To amend the Internal Revenue Code of 1986 to reform the low-income housing credit, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Ms. CANTWELL introduced the following bill; which was read twice and referred to the Committee on ____________________

A BILL

To amend the Internal Revenue Code of 1986 to reform the low-income housing credit, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the "Affordable Housing Credit Improvement Act of 2016".

(b) Table of Contents.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—REFORM OF STATE ALLOCATION FORMULAS

Sec. 101. Increases in State allocations.

TITLE II—REFORMS RELATING TO TENANT ELIGIBILITY
Sec. 201. Average income test.
Sec. 203. Codification of rules relating to increased tenant income.
Sec. 204. Modification of student occupancy rules.
Sec. 205. Tenant voucher payments taken into account as rent for certain purposes.

TITLE III—CREDIT RATE AND OTHER RULES RELATING TO CREDIT ELIGIBILITY AND DETERMINATION

Sec. 301. Minimum credit rate.
Sec. 302. Reconstruction or replacement period after casualty loss.
Sec. 303. Modification of rights relating to building purchase.
Sec. 304. Modification of 10-year rule; limitation on acquisition basis.
Sec. 305. Certain relocation costs taken into account as rehabilitation expenditures.
Sec. 306. Repeal of qualified census tract population cap.
Sec. 307. Determination of community revitalization plan to be made by State housing credit agency.
Sec. 308. Prohibition of local approval and contribution requirements.
Sec. 309. Increase in credit for certain projects designated to serve extremely low-income households.
Sec. 310. Increase in credit for bond-financed projects designated by State agency.
Sec. 311. Elimination of basis reduction for low-income housing properties receiving certain energy benefits.

TITLE IV—REFORMS RELATING TO NATIVE AMERICAN ASSISTANCE

Sec. 401. Selection criteria under qualified allocation plans.
Sec. 402. Inclusion of Indian areas as difficult development areas for purposes of certain buildings.

TITLE V—AFFORDABLE HOUSING TAX CREDIT

Sec. 501. Affordable housing tax credit.

1 TITLE I—REFORM OF STATE ALLOCATION FORMULAS

2 SEC. 101. INCREASES IN STATE ALLOCATIONS.

3 (a) PHASE-IN OF INCREASES.—

4 (1) IN GENERAL.—Clause (ii) of section 42(h)(3)(C) of the Internal Revenue Code of 1986 is amended—
(A) by striking “$1.75” in subclause (I) and inserting “the per capita dollar amount”, and

(B) by striking “$2,000,000” in subclause (II) and inserting “the minimum ceiling amount”.

(2) PER CAPITA DOLLAR AMOUNT; MINIMUM CEILING AMOUNT.—Subparagraph (I) of section 42(h)(3) of such Code is amended to read as follows:

“(I) PER CAPITA DOLLAR AMOUNT; MINIMUM CEILING AMOUNT.—For purposes of this paragraph—

“(i) PER CAPITA DOLLAR AMOUNT.—

The per capita dollar amount is—

“(I) for calendar year 2016, $2.35,

“(II) for calendar year 2017, $2.59,

“(III) for calendar year 2018, $2.82,

“(IV) for calendar year 2019, $3.06,

“(V) for calendar year 2020, $3.29, and

“(VI) $3.53 thereafter.
“(ii) MINIMUM CEILING AMOUNT.—

The minimum ceiling amount is—

“(I) for calendar year 2016, $2,690,000,

“(II) for calendar year 2017, $2,959,000,

“(III) for calendar year 2018, $3,228,000,

“(IV) for calendar year 2019, $3,497,000,

“(V) for calendar year 2020, $3,766,000, and

“(VI) $4,035,000 thereafter.”.

(3) MODIFICATION OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (II) of section 42(h)(3) of such Code is amended—

(A) by striking “2002” in clause (i) and inserting “2016”,

(B) by striking “the $2,000,000 and $1.75 amounts in subparagraph (C)” in clause (i) and inserting “the dollar amounts applicable to such calendar year under clauses (i) and (ii) of subparagraph (I)”,

(C) by striking “2001” in clause (i)(II) and inserting “2015”,

...
(D) by striking “$2,000,000” in clause (ii)(I) and inserting “minimum ceiling”, and

(E) by striking “$1.75” in clause (ii)(II)

and inserting “per capita dollar”.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to calendar years beginning after December 31, 2016.

(b) PERMANENT INCREASES.—

(1) IN GENERAL.—Clause (ii) of section 42(h)(3)(C) of the Internal Revenue Code of 1986, as amended by subsection (a)(1), is amended—

(A) by striking “the per capita dollar amount” in subclause (I) and inserting “$3.53”, and

(B) by striking “the minimum ceiling amount” in subclause (II) and inserting “$4,035,000”.

(2) CONFORMING AMENDMENT.—Paragraph (3) of section 42(h) of such Code is amended by striking subparagraph (I), as amended by subsection (a)(2).

(3) COST-OF-LIVING ADJUSTMENT.—Subparagraph (II) of section 42(h)(3) of such Code, as amended by subsection (a)(3), is amended—

(A) by striking “the dollar amounts applicable to such calendar year under clauses (i)
and (ii) of subparagraph (I)” in clause (i) and inserting “the $4,035,000 and $3.53 amounts in subparagraph (C),

(B) by striking “minimum ceiling” in clause (ii)(I) and inserting “$4,035,000”, and

(C) by striking “per capita dollar” in clause (ii)(II) and inserting “$3.53”.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to calendar years beginning after December 31, 2021.

TITLE II—REFORMS RELATING TO TENANT ELIGIBILITY

SEC. 201. AVERAGE INCOME TEST.

(a) IN GENERAL.—Paragraph (1) of section 42(g) of the Internal Revenue Code of 1986 is amended—

(1) by striking “subparagraph (A) or (B)” and inserting “subparagraph (A), (B), or (C)”, and

(2) by inserting after subparagraph (B) the following new subparagraph:

“(C) AVERAGE INCOME TEST.—

“(i) IN GENERAL.—The project meets the minimum requirements of this subparagraph if 40 percent or more (25 percent or more in the case of a project described in section 142(d)(6)) of the resi-
dential units in such project are both rent-
restricted and occupied by individuals
whose income does not exceed the imputed
income limitation designated by the tax-
payer with respect to the respective unit.

“(ii) Special rules relating to
income limitation.—For purposes of
clause (i)—

“(I) Designation.—The tax-
payer shall designate the imputed in-
come limitation of each unit taken
into account under such clause.

“(II) Average test.—The aver-
age of the imputed income limitations
designated under subclause (I) shall
not exceed 60 percent of area median
gross income.

“(III) 10-percent incre-
ments.—The designated imputed in-
come limitation of any unit under sub-
clause (I) shall be 20 percent, 30 per-
cent, 40 percent, 50 percent, 60 per-
cent, 70 percent, or 80 percent of
area median gross income.”.
(b) Rules Relating to Next Available Unit.—

Subparagraph (D) of section 42(g)(2) of the Internal Revenue Code of 1986 is amended—

(1) in clause (i), by striking "clause (ii)" and inserting "clauses (ii), (iii), and (iv)",

(2) in clause (ii)—

(A) by striking "If" and inserting "In the case of a project with respect to which the taxpayer elects the requirements of subparagraph (A) or (B) of paragraph (1), if",

(B) by striking the second sentence, and

(C) by striking "NEXT AVAILABLE UNIT MUST BE RENTED TO LOW-INCOME TENANT IF INCOME RISES ABOVE 140 PERCENT OF INCOME LIMIT" in the heading and inserting "RENTAL OF NEXT AVAILABLE UNIT IN CASE OF 20-50 OR 40-60 TEST", and

(3) by adding at the end the following new clauses:

"(iii) RENTAL OF NEXT AVAILABLE UNIT IN CASE OF AVERAGE INCOME TEST.—In the case of a project with respect to which the taxpayer elects the requirements of subparagraph (C) of paragraph (1), if the income of the occupants
of the unit increases above 140 percent of
the greater of—

“(I) 60 percent of area median
gross income, or

“(II) the imputed income limitation designated with respect to the
unit under paragraph (1)(C)(ii)(I),

clause (i) shall cease to apply to any such
unit if any residential rental unit in the
building (of a size comparable to, or small-
er than, such unit) is occupied by a new
resident whose income exceeds the limitation described in clause (v).

“(iv) Deep Rent Skewed
Projects.—In the case of a project de-
scribed in section 142(d)(4)(B), clause (ii)
or (iii), whichever is applicable, shall be
applied by substituting ‘170 percent’ for
‘140 percent’, and—

“(I) in the case of clause (ii), by
substituting ‘any low-income unit in
the building is occupied by a new resi-
dent whose income exceeds 40 percent
of area median gross income’ for ‘any
residential rental unit’ and all that follows in such clause, and

“(II) in the case of clause (iii), by substituting ‘any low-income unit in the building is occupied by a new resident whose income exceeds the lesser of 40 percent of area median gross income or the imputed income limitation designated with respect to such unit under paragraph (1)(C)(ii)(I)’ for ‘any residential rental unit’ and all that follows in such clause.

“(v) LIMITATION DESCRIBED.—For purposes of clause (iii), the limitation described in this clause with respect to any unit is—

“(I) the imputed income limitation designated with respect to such unit under paragraph (1)(C)(ii)(I), in the case of a unit which was taken into account as a low-income unit prior to becoming vacant, and

“(II) the imputed income limitation which would have to be des-
designated with respect to such unit under such paragraph in order for the project to continue to meet the requirements of paragraph (1)(C)(ii)(II), in the case of any other unit.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to elections made under section 42(g)(1) of the Internal Revenue Code of 1986 after the date of the enactment of this Act.

SEC. 202. UNIFORM INCOME ELIGIBILITY FOR RURAL PROJECTS.

(a) IN GENERAL.—Paragraph (8) of section 42(i) of the Internal Revenue Code of 1986 is amended by striking the second sentence.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2016.

SEC. 203. CODIFICATION OF RULES RELATING TO INCREASED TENANT INCOME.

(a) IN GENERAL.—Clause (i) of section 42(g)(2)(D) of the Internal Revenue Code of 1986, as amended by this Act, is amended by striking “clauses (ii), (iii), and (iv)” and all that follows and inserting “clauses (ii), (iii), (iv), and (vi), notwithstanding an increase in the income of the
occupants above the income limitation applicable under paragraph (1)—

“(I) a low-income unit shall continue to be treated as a low-income unit if the income of such occupants initially was 60 percent or less of area median gross income and such unit continues to be rent-restricted, and

“(II) a unit to which, at the time of initial occupancy by such occupants, any Federal, State, or local government income restriction applied, and which subsequently becomes part of a building with respect to which rehabilitation expenditures are taken into account under subsection (e), shall be treated as a low-income unit if the income of such occupants initially was 60 percent or less of area median gross income and does not exceed 120 percent of area median gross income as of the date of acquisition of the property by the taxpayer.”.

(b) EXCEPTION.—Subparagraph (D) of section 42(g)(2) of the Internal Revenue Code of 1986, as amend-
ed by this Act, is amended by adding at the end the fol-
lowing new clause:

“(vi) Exception to rule relating

to increased tenant income.—In the
case of an occupant of a low-income unit
who initially qualified to occupy such unit
by reason of paragraph (1)(C) with an in-
come in excess of 60 percent of area me-
dian gross income but not in excess of 80
percent of area median gross income,
clause (i) shall be applied for substituting
‘80 percent’ for ‘60 percent’ each place it
appears.”.

(e) Effective Date.—The amendments made by
this section shall apply to taxable years beginning after
December 31, 2015.

SEC. 204. MODIFICATION OF STUDENT OCCUPANCY RULES.

(a) In general.—Subparagraph (D) of section
42(i)(3) of the Internal Revenue Code of 1986 is amended
to read as follows:

“(D) Rules relating to students.—

“(i) In general.—A unit occupied
solely by individuals who—

“(I) have not attained age 24,
and
“(II) are enrolled in a full-time course of study at an institution of higher education (as defined in section 3304(f)),

shall not be treated as a low-income unit.

“(ii) Exception for certain federal programs.—In the case of a federally-assisted building (as defined in subsection (d)(6)(C)(i)), clause (i) shall not apply to a unit the occupants of which meet all requirements applicable under the housing program described in subsection (d)(6)(C)(i) through which the building is assisted, financed, or operated.

“(iii) Other exceptions.—Clause (i) shall not apply to a unit occupied by an individual who—

“(I) is married,

“(II) is a person with disabilities (as defined in section 3(b)(3)(E) of the United States Housing Act of 1937),

“(III) is a veteran (as defined in section 101(2) of title 38, United States Code),
“(IV) has 1 or more qualifying children (as defined in section 152(e)), or

“(V) meets the income limitation applicable under subsection (g)(1) to the project of which the building is a part and is, or was immediately prior to attaining the age of majority—

“(aa) an emancipated minor or in legal guardianship as determined by a court of competent jurisdiction in the individual’s State of legal residence,

“(bb) under the care and placement responsibility of the State agency responsible for administering a plan under part B or part E of title IV of the Social Security Act, or

“(cc) was an unaccompanied youth (within the meaning of section 725(6) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a(6))) or a homeless child or youth (within
the meaning of section 725(2) of such Act (42 U.S.C. 11434a(2))).''.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2016.

SEC. 205. TENANT VOUCHER PAYMENTS TAKEN INTO ACCOUNT AS RENT FOR CERTAIN PURPOSES.

(a) In General.—Subparagraph (B) of section 42(g)(2) is amended by adding at the end the following new sentence: “In the case of a project with respect to which the taxpayer elects the requirements of subparagraph (C) of paragraph (1), or the portion of a project to which subsection (d)(5)(C) applies, clause (i) shall not apply with respect to any tenant-based assistance (as defined in section 8(f)(7) of the United States Housing Act of 1937 (42 U.S.C. 1437f(f)(7))).”.

(b) Effective Date.—The amendments made by this section shall apply to rent paid in taxable years beginning after December 31, 2016.
TITLE III—CREDIT RATE AND OTHER RULES RELATING TO CREDIT ELIGIBILITY AND DETERMINATION

SEC. 301. MINIMUM CREDIT RATE.

(a) In General.—Subsection (b) of section 42 of the Internal Revenue Code of 1986 is amended—

(1) by redesignating paragraph (3) as paragraph (4), and

(2) by inserting after paragraph (2) the following new paragraph:

“(3) Minimum credit rate.—In the case of any new or existing building to which paragraph (2) does not apply and which is placed in service by the taxpayer after December 31, 2015, the applicable percentage shall not be less than 4 percent.”.

(b) Effective Date.—The amendments made by this section shall apply to buildings placed in service after December 31, 2015.

SEC. 302. RECONSTRUCTION OR REPLACEMENT PERIOD AFTER CASUALTY LOSS.

(a) In General.—Subparagraph (E) of section 42(j)(4) of the Internal Revenue Code of 1986 is amended by striking “a reasonable period established by the Secretary” and inserting “a reasonable period established by
the applicable housing credit agency (not to exceed 25
months from the date on which the casualty loss arises).
The determination under paragraph (1) shall not be made
with respect to a property the basis of which is affected
by a casualty loss until the period described in the pre-
ceeding sentence with respect to such property has ex-
pired.”.

(b) Effective Date.—The amendment made by
this section shall apply to casualty losses arising after the
date of the enactment of this Act.

SEC. 303. MODIFICATION OF RIGHTS RELATING TO BUILD-
ING PURCHASE.

(a) In General.—Subparagraph (A) of section
42(i)(7) of the Internal Revenue Code of 1986 is amend-
ed—

(1) by striking “a right of 1st refusal” and in-
serting “an option”, and

(2) by striking “the property” and inserting
“the property or a partnership interest relating to
the property”.

(b) Conforming Amendment.—Subparagraph (B)
of section 42(i)(7) of the Internal Revenue Code of 1986
is amended by adding at the end the following new sen-
tence: “In the case of a purchase of a partnership interest,
the minimum purchase price is an amount equal to such
interest’s ratable share of the amount determined under
the first sentence of this subparagraph.”.

(c) EFFECTIVE DATE.—The amendments made by
this section shall apply to agreements entered into or
amended after the date of the enactment of this Act.

SEC. 304. MODIFICATION OF 10-YEAR RULE; LIMITATION ON
ACQUISITION BASIS.

(a) IN GENERAL.—Clause (ii) of section 42(d)(2)(B)
of the Internal Revenue Code of 1986 is amended by in-
serting “, or the taxpayer elects the application of sub-
paragraph (C)(ii)” after “service”.

(b) LIMITATION ON ACQUISITION BASIS.—Subpara-
graph (C) of section 42(d)(2) of the Internal Revenue
Code of 1986 is amended—

(1) by striking “For purposes of subparagraph
(A), the adjusted basis” and inserting “For pur-
poses of subparagraph (A)—

“(i) IN GENERAL.—The adjusted
basis”, and

(2) by adding at the end the following new
clauses:

“(ii) BUILDINGS IN SERVICE WITHIN
PREVIOUS 10 YEARS.—If the period be-
tween the date of acquisition of the build-
ing by the taxpayer and the date the build-
ing was last placed in service is less than
10 years, the taxpayer’s basis attributable
to the acquisition of the building which is
taken into account in determining the ad-
justed basis shall not exceed the sum of—

“(I) the lowest amount paid for
acquisition of the building by any per-
son during the 10 years preceding the
date of the acquisition of the building
by the taxpayer, adjusted as provided
in clause (iii), and

“(II) the value of any capital im-
provements made by the person who
sells the building to the taxpayer
which are reflected in such seller’s
basis.

“(iii) ADJUSTMENT.—With respect to
a basis determination made in any taxable
year, the amount described in clause (ii)(I)
shall be increased by an amount equal to—

“(I) such amount, multiplied by

“(II) a cost-of-living adjustment,
determined in the same manner as
under section 1(f)(3) for the calendar
year in which the taxable year begins
by taking into account the acquisition
year in lieu of calendar year 1992.

For purposes of the preceding sentence,
the acquisition year is the calendar year in
which the lowest amount referenced in
clause (ii)(I) was paid for the acquisition
of the building.”.

(c) CONFORMING AMENDMENTS.—Clause (i) of sec-
tion 42(d)(2)(D) of the Internal Revenue Code of 1986
is amended—

(1) by striking “FOR SUBPARAGRAPH (B)” in
the heading, and

(2) by striking “subparagraph (B)(ii)” in the
matter preceding subclause (I) and inserting “sub-
paragraph (B)(ii) or (C)(ii)”.

(d) EFFECTIVE DATE.—The amendments made by
this section shall apply to buildings placed in service after
December 31, 2015.

SEC. 305. CERTAIN RELOCATION COSTS TAKEN INTO AC-
COUNT AS REHABILITATION EXPENDITURES.

(a) IN GENERAL.—Paragraph (2) of section 42(e) of
the Internal Revenue Code of 1986 is amended by adding
at the end the following new subparagraph:

“(C) CERTAIN RELOCATION COSTS.—In
the case of a rehabilitation of a building to
which section 280B does not apply, costs relating to the relocation of occupants, including—

“(i) amounts paid to occupants,

“(ii) amounts paid to third parties for services relating to such relocation, and

“(iii) amounts paid for temporary housing for occupants,

shall be treated as chargeable to capital account and taken into account as rehabilitation expenditures.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenditures paid or incurred after December 31, 2015.

SEC. 306. REPEAL OF QUALIFIED CENSUS TRACT POPULATION CAP.

(a) IN GENERAL.—Clause (ii) of section 42(d)(5)(B) of the Internal Revenue Code of 1986 is amended—

(1) by striking subclauses (II) and (III), and

(2) by striking “QUALIFIED CENSUS TRACT.—

“(I) IN GENERAL.—The term”,

and inserting “QUALIFIED CENSUS TRACT.—The term”.

(b) TECHNICAL CORRECTIONS.—Sections 42(d)(4)(C)(i) and 42(m)(1)(B)(ii)(III) of the Internal Revenue Code of 1986 are each amended by striking “as
defined in paragraph (5)(C)” and inserting “as defined in paragraph (5)(B)(ii)”.

(c) Effective Date.—The amendment made by subsection (a) shall apply to designations of qualified census tracts under section 42(d)(5)(B)(ii) of the Internal Revenue Code of 1986 after December 31, 2016.

**SEC. 307. DETERMINATION OF COMMUNITY REVITALIZATION PLAN TO BE MADE BY STATE HOUSING CREDIT AGENCY.**

(a) In General.—Subclause (III) of section 42(m)(1)(B)(ii) of the Internal Revenue Code of 1986 is amended by inserting “, as determined by the State housing credit agency,” after “the development of which”.

(b) Effective Date.—The amendment made by this section shall apply to allocations of housing credit dollar amounts made after December 31, 2016.

**SEC. 308. PROHIBITION OF LOCAL APPROVAL AND CONTRIBUTION REQUIREMENTS.**

Not later than 120 days after the date of the enactment of this Act, the Secretary of the Treasury shall issue guidance prohibiting States from including a requirement of local approval or local contributions, either as a threshold qualification requirement or as part of a point system to be considered for allocations of housing credit dollar amount under the State’s qualified allocation plan for pur-
poses of section 42(m)(1)(B) of the Internal Revenue Code
of 1986 (other than the requirement of section
42(m)(1)(A)(ii) of such Code).

SEC. 309. INCREASE IN CREDIT FOR CERTAIN PROJECTS
DESIGNATED TO SERVE EXTREMELY LOW-INCOME HOUSEHOLDS.

(a) In General.—Paragraph (5) of section 42(d) of
the Internal Revenue Code of 1986 is amended by adding
at the end the following new subparagraph:

“(C) INCREASE IN CREDIT FOR PROJECTS
DESIGNATED TO SERVE EXTREMELY LOW-INCOME HOUSEHOLDS.—In the case of any build-
ing—

“(i) 20 percent or more of the resi-
dential units in which are designated by
the taxpayer for occupancy by households
the aggregate household income of which
does not exceed the greater of—

“(I) 30 percent of area median
gross income, or

“(II) 100 percent of an amount
equal to the Federal poverty line
(within the meaning of section
36B(d)(3)), and
“(ii) which is designated by the State housing credit agency as requiring the increase in credit under this subparagraph in order for such building to be financially feasible as part of a qualified low-income housing project,

subparagraph (B) shall not apply to the portion of such building which is comprised of such units, and the eligible basis of such portion of the building shall be 150 percent of such basis determined without regard to this subparagraph.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to buildings placed in service after December 31, 2015.

SEC. 310. INCREASE IN CREDIT FOR BOND-FINANCED PROJECTS DESIGNATED BY STATE AGENCY.

(a) IN GENERAL.—Clause (v) of section 42(d)(5)(B) is amended by striking the second sentence.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to buildings placed in service after December 31, 2015.
SEC. 311. ELIMINATION OF BASIS REDUCTION FOR LOW-INCOME HOUSING PROPERTIES RECEIVING CERTAIN ENERGY BENEFITS.

(a) New Energy Efficient Home Credit.—Subsection (e) of section 45L of the Internal Revenue Code of 1986 is amended—

(1) by striking “ADJUSTMENT.—For purposes” and inserting “ADJUSTMENT.—

“(1) IN GENERAL.—For purposes”, and

(2) by adding at the end the following new paragraph:

“(2) Exception for low-income housing properties.—Paragraph (1) shall not apply to any property with respect to which a credit is allowed under section 42.”.

(b) Energy Efficient Commercial Buildings Deduction.—Subsection (e) of section 179D of the Internal Revenue Code of 1986 is amended—

(1) by striking “REDUCTION.—For purposes” and inserting “REDUCTION.—

“(1) IN GENERAL.—For purposes”, and

(2) by adding at the end the following new paragraph:

“(2) Exception for low-income housing properties.—Paragraph (1) shall not apply to any
property with respect to which a credit is allowed under section 42.”.

(c) ENERGY CREDIT.—Paragraph (3) of section 50(c) of the Internal Revenue Code of 1986 is amended—

(1) by striking “and” at the end of subparagraph (A),

(2) by striking the period at the end of subparagraph (B) and inserting “, and”, and

(3) by adding at the end the following new subparagraph:

“(C) paragraph (1) shall not apply to any property with respect to which a credit is allowed under section 42.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2015.

TITLE IV—REFORMS RELATING TO NATIVE AMERICAN ASSISTANCE

SEC. 401. SELECTION CRITERIA UNDER QUALIFIED ALLOCATION PLANS.

(a) IN GENERAL.—Subparagraph (C) of section 42(m)(1) of the Internal Revenue Code of 1986 is amended by striking “and” at the end of clause (ix), by striking
the period at the end of clause (x) and inserting ‘‘, and’’,
and by adding at the end the following new clause:

“(xi) the affordable housing needs of
individuals in the State who are members
of Indian tribes (as defined in section
45A(c)(6)).’’.

(b) Effective Date.—The amendments made by
this section shall apply to allocations of credits under sec-
tion 42 of the Internal Revenue Code of 1986 made after
December 31, 2016.

SEC. 402. INCLUSION OF INDIAN AREAS AS DIFFICULT DE-
VELOPMENT AREAS FOR PURPOSES OF CER-
TAIN BUILDINGS.

(a) In General.—Subclause (I) of section
42(d)(5)(B)(iii) of the Internal Revenue Code of 1986 is
amended by inserting before the period the following: ‘‘,
and any Indian area’’.

(b) Indian Area.—Clause (iii) of section
42(d)(5)(B) of the Internal Revenue Code of 1986 is
amended by redesignating subclause (II) as subclause
(III) and by inserting after subclause (I) the following new
subclause:

“(II) Indian Area.—For pur-
poses of subclause (I), the term ‘In-
dian area’ means any Indian area (as
defined in section 4(11) of the Native American Housing Assistance and Self Determination Act of 1996 (25 U.S.C. 4103(11)).”.

(c) Eligible Buildings.—Clause (iii) of section 42(d)(5)(B) of the Internal Revenue Code of 1986, as amended by subsection (b), is amended by adding at the end the following new subclause:

“(IV) Special rule for buildings in Indian areas.—In the case of an area which is a difficult development area solely because it is an Indian area, a building shall not be treated as located in such area unless such building is assisted or financed under the Native American Housing Assistance and Self Determination Act of 1996 (25 U.S.C. 4101 et seq.) or the project sponsor is an Indian tribe (as defined in section 45A(c)(6)), a tribally designated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 4103(22))), or wholly owned or controlled by such an
Indian tribe or tribally designated
housing entity.”.

(d) EFFECTIVE DATE.—The amendments made by
this section shall apply to buildings placed in service after
December 31, 2016.

TITLE V—AFFORDABLE
HOUSING TAX CREDIT

SEC. 501. AFFORDABLE HOUSING TAX CREDIT.

(a) IN GENERAL.—The heading of section 42 of the
Internal Revenue Code of 1986 is amended by striking
“LOW-INCOME” and inserting “AFFORDABLE”.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 42 of the Internal
Revenue Code of 1986 is amended by striking “low-
income” and inserting “affordable”.

(2) Paragraph (5) of section 38(b) of such Code
is amended by striking “low-income” and inserting
“affordable”.

(3) The heading of subparagraph (D) of section
469(i)(3) of such Code is amended by striking
“LOW-INCOME” and inserting “AFFORDABLE”.

(4) The heading of subparagraph (B) of section
469(i)(6) of such Code is amended by striking
“LOW-INCOME” and inserting “AFFORDABLE”.
(5) Paragraph (7) of section 772(a) of such Code is amended by striking “low-income” and inserting “affordable”.

(6) Paragraph (5) of section 772(d) of such Code is amended by striking “low-income” and inserting “affordable”.

(c) CLERICAL AMENDMENT.—The item relating to section 42 in the table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended to read as follows:

“Sec. 42. Affordable housing credit.”.