                  determining area median gross income  
17                  from resulting in a reduction in the area  
18                  median gross income determined with re-  
19                  spect to certain projects in calendar years  
20                  2007 and 2008.

21                  “(iv) HUD HOLD HARMLESS IM-  
22                  PACTED PROJECT.—The term ‘HUD hold  
23                  harmless impacted project’ means any  
24                  project with respect to which area median  
25                  gross income was determined under sub-

1 paragraph (B) for calendar year 2007 or  
2 2008 if such determination would have  
3 been less but for the HUD hold harmless  
4 policy.”.

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

8 **SEC. 3010. EXCEPTION TO ANNUAL CURRENT INCOME DE-**  
9 **TERMINATION REQUIREMENT WHERE DE-**  
10 **TERMINATION NOT RELEVANT.**

11 (a) IN GENERAL.—Subparagraph (A) of section  
12 142(d)(3) is amended by adding at the end the following  
13 new sentence: “The preceding sentence shall not apply  
14 with respect to any project for any year if during such  
15 year no residential unit in the project is occupied by a  
16 new resident whose income exceeds the applicable income  
17 limit.”.

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

21 **Subtitle B—Single Family Housing**

22 **SEC. 3011. FIRST-TIME HOMEBUYER CREDIT.**

23 (a) IN GENERAL.—Subpart C of part IV of sub-  
24 chapter A of chapter 1 is amended by redesignating sec-

1 tion 36 as section 37 and by inserting after section 35  
2 the following new section:

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

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

10 “(b) LIMITATIONS.—

11 “(1) DOLLAR LIMITATION.—

12 “(A) IN GENERAL.—Except as otherwise  
13 provided in this paragraph, the credit allowed  
14 under subsection (a) shall not exceed \$8,000.

15 “(B) MARRIED INDIVIDUALS FILING SEPA-  
16 RATELY.—In the case of a married individual  
17 filing a separate return, subparagraph (A) shall  
18 be applied by substituting ‘\$4,000’ for ‘\$8,000’.

19 “(C) OTHER INDIVIDUALS.—If two or  
20 more individuals who are not married purchase  
21 a principal residence, the amount of the credit  
22 allowed under subsection (a) shall be allocated  
23 among such individuals in such manner as the  
24 Secretary may prescribe, except that the total

1 amount of the credits allowed to all such indi-  
2 viduals shall not exceed \$8,000.

3 “(2) LIMITATION BASED ON MODIFIED AD-  
4 JUSTED GROSS INCOME.—

5 “(A) IN GENERAL.—The amount allowable  
6 as a credit under subsection (a) (determined  
7 without regard to this paragraph) for the tax-  
8 able year shall be reduced (but not below zero)  
9 by the amount which bears the same ratio to  
10 the amount which is so allowable as—

11 “(i) the excess (if any) of—

12 “(I) the taxpayer’s modified ad-  
13 justed gross income for such taxable  
14 year, over

15 “(II) \$75,000 (\$150,000 in the  
16 case of a joint return), bears to

17 “(ii) \$20,000.

18 “(B) MODIFIED ADJUSTED GROSS IN-  
19 COME.—For purposes of subparagraph (A), the  
20 term ‘modified adjusted gross income’ means  
21 the adjusted gross income of the taxpayer for  
22 the taxable year increased by any amount ex-  
23 cluded from gross income under section 911,  
24 931, or 933.

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

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

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

11          “(3) PURCHASE.—

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

14                         “(i) the property is not acquired from  
15                         a person related to the person acquiring it,  
16                         and

17                         “(ii) the basis of the property in the  
18                         hands of the person acquiring it is not de-  
19                         termined—

20                                 “(I) in whole or in part by ref-  
21                                 erence to the adjusted basis of such  
22                                 property in the hands of the person  
23                                 from whom acquired, or

1                   “(II) under section 1014(a) (re-  
2                   lating to property acquired from a de-  
3                   cedent).

4                   “(B) CONSTRUCTION.—A residence which  
5                   is constructed by the taxpayer shall be treated  
6                   as purchased by the taxpayer on the date the  
7                   taxpayer first occupies such residence.

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

11                  “(5) RELATED PERSONS.—A person shall be  
12                  treated as related to another person if the relation-  
13                  ship between such persons would result in the dis-  
14                  allowance of losses under section 267 or 707(b) (but,  
15                  in applying section 267(b) and (c) for purposes of  
16                  this section, paragraph (4) of section 267(c) shall be  
17                  treated as providing that the family of an individual  
18                  shall include only his spouse, ancestors, and lineal  
19                  descendants).

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

23                  “(1) a credit under section 1400C (relating to  
24                  first-time homebuyer in the District of Columbia) is

1       allowable to the taxpayer (or the taxpayer's spouse)  
2       for such taxable year or any prior taxable year,

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

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

7               “(4) the taxpayer disposes of such residence (or  
8       such residence ceases to be the principal residence of  
9       the taxpayer (and, if married, the taxpayer's  
10      spouse)) before the close of such taxable year.

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

16      “(f) RECAPTURE OF CREDIT.—

17              “(1) IN GENERAL.—Except as otherwise pro-  
18      vided in this subsection, if a credit under subsection  
19      (a) is allowed to a taxpayer, the tax imposed by this  
20      chapter shall be increased by  $6\frac{2}{3}$  percent of the  
21      amount of such credit for each taxable year in the  
22      recapture period.

23              “(2) ACCELERATION OF RECAPTURE.—If a tax-  
24      payer disposes of the principal residence with respect  
25      to which a credit was allowed under subsection (a)

1 (or such residence ceases to be the principal resi-  
2 dence of the taxpayer (and, if married, the tax-  
3 payer's spouse)) before the end of the recapture pe-  
4 riod—

5 “(A) the tax imposed by this chapter for  
6 the taxable year of such disposition or ces-  
7 sation, shall be increased by the excess of the  
8 amount of the credit allowed over the amounts  
9 of tax imposed by paragraph (1) for preceding  
10 taxable years, and

11 “(B) paragraph (1) shall not apply with  
12 respect to such credit for such taxable year or  
13 any subsequent taxable year.

14 “(3) LIMITATION BASED ON GAIN.—In the case  
15 of the sale of the principal residence to a person who  
16 is not related to the taxpayer, the increase in tax de-  
17 termined under paragraph (2) shall not exceed the  
18 amount of gain (if any) on such sale. Solely for pur-  
19 poses of the preceding sentence, the adjusted basis  
20 of such residence shall be reduced by the amount of  
21 the credit allowed under subsection (a) to the extent  
22 not previously recaptured under paragraph (1).

23 “(4) EXCEPTIONS.—

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

4           “(B) INVOLUNTARY CONVERSION.—Para-  
5           graph (2) shall not apply in the case of a resi-  
6           dence which is compulsorily or involuntarily  
7           converted (within the meaning of section  
8           1033(a)) if the taxpayer acquires a new prin-  
9           cipal residence during the 2-year period begin-  
10          ning on the date of the disposition or cessation  
11          referred to in paragraph (2). Paragraph (2)  
12          shall apply to such new principal residence dur-  
13          ing the recapture period in the same manner as  
14          if such new principal residence were the con-  
15          verted residence.

16          “(C) TRANSFERS BETWEEN SPOUSES OR  
17          INCIDENT TO DIVORCE.—In the case of a trans-  
18          fer of a residence to which section 1041(a) ap-  
19          plies—

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

22                 “(ii) in the case of taxable years end-  
23                 ing after such transfer, paragraphs (1) and  
24                 (2) shall apply to the transferee in the  
25                 same manner as if such transferee were

1           the transferor (and shall not apply to the  
2           transferor).

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

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

14          “(g) APPLICATION OF SECTION.—This section shall  
15          only apply to a principal residence purchased by the tax-  
16          payer on or after April 9, 2008, and before April 1,  
17          2009.”.

18          (b) CONFORMING AMENDMENTS.—

19                 (1) Section 26(b)(2) is amended by striking  
20                 “and” at the end of subparagraph (U), by striking  
21                 the period and inserting “, and” and the end of sub-  
22                 paragraph (V), and by inserting after subparagraph  
23                 (V) the following new subparagraph:

24                         “(W) section 36(f) (relating to recapture of  
25                         homebuyer credit).”.



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

3 “(8) REAL PROPERTY TAX DEDUCTION.—

4 “(A) IN GENERAL.—For purposes of para-  
5 graph (1), the real property tax deduction is the  
6 lesser of—

7 “(i) the amount allowable as a deduc-  
8 tion under this chapter for State and local  
9 taxes described in section 164(a)(1), or

10 “(ii) \$500 (\$1,000 in the case of a  
11 joint return).

12 Any taxes taken into account under section  
13 62(a) shall not be taken into account under this  
14 paragraph.

15 “(B) EXCEPTION.—The real property tax  
16 deduction shall not be allowed in the case of a  
17 taxpayer living in a jurisdiction in which the  
18 rate of tax for all residential real property taxes  
19 is increased, net of any tax rebates, through  
20 rate increases or the repeal or reduction of oth-  
21 erwise applicable deductions, credits, or offsets,  
22 at any time after the date of the enactment of  
23 this paragraph and before December 31, 2008.  
24 This subparagraph shall not apply in the case  
25 of a jurisdiction in which the rate of tax for all

1 residential real property taxes is increased pur-  
2 suant to an equalization policy in effect before  
3 the date of the enactment of this paragraph or  
4 as a result of any votes of the residents of such  
5 jurisdiction to increase funding for pre-school,  
6 primary, secondary, or higher education.”.

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

## 10 **Subtitle C—General Provisions**

### 11 **SEC. 3021. TEMPORARY LIBERALIZATION OF TAX-EXEMPT** 12 **HOUSING BOND RULES.**

13 (a) TEMPORARY INCREASE IN VOLUME CAP.—

14 (1) IN GENERAL.—Subsection (d) of section  
15 146 is amended by adding at the end the following  
16 new paragraph:

17 “(5) INCREASE AND SET ASIDE FOR HOUSING  
18 BONDS FOR 2008.—

19 “(A) INCREASE FOR 2008.—In the case of  
20 calendar year 2008, the State ceiling for each  
21 State shall be increased by an amount equal to  
22 \$11,000,000,000 multiplied by a fraction—

23 “(i) the numerator of which is the  
24 State ceiling applicable to the State for

1 calendar year 2008, determined without re-  
2 gard to this paragraph, and

3 “(ii) the denominator of which is the  
4 sum of the State ceilings determined under  
5 clause (i) for all States.

6 “(B) SET ASIDE.—

7 “(i) IN GENERAL.—Any amount of  
8 the State ceiling for any State which is at-  
9 tributable to an increase under this para-  
10 graph shall be allocated solely for one or  
11 more qualified housing issues.

12 “(ii) QUALIFIED HOUSING ISSUE.—  
13 For purposes of this paragraph, the term  
14 ‘qualified housing issue’ means—

15 “(I) an issue described in section  
16 142(a)(7) (relating to qualified resi-  
17 dential rental projects), or

18 “(II) a qualified mortgage issue  
19 (determined by substituting ‘12-month  
20 period’ for ‘42-month period’ each  
21 place it appears in section  
22 143(a)(2)(D)(i)).”.

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

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

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

8                   “(B) to issue any bond after calendar year  
9           2010.”.

10          (b) TEMPORARY RULE FOR USE OF QUALIFIED  
11          MORTGAGE BONDS PROCEEDS FOR SUBPRIME REFI-  
12          NANCING LOANS.—

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

16                   “(12) SPECIAL RULES FOR SUBPRIME  
17           REFINANCINGS.—

18                           “(A) IN GENERAL.—Notwithstanding the  
19           requirements of subsection (i)(1), the proceeds  
20           of a qualified mortgage issue may be used to re-  
21           finance a mortgage on a residence which was  
22           originally financed by the mortgagor through a  
23           qualified subprime loan.

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

1                   “(i) subsection (a)(2)(D)(i) shall be  
2                   applied by substituting ‘12-month period’  
3                   for ‘42-month period’ each place it ap-  
4                   pears,

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

7                   “(iii) subsection (e) (relating to pur-  
8                   chase price requirement) shall be applied  
9                   by using the market value of the residence  
10                  at the time of refinancing in lieu of the ac-  
11                  quisition cost.

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

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

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

1 **SEC. 3022. REPEAL OF ALTERNATIVE MINIMUM TAX LIM-**  
2 **TATIONS ON TAX-EXEMPT HOUSING BONDS,**  
3 **LOW-INCOME HOUSING TAX CREDIT, AND RE-**  
4 **HABILITATION CREDIT.**

5 (a) TAX-EXEMPT INTEREST ON CERTAIN HOUSING  
6 BONDS EXEMPTED FROM ALTERNATIVE MINIMUM  
7 TAX.—

8 (1) IN GENERAL.—Subparagraph (C) of section  
9 57(a)(5) (relating to specified private activity bonds)  
10 is amended by redesignating clauses (iii) and (iv) as  
11 clauses (iv) and (v), respectively, and by inserting  
12 after clause (ii) the following new clause:

13 “(iii) EXCEPTION FOR CERTAIN HOUS-  
14 ING BONDS.—For purposes of clause (i),  
15 the term ‘private activity bond’ shall not  
16 include any bond issued after the date of  
17 the enactment of this clause if such bond  
18 is—

19 “(I) an exempt facility bond  
20 issued as part of an issue 95 percent  
21 or more of the net proceeds of which  
22 are to be used to provide qualified res-  
23 idential rental projects (as defined in  
24 section 142(d)),

25 “(II) a qualified mortgage bond  
26 (as defined in section 143(a)), or

1                   “(III) a qualified veterans’ mort-  
2                   gage bond (as defined in section  
3                   143(b)).

4                   The preceding sentence shall not apply to  
5                   any refunding bond unless such preceding  
6                   sentence applied to the refunded bond (or  
7                   in the case of a series of refundings, the  
8                   original bond).”.

9                   (2) NO ADJUSTMENT TO ADJUSTED CURRENT  
10                  EARNINGS.—Subparagraph (B) of section 56(g)(4)  
11                  is amended by adding at the end the following new  
12                  clause:

13                               “(iii) TAX EXEMPT INTEREST ON CER-  
14                               TAIN HOUSING BONDS.—Clause (i) shall  
15                               not apply in the case of any interest on a  
16                               bond to which section 57(a)(5)(C)(iii) ap-  
17                               plies.”.

18                  (b) ALLOWANCE OF LOW-INCOME HOUSING CREDIT  
19                  AGAINST ALTERNATIVE MINIMUM TAX.—Subparagraph  
20                  (B) of section 38(e)(4) (relating to specified credits) is  
21                  amended by redesignating clauses (ii) through (iv) as  
22                  clauses (iii) through (v) and inserting after clause (i) the  
23                  following new clause:

24                               “(ii) the credit determined under sec-  
25                               tion 42 to the extent attributable to build-

1                   ings placed in service after December 31,  
2                   2007.”.

3           (c) ALLOWANCE OF REHABILITATION CREDIT  
4 AGAINST ALTERNATIVE MINIMUM TAX.—Subparagraph  
5 (B) of section 38(c)(4), as amended by subsection (b), is  
6 amended by striking “and” at the end of clause (iv), by  
7 redesignating clause (v) as clause (vi), and by inserting  
8 after clause (iv) the following new clause:

9                   “(v) the credit determined under sec-  
10                   tion 47 to the extent attributable to quali-  
11                   fied rehabilitation expenditures properly  
12                   taken into account for periods after De-  
13                   cember 31, 2007, and”.

14           (d) EFFECTIVE DATE.—

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

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

23               (3) REHABILITATION CREDIT.—The amend-  
24               ments made by subsection (c) shall apply to credits  
25               determined under section 47 of the Internal Revenue

1 Code of 1986 to the extent attributable to qualified  
2 rehabilitation expenditures properly taken into ac-  
3 count for periods after December 31, 2007.

4 **SEC. 3023. BONDS GUARANTEED BY FEDERAL HOME LOAN**  
5 **BANKS ELIGIBLE FOR TREATMENT AS TAX-**  
6 **EXEMPT BONDS.**

7 (a) IN GENERAL.—Subparagraph (A) of section  
8 149(b)(3) (relating to exceptions for certain insurance  
9 programs) is amended by striking “or” at the end of  
10 clause (ii), by striking the period at the end of clause (iii)  
11 and inserting “, or” and by adding at the end the following  
12 new clause:

13 “(iv) subject to subparagraph (E),  
14 any guarantee by a Federal home loan  
15 bank made in connection with the original  
16 issuance of a bond during the period begin-  
17 ning on the date of the enactment of this  
18 clause and ending on December 31, 2010  
19 (or a renewal or extension of a guarantee  
20 so made).”.

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

24 “(E) SAFETY AND SOUNDNESS REQUIRE-  
25 MENTS FOR FEDERAL HOME LOAN BANKS.—

1           Clause (iv) of subparagraph (A) shall not apply  
2           to any guarantee by a Federal home loan bank  
3           unless such bank meets safety and soundness  
4           collateral requirements for such guarantees  
5           which are at least as stringent as such require-  
6           ments which apply under regulations applicable  
7           to such guarantees by Federal home loan banks  
8           as in effect on April 9, 2008.”.

9           (c) EFFECTIVE DATE.—The amendments made by  
10          this section shall apply to guarantees made after the date  
11          of the enactment of this Act.

12       **SEC. 3024. MODIFICATION OF RULES PERTAINING TO**  
13                               **FIRPTA NONFOREIGN AFFIDAVITS.**

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

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

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

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

4                   “(ii) the qualified substitute furnishes  
5                   a statement to the transferee stating,  
6                   under penalty of perjury, that the qualified  
7                   substitute has such affidavit in his posses-  
8                   sion.

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

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

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

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

21                         “(B) the transferee’s agent.”.

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

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

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

7           “(A) if—

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

13                   “(ii) the transferee or qualified sub-  
14                   stitute receives a notice (as described in  
15                   subsection (d)) from a transferor’s agent,  
16                   transferee’s agent, or qualified substitute  
17                   that such affidavit or statement is false, or

18                  “(B) if the Secretary by regulations re-  
19                  quires the transferee or qualified substitute to  
20                  furnish a copy of such affidavit or statement to  
21                  the Secretary and the transferee or qualified  
22                  substitute fails to furnish a copy of such affi-  
23                  davit or statement to the Secretary at such  
24                  time and in such manner as required by such  
25                  regulations.”.

1           (2) LIABILITY.—

2                   (A) NOTICE.—Paragraph (1) of section  
3           1445(d) (relating to notice of false affidavit;  
4           foreign corporations) is amended to read as fol-  
5           lows:

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

8                           “(A) the transferor furnishes the trans-  
9                           feree or qualified substitute an affidavit de-  
10                           scribed in paragraph (2) of subsection (b) or a  
11                           domestic corporation furnishes the transferee  
12                           an affidavit described in paragraph (3) of sub-  
13                           section (b), and

14                           “(B) in the case of—

15                                   “(i) any transferor’s agent—

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

18   “(II) in the case of an affidavit  
19   described in subsection (b)(2) fur-  
20   nished by a corporation, such corpora-  
21   tion is a foreign corporation, or

22   “(ii) any transferee’s agent or quali-  
23   fied substitute, such agent or substitute  
24   has actual knowledge that such affidavit is  
25   false,

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

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

7 “(2) FAILURE TO FURNISH NOTICE.—

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

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

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

1           serting “, TRANSFEREE’S AGENTS, OR QUALI-  
2           FIED SUBSTITUTES”.

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

7 **SEC. 3025. MODIFICATION OF DEFINITION OF TAX-EXEMPT**  
8                           **USE PROPERTY FOR PURPOSES OF THE RE-**  
9                           **HABILITATION CREDIT.**

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

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

18 **SEC. 3026. EXTENSION OF SPECIAL RULE FOR MORTGAGE**  
19                           **REVENUE BONDS FOR RESIDENCES LOCATED**  
20                           **IN DISASTER AREAS.**

21          (a) IN GENERAL.—Paragraph (11) of section 143(k)  
22 is amended—

23                   (1) by striking “December 31, 1996” and in-  
24                   serting “May 1, 2008”, and

1           (2) by striking “January 1, 1999” and insert-  
2           ing “January 1, 2010”.

3           (b) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to bonds issued after May 1, 2008.

5 **TITLE II—REFORMS RELATED**  
6 **TO REAL ESTATE INVEST-**  
7 **MENT TRUSTS**

8 **Subtitle A—Foreign Currency and**  
9 **Other Qualified Activities**

10 **SEC. 3031. REVISIONS TO REIT INCOME TESTS.**

11           (a) FOREIGN CURRENCY GAINS NOT GROSS INCOME  
12 IN APPLYING REIT INCOME TESTS.—Section 856 (defin-  
13 ing real estate investment trust) is amended by adding at  
14 the end the following new subsection:

15           “(n) RULES REGARDING FOREIGN CURRENCY  
16 TRANSACTIONS.—

17           “(1) IN GENERAL.—For purposes of this part—

18                   “(A) passive foreign exchange gain for any  
19 taxable year shall not constitute gross income  
20 for purposes of subsection (c)(2), and

21                   “(B) real estate foreign exchange gain for  
22 any taxable year shall not constitute gross in-  
23 come for purposes of subsection (c)(3).

1           “(2) REAL ESTATE FOREIGN EXCHANGE  
2 GAIN.—For purposes of this subsection, the term  
3 ‘real estate foreign exchange gain’ means—

4           “(A) foreign currency gain (as defined in  
5 section 988(b)(1)) which is attributable to—

6           “(i) any item of income or gain de-  
7 scribed in subsection (c)(3),

8           “(ii) the acquisition or ownership of  
9 obligations secured by mortgages on real  
10 property or on interests in real property  
11 (other than foreign currency gain attrib-  
12 utable to any item of income or gain de-  
13 scribed in clause (i)), or

14           “(iii) becoming or being the obligor  
15 under obligations secured by mortgages on  
16 real property or on interests in real prop-  
17 erty (other than foreign currency gain at-  
18 tributable to any item of income or gain  
19 described in clause (i)),

20           “(B) section 987 gain attributable to a  
21 qualified business unit (as defined by section  
22 989) of the real estate investment trust, but  
23 only if such qualified business unit meets the  
24 requirements under—

1 “(i) subsection (c)(3) for the taxable  
2 year, and

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

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

9 “(3) PASSIVE FOREIGN EXCHANGE GAIN.—For  
10 purposes of this subsection, the term ‘passive foreign  
11 exchange gain’ means—

12 “(A) real estate foreign exchange gain,

13 “(B) foreign currency gain (as defined in  
14 section 988(b)(1)) which is not described in  
15 subparagraph (A) and which is attributable  
16 to—

17 “(i) any item of income or gain de-  
18 scribed in subsection (c)(2),

19 “(ii) the acquisition or ownership of  
20 obligations (other than foreign currency  
21 gain attributable to any item of income or  
22 gain described in clause (i)), or

23 “(iii) becoming or being the obligor  
24 under obligations (other than foreign cur-

1 rency gain attributable to any item of in-  
2 come or gain described in clause (i)), and  
3 “(C) any other foreign currency gain as  
4 determined by the Secretary.

5 “(4) EXCEPTION FOR INCOME FROM SUBSTAN-  
6 TIAL AND REGULAR TRADING.—Notwithstanding  
7 this subsection or any other provision of this part,  
8 any section 988 gain derived by a corporation, trust,  
9 or association from engaging in substantial and reg-  
10 ular trading or dealing in securities (as defined in  
11 section 475(c)(2)) shall constitute gross income  
12 which does not qualify under paragraph (2) or (3)  
13 of subsection (c). This paragraph shall not apply to  
14 income which does not constitute gross income by  
15 reason of subsection (c)(5)(G).”.

16 (b) ADDITION TO REIT HEDGING RULE.—Subpara-  
17 graph (G) of section 856(c)(5) is amended to read as fol-  
18 lows:

19 “(G) TREATMENT OF CERTAIN HEDGING  
20 INSTRUMENTS.—Except to the extent as deter-  
21 mined by the Secretary—

22 “(i) any income of a real estate in-  
23 vestment trust from a hedging transaction  
24 (as defined in clause (ii) or (iii) of section  
25 1221(b)(2)(A)) which is clearly identified

1           pursuant to section 1221(a)(7), including  
2           gain from the sale or disposition of such a  
3           transaction, shall not constitute gross in-  
4           come under paragraphs (2) and (3) to the  
5           extent that the transaction hedges any in-  
6           debtedness incurred or to be incurred by  
7           the trust to acquire or carry real estate as-  
8           sets, and

9           “(ii) any income of a real estate in-  
10          vestment trust from a transaction entered  
11          into by the trust primarily to manage risk  
12          of currency fluctuations with respect to  
13          any item of income or gain described in  
14          paragraph (2) or (3) (or any property  
15          which generates such income or gain), in-  
16          cluding gain from the termination of such  
17          a transaction, shall not constitute gross in-  
18          come under paragraphs (2) and (3), but  
19          only if such transaction is clearly identified  
20          as such before the close of the day on  
21          which it was acquired, originated, or en-  
22          tered into (or such other time as the Sec-  
23          retary may prescribe).”

24          (c) AUTHORITY TO EXCLUDE ITEMS OF INCOME  
25 FROM REIT INCOME TESTS.—Section 856(c)(5), as

1 amended by the Heartland, Habitat, Harvest, and Horti-  
2 culture Act of 2008, is amended by adding at the end the  
3 following new subparagraph:

4           “(J) SECRETARIAL AUTHORITY TO EX-  
5           CLUDE OTHER ITEMS OF INCOME.—To the ex-  
6           tent necessary to carry out the purposes of this  
7           part, the Secretary is authorized to determine,  
8           solely for purposes of this part, whether any  
9           item of income or gain which—

10                   “(i) does not otherwise qualify under  
11                   paragraph (2) or (3) may be considered as  
12                   not constituting gross income, or

13                   “(ii) otherwise constitutes gross in-  
14                   come not qualifying under paragraph (2)  
15                   or (3) may be considered as gross income  
16                   which qualifies under paragraph (2) or  
17                   (3).”.

18 **SEC. 3032. REVISIONS TO REIT ASSET TESTS.**

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

1 (b) CLARIFICATION OF PERMISSIBLE ASSET CAT-  
2 EGORY.—Section 856(c)(5), as amended by section  
3 3031(e), is amended by adding at the end the following  
4 new subparagraph:

5 “(K) CASH.—If the real estate investment  
6 trust or its qualified business unit (as defined  
7 in section 989) uses any foreign currency as its  
8 functional currency (as defined in section  
9 985(b)), the term ‘cash’ includes such foreign  
10 currency but only to the extent such foreign  
11 currency—

12 “(i) is held for use in the normal  
13 course of the activities of the trust or  
14 qualified business unit which give rise to  
15 items of income or gain described in para-  
16 graph (2) or (3) of subsection (c) or are  
17 directly related to acquiring or holding as-  
18 sets described in subsection (c)(4), and

19 “(ii) is not held in connection with an  
20 activity described in subsection (n)(4).”.

21 **SEC. 3033. CONFORMING FOREIGN CURRENCY REVISIONS.**

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

1           “(i) gain (including any foreign cur-  
2           rency gain, as defined in section 988(b)(1))  
3           from the sale or other disposition of fore-  
4           closure property described in section  
5           1221(a)(1) and the gross income for the  
6           taxable year derived from foreclosure prop-  
7           erty (as defined in section 856(e)), but  
8           only to the extent such gross income is not  
9           described in (or, in the case of foreign cur-  
10          rency gain, not attributable to gross in-  
11          come described in) section 856(e)(3) other  
12          than subparagraph (F) thereof, over”.

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

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

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

3 **SEC. 3041. CONFORMING TAXABLE REIT SUBSIDIARY ASSET**

4                   **TEST.**

5           Section 856(c)(4)(B)(ii) is amended—

6                   (1) by striking “20 percent” and inserting “25  
7           percent”, and

8                   (2) by striking “REIT subsidiaries” and all  
9           that follows, and inserting “REIT subsidiaries,”.

10                   **Subtitle C—Dealer Sales**

11 **SEC. 3051. HOLDING PERIOD UNDER SAFE HARBOR.**

12           Section 857(b)(6) (relating to income from prohibited  
13 transactions) is amended—

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

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

19                   (3) by striking “real estate asset” and all that  
20           follows through “if” in the matter preceding clause  
21           (i) of subparagraphs (C) and (D), respectively, and  
22           inserting “real estate asset (as defined in section  
23           856(c)(5)(B)) and which is described in section  
24           1221(a)(1) if”.

1 **SEC. 3052. DETERMINING VALUE OF SALES UNDER SAFE**  
2 **HARBOR.**

3 Section 857(b)(6) is amended—

4 (1) by striking the semicolon at the end of sub-  
5 paragraph (C)(iii) and inserting “, or (III) the fair  
6 market value of property (other than sales of fore-  
7 closure property or sales to which section 1033 ap-  
8 plies) sold during the taxable year does not exceed  
9 10 percent of the fair market value of all of the as-  
10 sets of the trust as of the beginning of the taxable  
11 year;”, and

12 (2) by adding “or” at the end of subclause (II)  
13 of subparagraph (D)(iv) and by adding at the end  
14 of such subparagraph the following new subclause:

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

22 **Subtitle D—Health Care REITs**

23 **SEC. 3061. CONFORMITY FOR HEALTH CARE FACILITIES.**

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

1           “(B) EXCEPTION FOR CERTAIN LODGING  
2 FACILITIES AND HEALTH CARE PROPERTY.—  
3 The requirements of this subparagraph are met  
4 with respect to an interest in real property  
5 which is a qualified lodging facility (as defined  
6 in paragraph (9)(D)) or a qualified health care  
7 property (as defined in subsection (e)(6)(D)(i))  
8 leased by the trust to a taxable REIT sub-  
9 subsidiary of the trust if the property is operated  
10 on behalf of such subsidiary by a person who is  
11 an eligible independent contractor. For pur-  
12 poses of this section, a taxable REIT subsidiary  
13 is not considered to be operating or managing  
14 a qualified health care property or qualified  
15 lodging facility solely because it—

16                   “(i) directly or indirectly possesses a  
17 license, permit, or similar instrument ena-  
18 bling it to do so, or

19                   “(ii) employs individuals working at  
20 such facility or property located outside  
21 the United States, but only if an eligible  
22 independent contractor is responsible for  
23 the daily supervision and direction of such  
24 individuals on behalf of the taxable REIT

1 subsidiary pursuant to a management  
2 agreement or similar service contract.”.

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

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

23 “(B) SPECIAL RULES.—Solely for purposes  
24 of this paragraph and paragraph (8)(B), a per-  
25 son shall not fail to be treated as an inde-

1           pendent contractor with respect to any qualified  
2           lodging facility or qualified health care property  
3           (as so defined) by reason of the following:

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

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

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

23                           “(I) January 1, 1999, or

24                           “(II) the earliest date that any  
25                   taxable REIT subsidiary of such trust

1 entered into a management agreement  
2 or other similar service contract with  
3 such person with respect to such  
4 qualified lodging facility or qualified  
5 health care property.”.

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

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

10 (2) by inserting “or health care facility” after  
11 “such lodging facility”.

## 12 **Subtitle E—Effective Dates**

### 13 **SEC. 3071. EFFECTIVE DATES.**

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

18 (b) REIT INCOME TESTS.—

19 (1) The amendments made by section 3031(a)  
20 and (c) shall apply to gains and items of income rec-  
21 ognized after the date of the enactment of this Act.

22 (2) The amendment made by section 3031(b)  
23 shall apply to transactions entered into after the  
24 date of the enactment of this Act.

25 (c) CONFORMING FOREIGN CURRENCY REVISIONS.—

1           (1) The amendment made by section 3033(a)  
2 shall apply to gains recognized after the date of the  
3 enactment of this Act.

4           (2) The amendment made by section 3033(b)  
5 shall apply to gains and deductions recognized after  
6 the date of the enactment of this Act.

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

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

12           **Subtitle A—General Provisions**

13   **SEC. 3081. ELECTION TO ACCELERATE AMT AND R AND D**  
14                           **CREDITS IN LIEU OF BONUS DEPRECIATION.**

15           (a) IN GENERAL.—Section 168(k) is amended by  
16 adding at the end the following new paragraph:

17                           “(4) ELECTION TO ACCELERATE AMT AND R  
18                           AND D CREDITS IN LIEU OF BONUS DEPRECIA-  
19                           TION.—

20                                   “(A) IN GENERAL.—If a corporation elects  
21                           to have this paragraph apply—

22   “(i) no additional depreciation shall be  
23   allowed under paragraph (1) for any eligi-  
24   ble qualified property placed in service dur-

1           ing any taxable year to which paragraph  
2           (1) would otherwise apply,

3           “ (ii) the applicable depreciation meth-  
4           od used under this section with respect to  
5           such eligible qualified property shall be the  
6           straight line method rather than the meth-  
7           od that would otherwise be used, and

8           “ (iii) the limitations described in sub-  
9           paragraph (B) for such taxable year shall  
10          be increased by an aggregate amount not  
11          in excess of the bonus depreciation amount  
12          for such taxable year.

13          “(B) LIMITATIONS TO BE INCREASED.—  
14          The limitations described in this subparagraph  
15          are—

16                 “(i) the limitation under section 38(c),  
17                 and

18                 “(ii) the limitation under section  
19                 53(c).

20          “(C) BONUS DEPRECIATION AMOUNT.—  
21          For purposes of this paragraph—

22                 “(i) IN GENERAL.—The bonus depre-  
23                 ciation amount for any applicable taxable  
24                 year is an amount equal to the product of  
25                 20 percent and the excess (if any) of—

1                   “(I) the aggregate amount of de-  
2                   preciation which would be determined  
3                   under this section for property placed  
4                   in service during the taxable year if  
5                   no election under this paragraph were  
6                   made, over

7                   “(II) the aggregate amount of  
8                   depreciation allowable under this sec-  
9                   tion for property placed in service  
10                  during the taxable year.

11                 In the case of property which is a pas-  
12                 senger aircraft, the amount determined  
13                 under subclause (I) shall be calculated  
14                 without regard to the written binding con-  
15                 tract limitation under paragraph  
16                 (2)(A)(iii)(I).

17                 “(ii) MAXIMUM AMOUNT.—The bonus  
18                 depreciation amount for any applicable  
19                 taxable year shall not exceed the applicable  
20                 limitation under clause (iii), reduced (but  
21                 not below zero) by the bonus depreciation  
22                 amount for any preceding taxable year.

23                 “(iii) APPLICABLE LIMITATION.—For  
24                 purposes of clause (ii), the term ‘applicable

1 limitation' means, with respect to any eligi-  
2 ble taxpayer, the lesser of—

3 “(I) \$30,000,000, or

4 “(II) 6 percent of the sum of the  
5 amounts determined with respect to  
6 the taxpayer under clauses (ii) and  
7 (iii) of subparagraph (E).

8 “(iv) AGGREGATION RULE.—All cor-  
9 porations which are treated as a single em-  
10 ployer under section 52(a) shall be treated  
11 as 1 taxpayer for purposes of applying the  
12 limitation under this subparagraph and de-  
13 termining the applicable limitation under  
14 clause (iii).

15 “(D) ELIGIBLE QUALIFIED PROPERTY.—  
16 For purposes of this paragraph, the term ‘eligi-  
17 ble qualified property’ means qualified property  
18 under paragraph (2), except that in applying  
19 paragraph (2) for purposes of this clause—

20 “(i) ‘March 31, 2008’ shall be sub-  
21 stituted for ‘December 31, 2007’ each  
22 place it appears in subparagraph (A) and  
23 clauses (i) and (ii) of subparagraph (E)  
24 thereof,

1           “(ii) only adjusted basis attributable  
2           to manufacture, construction, or produc-  
3           tion after March 31, 2008, and before Jan-  
4           uary 1, 2009, shall be taken into account  
5           under subparagraph (B)(ii) thereof, and

6           “(iii) in the case of property which is  
7           a passenger aircraft, the written binding  
8           contract limitation under subparagraph  
9           (A)(iii)(I) thereof shall not apply.

10           “(E) ALLOCATION OF BONUS DEPRECIA-  
11           TION AMOUNTS.—

12           “(i) IN GENERAL.—Subject to clauses  
13           (ii) and (iii), the taxpayer shall, at such  
14           time and in such manner as the Secretary  
15           may prescribe, specify the portion (if any)  
16           of the bonus depreciation amount which is  
17           to be allocated to each of the limitations  
18           described in subparagraph (B).

19           “(ii) BUSINESS CREDIT LIMITA-  
20           TION.—The portion of the bonus deprecia-  
21           tion amount allocated to the limitation de-  
22           scribed in subparagraph (B)(i) shall not  
23           exceed an amount equal to the portion of  
24           the credit allowable under section 38 for  
25           the taxable year which is allocable to busi-

1           ness credit carryforwards to such taxable  
2           year which are—

3                   “(I) from taxable years beginning  
4                   before January 1, 2006, and

5                   “(II) properly allocable (deter-  
6                   mined under the rules of section  
7                   38(d)) to the research credit deter-  
8                   mined under section 41(a).

9                   “(iii) ALTERNATIVE MINIMUM TAX  
10                  CREDIT LIMITATION.—The portion of the  
11                  bonus depreciation amount allocated to the  
12                  limitation described in subparagraph  
13                  (B)(ii) shall not exceed an amount equal to  
14                  the portion of the minimum tax credit al-  
15                  lowable under section 53 for the taxable  
16                  year which is allocable to the adjusted min-  
17                  imum tax imposed for taxable years begin-  
18                  ning before January 1, 2006. For purposes  
19                  of the preceding sentence, credits shall be  
20                  treated as allowed on a first-in, first-out  
21                  basis.

22                  “(F) CREDIT REFUNDABLE.—Any aggre-  
23                  gate increases in the credits allowed under sec-  
24                  tion 38 or 53 by reason of this paragraph shall,  
25                  for purposes of this title, be treated as a credit

1 allowed to the taxpayer under subpart C of part  
2 IV of subchapter A.

3 “(G) OTHER RULES.—

4 “(i) ELECTION.—Any election under  
5 this paragraph (including any allocation  
6 under subparagraph (E)) may be revoked  
7 only with the consent of the Secretary.

8 “(ii) DEDUCTION ALLOWED IN COM-  
9 PUTING MINIMUM TAX.—Notwithstanding  
10 this paragraph, paragraph (2)(G) shall  
11 apply with respect to the deduction com-  
12 puted under this section (after application  
13 of this paragraph) with respect to property  
14 placed in service during any applicable tax-  
15 able year.”.

16 (b) APPLICATION TO CERTAIN AUTOMOTIVE PART-  
17 NERSHIPS.—

18 (1) IN GENERAL.—If an applicable partnership  
19 elects the application of this subsection—

20 (A) the partnership shall be treated as  
21 having made a payment against the tax im-  
22 posed by chapter 1 of the Internal Revenue  
23 Code of 1986 for any applicable taxable year of  
24 the partnership in the amount determined  
25 under paragraph (3),

1 (B) in the case of any eligible qualified  
2 property placed in service by the partnership  
3 during any applicable taxable year—

4 (i) section 168(k) of such Code shall  
5 not apply in determining the amount of the  
6 deduction allowable to the partnership or  
7 any partner with respect to such property  
8 under section 168 of such Code,

9 (ii) the applicable depreciation method  
10 used by the partnership or any partner  
11 under such section with respect to such  
12 property shall be the straight line method  
13 rather than the method that would other-  
14 wise be used,

15 (C) no election may be made under section  
16 168(k)(4) of such Code with respect to the  
17 partnership, and

18 (D) the amount of the credit determined  
19 under section 41 of such Code for any applica-  
20 ble taxable year with respect to the partnership  
21 shall be reduced by the amount of the deemed  
22 payment under subparagraph (A) for the tax-  
23 able year.

24 (2) TREATMENT OF DEEMED PAYMENT.—

1           (A) IN GENERAL.—Notwithstanding any  
2 other provision of the Internal Revenue Code of  
3 1986, the Secretary of the Treasury or his dele-  
4 gate shall not use the payment of tax described  
5 in paragraph (1) as an offset or credit against  
6 any tax liability of the applicable partnership or  
7 any partner but shall refund such payment to  
8 the applicable partnership.

9           (B) NO INTEREST.—The payment de-  
10 scribed in paragraph (1) shall not be taken into  
11 account in determining any amount of interest  
12 under such Code.

13           (3) AMOUNT OF DEEMED PAYMENT.—The  
14 amount determined under this paragraph for any  
15 applicable taxable year shall be the least of the fol-  
16 lowing:

17           (A) The amount which would be deter-  
18 mined for the taxable year under section  
19 168(k)(4)(C)(i) of the Internal Revenue Code of  
20 1986 (as added by the amendments made by  
21 this section) if an election under such section  
22 were in effect with respect to the partnership.

23           (B) The amount of the credit determined  
24 under section 41 of such Code for the taxable  
25 year with respect to the partnership.

1 (C) \$30,000,000, reduced by the amount  
2 of any payment under this subsection for any  
3 preceding taxable year.

4 (4) DEFINITIONS.—For purposes of this sub-  
5 section—

6 (A) APPLICABLE PARTNERSHIP.—The  
7 term “applicable partnership” means a domes-  
8 tic partnership that—

9 (i) was formed effective on August 3,  
10 2007, and

11 (ii) will produce in excess of 675,000  
12 automobiles during the period beginning on  
13 January 1, 2008, and ending on June 30,  
14 2008.

15 (B) APPLICABLE TAXABLE YEAR.—The  
16 term “applicable taxable year” means any tax-  
17 able year during which eligible qualified prop-  
18 erty is placed in service.

19 (C) ELIGIBLE QUALIFIED PROPERTY.—  
20 The term “eligible qualified property” has the  
21 meaning given such term by section  
22 168(k)(4)(D) of the Internal Revenue Code of  
23 1986 (as added by the amendments made by  
24 this section).

1 (c) CONFORMING AMENDMENT.—Section 1324(b)(2)  
2 of title 31, United States Code, as amended by this Act,  
3 is amended—

4 (1) by inserting “168(k)(4)(F),” after “36,”  
5 and

6 (2) by inserting “, or due under section  
7 3081(b)(2) of the Housing Assistance Tax Act of  
8 2008” before the period at the end.

9 (d) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years ending after  
11 March 31, 2008.

12 **SEC. 3082. CERTAIN GO ZONE INCENTIVES.**

13 (a) USE OF AMENDED INCOME TAX RETURNS TO  
14 TAKE INTO ACCOUNT RECEIPT OF CERTAIN HURRICANE-  
15 RELATED CASUALTY LOSS GRANTS BY DISALLOWING  
16 PREVIOUSLY TAKEN CASUALTY LOSS DEDUCTIONS.—

17 (1) IN GENERAL.—Notwithstanding any other  
18 provision of the Internal Revenue Code of 1986, if  
19 a taxpayer claims a deduction for any taxable year  
20 with respect to a casualty loss to a principal resi-  
21 dence (within the meaning of section 121 of such  
22 Code) resulting from Hurricane Katrina, Hurricane  
23 Rita, or Hurricane Wilma and in a subsequent tax-  
24 able year receives a grant under Public Law 109-  
25 148, 109-234, or 110-116 as reimbursement for

1 such loss, such taxpayer may elect to file an amend-  
2 ed income tax return for the taxable year in which  
3 such deduction was allowed (and for any taxable  
4 year to which such deduction is carried) and reduce  
5 (but not below zero) the amount of such deduction  
6 by the amount of such reimbursement.

7 (2) TIME OF FILING AMENDED RETURN.—  
8 Paragraph (1) shall apply with respect to any grant  
9 only if any amended income tax returns with respect  
10 to such grant are filed not later than the later of—

11 (A) the due date for filing the tax return  
12 for the taxable year in which the taxpayer re-  
13 ceives such grant, or

14 (B) the date which is 1 year after the date  
15 of the enactment of this Act.

16 (3) WAIVER OF PENALTIES AND INTEREST.—  
17 Any underpayment of tax resulting from the reduc-  
18 tion under paragraph (1) of the amount otherwise  
19 allowable as a deduction shall not be subject to any  
20 penalty or interest under such Code if such tax is  
21 paid not later than 1 year after the filing of the  
22 amended return to which such reduction relates.

23 (b) WAIVER OF DEADLINE ON CONSTRUCTION OF  
24 GO ZONE PROPERTY ELIGIBLE FOR BONUS DEPRECI-  
25 A-TION.—

1           (1) IN GENERAL.—Subparagraph (B) of section  
2           1400N(d)(3) is amended to read as follows:

3                   “(B) without regard to ‘and before Janu-  
4                   ary 1, 2009’ in clause (i) thereof, and”.

5           (2) EFFECTIVE DATE.—The amendment made  
6           by this subsection shall apply to property placed in  
7           service after December 31, 2007.

8           (c) INCLUSION OF CERTAIN COUNTIES IN GULF OP-  
9           PORTUNITY ZONE FOR PURPOSES OF TAX-EXEMPT BOND  
10          FINANCING.—

11           (1) IN GENERAL.—Subsection (a) of section  
12           1400N is amended by adding at the end the fol-  
13           lowing new paragraph:

14                   “(8) INCLUSION OF CERTAIN COUNTIES.—For  
15                   purposes of this subsection, the Gulf Opportunity  
16                   Zone includes Colbert County, Alabama and Dallas  
17                   County, Alabama.”.

18           (2) EFFECTIVE DATE.—The amendment made  
19           by this subsection shall take effect as if included in  
20           the provisions of the Gulf Opportunity Zone Act of  
21           2005 to which it relates.

1           **Subtitle B—Revenue Offsets**

2   **SEC. 3091. RETURNS RELATING TO PAYMENTS MADE IN**  
3                   **SETTLEMENT OF PAYMENT CARD AND THIRD**  
4                   **PARTY NETWORK TRANSACTIONS.**

5           (a) IN GENERAL.—Subpart B of part III of sub-  
6 chapter A of chapter 61 is amended by adding at the end  
7 the following new section:

8   **“SEC. 6050W. RETURNS RELATING TO PAYMENTS MADE IN**  
9                   **SETTLEMENT OF PAYMENT CARD AND THIRD**  
10                  **PARTY NETWORK TRANSACTIONS.**

11           “(a) IN GENERAL.—Each payment settlement entity  
12 shall make a return for each calendar year setting forth—

13                   “(1) the name, address, and TIN of each par-  
14                   ticipating payee to whom one or more payments in  
15                   settlement of reportable transactions are made, and

16                   “(2) the gross amount of the reportable trans-  
17                   actions with respect to each such participating  
18                   payee.

19 Such return shall be made at such time and in such form  
20 and manner as the Secretary may require by regulations.

21           “(b) PAYMENT SETTLEMENT ENTITY.—For pur-  
22 poses of this section—

23                   “(1) IN GENERAL.—The term ‘payment settle-  
24                   ment entity’ means—



1 the payment settlement entity with respect  
2 to such transactions, and

3 “(ii) such intermediary shall be treat-  
4 ed as the payment settlement entity with  
5 respect to the settlement of such trans-  
6 actions with the participating payees.

7 “(B) ELECTRONIC PAYMENT  
8 FACILITATORS.—In any case where an elec-  
9 tronic payment facilitator or other third party  
10 makes payments in settlement of reportable  
11 transactions on behalf of the payment settle-  
12 ment entity, the return under subsection (a)  
13 shall be made by such electronic payment  
14 facilitator or other third party in lieu of the  
15 payment settlement entity.

16 “(c) REPORTABLE TRANSACTION.—For purposes of  
17 this section—

18 “(1) IN GENERAL.—The term ‘reportable trans-  
19 action’ means any payment card transaction and any  
20 third party network transaction.

21 “(2) PAYMENT CARD TRANSACTION.—The term  
22 ‘payment card transaction’ means any transaction in  
23 which a payment card is accepted as payment.

24 “(3) THIRD PARTY NETWORK TRANSACTION.—  
25 The term ‘third party network transaction’ means

1 any transaction which is settled through a third  
2 party payment network.

3 “(d) OTHER DEFINITIONS.—For purposes of this  
4 section—

5 “(1) PARTICIPATING PAYEE.—

6 “(A) IN GENERAL.—The term ‘partici-  
7 pating payee’ means—

8 “(i) in the case of a payment card  
9 transaction, any person who accepts a pay-  
10 ment card as payment, and

11 “(ii) in the case of a third party net-  
12 work transaction, any person who accepts  
13 payment from a third party settlement or-  
14 ganization in settlement of such trans-  
15 action.

16 “(B) EXCLUSION OF FOREIGN PERSONS.—  
17 To the extent provided by the Secretary in reg-  
18 ulations or other guidance, such term shall not  
19 include any foreign person.

20 “(C) INCLUSION OF GOVERNMENTAL  
21 UNITS.—The term ‘person’ includes any govern-  
22 mental unit (and any agency or instrumentality  
23 thereof).

1           “(2) PAYMENT CARD.—The term ‘payment  
2           card’ means any card which is issued pursuant to an  
3           agreement or arrangement which provides for—

4                   “(A) one or more issuers of such cards,

5                   “(B) a network of persons unrelated to  
6           each other, and to the issuer, who agree to ac-  
7           cept such cards as payment, and

8                   “(C) standards and mechanisms for set-  
9           tling the transactions between the merchant ac-  
10          quiring banks and the persons who agree to ac-  
11          cept such cards as payment.

12          The acceptance as payment of any account number  
13          or other indicia associated with a payment card shall  
14          be treated for purposes of this section in the same  
15          manner as accepting such payment card as payment.

16          “(3) THIRD PARTY PAYMENT NETWORK.—The  
17          term ‘third party payment network’ means any  
18          agreement or arrangement—

19                   “(A) which involves the establishment of  
20          accounts with a central organization for the  
21          purpose of settling transactions between per-  
22          sons who establish such accounts,

23                   “(B) which provides for standards and  
24          mechanisms for settling such transactions,

1           “(C) which involves a substantial number  
2           of persons unrelated to such central organiza-  
3           tion who provide goods or services and who  
4           have agreed to settle transactions for the provi-  
5           sion of such goods or services pursuant to such  
6           agreement or arrangement, and

7           “(D) which guarantees persons providing  
8           goods or services pursuant to such agreement  
9           or arrangement that such persons will be paid  
10          for providing such goods or services.

11          Such term shall not include any agreement or ar-  
12          rangement which provides for the issuance of pay-  
13          ment cards.

14          “(e) EXCEPTION FOR DE MINIMIS PAYMENTS BY  
15          THIRD PARTY SETTLEMENT ORGANIZATIONS.—A third  
16          party settlement organization shall not be required to re-  
17          port any information under subsection (a) with respect to  
18          third party network transactions of any participating  
19          payee if the amount which would otherwise be reported  
20          under subsection (a)(2) with respect to such transactions  
21          does not exceed \$10,000 and the aggregate number of  
22          such transactions does not exceed 200.

23          “(f) STATEMENTS TO BE FURNISHED TO PERSONS  
24          WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—  
25          Every person required to make a return under subsection

1 (a) shall furnish to each person with respect to whom such  
2 a return is required a written statement showing—

3 “(1) the name, address, and phone number of  
4 the information contact of the person required to  
5 make such return, and

6 “(2) the gross amount of payments made to the  
7 person required to be shown on the return.

8 The written statement required under the preceding sen-  
9 tence shall be furnished to the person on or before Janu-  
10 ary 31 of the year following the calendar year for which  
11 the return under subsection (a) was required to be made.

12 “(g) REGULATIONS.—The Secretary may prescribe  
13 such regulations or other guidance as may be necessary  
14 or appropriate to carry out this section, including rules  
15 to prevent the reporting of the same transaction more  
16 than once.”.

17 (b) PENALTY FOR FAILURE TO FILE.—

18 (1) RETURN.—Subparagraph (B) of section  
19 6724(d)(1) is amended—

20 (A) by striking “or” at the end of clause  
21 (xx),

22 (B) by redesignating the clause (xix) that  
23 follows clause (xx) as clause (xxi),

1 (C) by striking “and” at the end of clause  
2 (xxi), as redesignated by subparagraph (B) and  
3 inserting “or”, and

4 (D) by adding at the end the following:

5 “(xxii) section 6050W (relating to re-  
6 turns to payments made in settlement of  
7 payment card transactions), and”.

8 (2) STATEMENT.—Paragraph (2) of section  
9 6724(d) is amended by striking “or” at the end of  
10 subparagraph (BB), by striking the period at the  
11 end of the subparagraph (CC) and inserting “, or”,  
12 and by inserting after subparagraph (CC) the fol-  
13 lowing:

14 “(DD) section 6050W(e) (relating to re-  
15 turns relating to payments made in settlement  
16 of payment card transactions).”.

17 (c) APPLICATION OF BACKUP WITHHOLDING.—  
18 Paragraph (3) of section 3406(b) is amended by striking  
19 “or” at the end of subparagraph (D), by striking the pe-  
20 riod at the end of subparagraph (E) and inserting “, or”,  
21 and by adding at the end the following new subparagraph:

22 “(F) section 6050W (relating to returns  
23 relating to payments made in settlement of pay-  
24 ment card transactions).”.

1 (d) CLERICAL AMENDMENT.—The table of sections  
2 for subpart B of part III of subchapter A of chapter 61  
3 is amended by inserting after the item relating to section  
4 6050V the following:

“Sec. 6050W. Returns relating to payments made in settlement of payment  
card transactions.”.

5 (e) EFFECTIVE DATE.—

6 (1) IN GENERAL.—Except as otherwise pro-  
7 vided in this subsection, the amendments made by  
8 this section shall apply to returns for calendar years  
9 beginning after December 31, 2010.

10 (2) APPLICATION OF BACKUP WITHHOLDING.—

11 The amendment made by subsection (c) shall apply  
12 to amounts paid after December 31, 2011.

13 **SEC. 3092. GAIN FROM SALE OF PRINCIPAL RESIDENCE AL-**  
14 **LOCATED TO NONQUALIFIED USE NOT EX-**  
15 **CLUDED FROM INCOME.**

16 (a) IN GENERAL.—Subsection (b) of section 121 of  
17 the Internal Revenue Code of 1986 (relating to limita-  
18 tions) is amended by adding at the end the following new  
19 paragraph:

20 “(4) EXCLUSION OF GAIN ALLOCATED TO NON-  
21 QUALIFIED USE.—

22 “(A) IN GENERAL.—Subsection (a) shall  
23 not apply to so much of the gain from the sale

1 or exchange of property as is allocated to peri-  
2 ods of nonqualified use.

3 “(B) GAIN ALLOCATED TO PERIODS OF  
4 NONQUALIFIED USE.—For purposes of subpara-  
5 graph (A), gain shall be allocated to periods of  
6 nonqualified use based on the ratio which—

7 “(i) the aggregate periods of non-  
8 qualified use during the period such prop-  
9 erty was owned by the taxpayer, bears to

10 “(ii) the period such property was  
11 owned by the taxpayer.

12 “(C) PERIOD OF NONQUALIFIED USE.—  
13 For purposes of this paragraph—

14 “(i) IN GENERAL.—The term ‘period  
15 of nonqualified use’ means any period  
16 (other than the portion of any period pre-  
17 ceding January 1, 2009) during which the  
18 property is not used as the principal resi-  
19 dence of the taxpayer or the taxpayer’s  
20 spouse or former spouse.

21 “(ii) EXCEPTIONS.—The term ‘period  
22 of nonqualified use’ does not include—

23 “(I) any portion of the 5-year pe-  
24 riod described in subsection (a) which  
25 is after the last date that such prop-

1 erty is used as the principal residence  
2 of the taxpayer or the taxpayer's  
3 spouse,

4 “(II) any period (not to exceed  
5 an aggregate period of 10 years) dur-  
6 ing which the taxpayer or the tax-  
7 payer's spouse is serving on qualified  
8 official extended duty (as defined in  
9 subsection (d)(9)(C)) described in  
10 clause (i), (ii), or (iii) of subsection  
11 (d)(9)(A), and

12 “(III) any other period of tem-  
13 porary absence (not to exceed an ag-  
14 gregate period of 2 years) due to  
15 change of employment, health condi-  
16 tions, or such other unforeseen cir-  
17 cumstances as may be specified by the  
18 Secretary.

19 “(D) COORDINATION WITH RECOGNITION  
20 OF GAIN ATTRIBUTABLE TO DEPRECIATION.—  
21 For purposes of this paragraph—

22 “(i) subparagraph (A) shall be applied  
23 after the application of subsection (d)(6),  
24 and

1                   “(ii) subparagraph (B) shall be ap-  
2                   plied without regard to any gain to which  
3                   subsection (d)(6) applies.”.

4           (b) **EFFECTIVE DATE.**—The amendment made by  
5 this section shall apply to sales and exchanges after De-  
6 cember 31, 2008.

7 **SEC. 3093. INCREASE IN INFORMATION RETURN PEN-**  
8                   **ALTIES.**

9           (a) **FAILURE TO FILE CORRECT INFORMATION RE-**  
10 **URNS.**—

11           (1) **IN GENERAL.**—Subsections (a)(1),  
12 (b)(1)(A), and (b)(2)(A) of section 6721 are each  
13 amended by striking “\$50” and inserting “\$100”.

14           (2) **AGGREGATE ANNUAL LIMITATION.**—Sub-  
15 sections (a)(1), (d)(1)(A), and (e)(3)(A) of section  
16 6721 are each amended by striking “\$250,000” and  
17 inserting “\$1,500,000”.

18           (b) **REDUCTION WHERE CORRECTION WITHIN 30**  
19 **DAYS.**—

20           (1) **IN GENERAL.**—Subparagraph (A) of section  
21 6721(b)(1) is amended by striking “\$15” and insert-  
22 ing “\$50”.

23           (2) **AGGREGATE ANNUAL LIMITATION.**—Sub-  
24 sections (b)(1)(B) and (d)(1)(B) of section 6721 are

1 each amended by striking “\$75,000” and inserting  
2 “\$500,000”.

3 (c) REDUCTION WHERE CORRECTION ON OR BEFORE  
4 AUGUST 1.—

5 (1) IN GENERAL.—Subparagraph (A) of section  
6 6721(b)(2) is amended by striking “\$30” and insert-  
7 ing “\$75”.

8 (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
9 sections (b)(2)(B) and (d)(1)(C) of section 6721are  
10 each amended by striking “\$150,000” and inserting  
11 “\$1,000,000”.

12 (d) AGGREGATE ANNUAL LIMITATIONS FOR PER-  
13 SONS WITH GROSS RECEIPTS OF NOT MORE THAN  
14 \$5,000,000.—Paragraph (1) of section 6721(d) is amend-  
15 ed—

16 (1) by striking “\$100,000” in subparagraph  
17 (A) and inserting “\$500,000”,

18 (2) by striking “\$25,000” in subparagraph (B)  
19 and inserting “\$100,000”, and

20 (3) by striking “\$50,000” in subparagraph (C)  
21 and inserting “\$250,000”.

22 (e) PENALTY IN CASE OF INTENTIONAL DIS-  
23 REGARD.—Paragraph (2) of section 6721(e) is amended  
24 by striking “\$100” and inserting “\$250”.

1 (f) FAILURE TO FURNISH CORRECT PAYEE STATE-  
2 MENTS.—

3 (1) IN GENERAL.—Subsection (a) of section  
4 6722 is amended by striking “\$50” and inserting  
5 “\$100”.

6 (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
7 sections (a) and (c)(2)(A) of section 6722 are each  
8 amended by striking “\$100,000” and inserting  
9 “\$500,000”.

10 (3) PENALTY IN CASE OF INTENTIONAL DIS-  
11 REGARD.—Paragraph (1) of section 6722(c) is  
12 amended by striking “\$100” and inserting “\$250”.

13 (g) FAILURE TO COMPLY WITH OTHER INFORMA-  
14 TION REPORTING REQUIREMENTS.—Section 6723 is  
15 amended—

16 (1) by striking “\$50” and inserting “\$100”,  
17 and

18 (2) by striking “\$100,000” and inserting  
19 “\$500,000”.

20 (h) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply with respect to information returns  
22 required to be filed on or after January 1, 2009.

1 **SEC. 3094. INCREASE IN PENALTY FOR FAILURE TO FILE S**  
2 **CORPORATION RETURNS.**

3 (a) IN GENERAL.—Paragraph (1) of section 6699(b)  
4 (relating to amount per month) is amended by striking  
5 “\$85” and inserting “\$100”.

6 (b) EFFECTIVE DATE.—The amendment made by  
7 this section shall apply to returns the due date for the  
8 filing of which (including extensions) is after the date of  
9 the enactment of this Act.

10 **SEC. 3095. INCREASE IN PENALTY FOR FAILURE TO FILE**  
11 **PARTNERSHIP RETURNS.**

12 (a) INCREASE IN PENALTY AMOUNT.—Paragraph (1)  
13 of section 6698(b) (relating to amount per month) is  
14 amended by striking “\$85” and inserting “\$100”.

15 (b) EFFECTIVE DATE.—The amendment made by  
16 this section shall apply to returns the due date for the  
17 filing of which (including extensions) is after the date of  
18 the enactment of this Act.

19 **SEC. 3096. INCREASE IN MINIMUM PENALTY ON FAILURE**  
20 **TO FILE A RETURN OF TAX.**

21 (a) IN GENERAL.—Subsection (a) of section 6651, as  
22 amended by section 303(a) of the Heroes Earnings Assist-  
23 ance and Relief Tax Act of 2008, is amended by striking  
24 “\$135” in the last sentence and inserting “\$225”.

25 (b) EFFECTIVE DATE.—The amendment made by  
26 this section shall apply to returns the due date for the

- 1 filing of which (including extensions) is after the date of
- 2 the enactment of this Act.