I

119TH CONGRESS
1ST SESSION

H. R. 2725

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

IN THE HOUSE OF REPRESENTATIVES

APRIL 8, 2025

Mr. LAHOOD (for himself, Ms. DELBENE, Ms. TENNEY, Mr. BEYER, Mr. FEENSTRA, Mr. PANETTA, Mr. BUCHANAN, Mr. LARSON of Connecticut, Mr. KELLY of Pennsylvania, Mr. DAVIS of Illinois, Mr. ESTES, Ms. SÁNCHEZ, Mrs. MILLER of West Virginia, Ms. SEWELL, Mr. MURPHY, Ms. CHU, Mr. KUSTOFF, Ms. MOORE of Wisconsin, Mr. FITZPATRICK, Mr. EVANS of Pennsylvania, Mr. MOORE of Utah, Mr. SCHNEIDER, Ms. MALLIOTAKIS, Mr. GOMEZ, Mr. CAREY, Mr. HORSFORD, Mr. YAKYM, Mr. SUOZZI, Mr. MILLER of Ohio, Mr. LIEU, Mr. EMMER, Mr. NEGUSE, Mr. HUDSON, Mr. MRVAN, Mr. RESCHENTHALER, Ms. MCCOLLUM, Mrs. HOUCHIN, Ms. MCBRIDE, Mr. FLOOD, Ms. KELLY of Illinois, Mr. FINSTAD, Ms. SCHAKOWSKY, Mr. KILEY of California, Ms. OMAR, Ms. SALAZAR, Mr. PETERS, Mr. HUIZENGA, Mrs. RAMIREZ, Mr. BALDERSON, Ms. BUDZINSKI, Mr. MOOLENAAR, Mr. PAPPAS, Mr. GOODEN, Mrs. BEATTY, Mr. LAMALFA, Mr. GARCIA of California, Mr. BERGMAN, Ms. GOODLANDER, Mr. FLEISCHMANN, Mrs. DINGELL, Mrs. KIM, Mr. CASTEN, Mr. GARBARINO, Ms. DEGETTE, Mr. COLE, Mr. VARGAS, Mr. VALADAO, Ms. BARRAGÁN, Mr. CARTER of Georgia, Ms. TLAIB, Mr. WALBERG, Mr. BERA, Mr. CALVERT, Mr. COSTA, Mr. ROUZER, Ms. HOULAHAN, Mr. BARR, Mr. FOSTER, Mr. LAWLER, Mr. QUIGLEY, Mr. GUEST, Ms. DEAN of Pennsylvania, Mr. TAYLOR, Mr. GOLDMAN of New York, Mr. EVANS of Colorado, Mr. MORELLE, Ms. MALOY, Mr. TORRES of New York, Mr. ZINKE, Mr. CROW, Mr. SESSIONS, Ms. PETTERSEN, Mr. ISSA, Mr. MULLIN, Mr. NUNN of Iowa, Mr. VASQUEZ, Mr. LANGWORTHY, Ms. STEVENS, Mr. GUTHRIE, Mr. CLEAVER, Mrs. HINSON, Mr. DELUZIO, Mr. WITTMAN, Mr. MAGAZINER, Mr. JOHNSON of South Dakota, Ms. MATSUI, Mrs. KIGGANS of Virginia, Mr. THANEDAR, Mr. COMER, Mrs. MCIVER, Mr. ROGERS of Kentucky, Mr. AMO, Mr. MANN, Ms. BALINT, Mr. BOST, Mr. HUFFMAN, Mr. EZELL, Ms. CRAIG, and Mr. STAUBER) introduced the following bill; which was referred to the Committee on Ways and Means

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 2025".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

TITLE I—REFORM OF STATE ALLOCATION FORMULAS

SEC. 101. INCREASES IN STATE ALLOCATIONS.

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

(1) in subclause (I), by striking "$1.75" and inserting "the per capita amount", and

(2) in subclause (II), by striking "$2,000,000" and inserting "the minimum amount".

(b) PER CAPITA AMOUNT; MINIMUM AMOUNT.—Section 42(h)(3) of the Internal Revenue Code of 1986 is amended by striking subparagraphs (H) and (I) and inserting the following:

"(H) PER CAPITA AMOUNT.—For purposes of subparagraph (C)(ii)(I), the per capita amount shall be determined as follows:

"(i) CALENDAR YEAR 2025.—For calendar year 2025, the per capita amount is $4.25.

"(ii) CALENDAR YEAR 2026.—For calendar year 2026, the per capita amount is the product of—

"(I) 1.25, and

"(II) the dollar amount under clause (i) increased by an amount equal to—

"(aa) such dollar amount, multiplied by

"(bb) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2024' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

If the amount determined after application of the preceding sentence is not a multiple of $5,000, such amount shall be rounded to the next lowest multiple of $5,000.

"(iii) CALENDAR YEARS AFTER 2026.—In the case of any calendar year after 2026, the per capita amount is the dollar amount determined under clause (ii) increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

Any amount increased under the preceding sentence which is not a multiple of 5 cents shall be rounded to the next lowest multiple of 5 cents.

"(I) MINIMUM AMOUNT.—For purposes of subparagraph (C)(ii)(II), the minimum amount shall be determined as follows:

"(i) CALENDAR YEAR 2025.—For calendar year 2025, the minimum amount is $4,876,000.

"(ii) CALENDAR YEAR 2026.—For calendar year 2026, the minimum amount is the product of—

"(I) 1.25, and

"(II) the dollar amount under clause (i) increased by an amount equal to—

"(aa) such dollar amount, multiplied by

"(bb) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2024' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

If the amount determined after application of the preceding sentence is not a multiple of 5 cents, such amount shall be rounded to the next lowest multiple of 5 cents.

"(iii) CALENDAR YEARS AFTER 2026.—In the case of any calendar year after 2026, the minimum amount is the dollar amount determined under clause (ii) increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

Any amount increased under the preceding sentence which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 2024.

TITLE II—REFORMS RELATING TO TENANT ELIGIBILITY

SEC. 201. AVERAGE INCOME TEST APPLICABILITY TO EXEMPT FACILITY BONDS.

(a) IN GENERAL.—Paragraph (1) of section 142(d) of the Internal Revenue Code of 1986 is amended—

(1) by striking "(A) or (B)" and inserting "(A), (B), or (C)", and

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

"(C) AVERAGE INCOME TEST.—A project meets the requirements of this subparagraph if it meets the minimum requirements of section 42(g)(1)(C).".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to elections made under section 142(d)(1) of the Internal Revenue Code of 1986 after March 23, 2018.

SEC. 202. 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 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 amended by this Act, is further amended by adding at the end the following 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 income in excess of 60 percent of area median 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.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2024.

SEC. 203. 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 all of the occupants of which meet all applicable requirements under the housing program described in such subsection through which the building is assisted, financed, or operated.

"(iii) OTHER EXCEPTIONS.—An individual shall not be treated as described in clause (i) if the individual meets the income limitation applicable under subsection (g)(1) to the project of which the building is a part and—

"(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(c)),

"(V) is or has been a victim or threatened victim of domestic violence, dating violence, sexual assault, or stalking (as defined in section 40002 of the Violence Against Women Act of 1994),

"(VI) is or has been a victim of any form of human trafficking, or

"(VII) is, or was 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) 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))).

For purposes of subclause (VI), an individual is or has been a victim of human trafficking if such individual was subjected to an act or practice described in paragraph (11) or (12) of section 103 of the Trafficking Victims Protection Act of 2000.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2025.

SEC. 204. TENANT VOUCHER PAYMENTS TAKEN INTO ACCOUNT AS RENT FOR CERTAIN PURPOSES.

(a) IN GENERAL.—Subparagraph (B) of section 42(g)(2) of the Internal Revenue Code of 1986 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, 2025.

SEC. 205. REQUIREMENT THAT LOW-INCOME HOUSING CREDIT-SUPPORTED HOUSING PROTECT VICTIMS OF DOMESTIC ABUSE.

(a) IN GENERAL.—Subparagraph (B) of section 42(h)(6) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of clause (v), by striking the period at the end of clause (vi) and inserting '', and'', and by adding at the end the following new clause:

''(vii) which—

''(I) prohibits the refusal to lease to, or termination of a lease by, a person solely on the basis of criminal activity directly relating to domestic violence, dating violence, sexual assault, or stalking that is engaged in by a member of the household of the tenant or any guest or other person under the control of the tenant, if the tenant or an affiliated individual of the tenant is the victim or threatened victim of such domestic violence, dating violence, sexual assault, or stalking, and

"(II) allows prospective, present, or former occupants of the building the right to enforce in any State court the prohibition of subclause (I).".

(b) BIFURCATION.—

(1) IN GENERAL.—Subparagraph (B) of section 42(h)(6) of the Internal Revenue Code of 1986, as amended by subsection (a), is further amended by adding at the end the following new flush sentence:

"For purposes of clause (vii)(I), rules similar to the rules of section 41411(b)(3)(B) of the Violence Against Women Act of 1994 shall apply with respect to the owner or manager of a building.".

(2) EFFECT OF BIFURCATION.—Paragraph (2) of section 42(g) of such Code is amended by adding at the end the following new subparagraph:

"(F) TREATMENT OF BIFURCATION IN CASES OF DOMESTIC VIOLENCE.—In any case in which—

"(i) an occupant is evicted or removed from a low-income unit because such occupant has engaged in criminal activity directly relating to domestic violence, dating violence, sexual assault, or stalking against an affiliated individual or other individual on the basis of criminal activity directly relating to domestic violence, dating violence, sexual assault, or stalking, and

"(ii) the lease on such unit is bifurcated as provided in the last sentence of subsection (h)(6)(B),

then the remaining occupants of such low-income unit shall not be treated as a new tenant for purposes of this section.".

(c) CLARIFICATION OF GENERAL PUBLIC USE REQUIREMENT.—Paragraph (9) of section 42(g) of the Internal Revenue Code of 1986 is amended by striking "or" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ", or", and by adding at the end the following new subparagraph:

"(D) who are victims or threatened victims of criminal activity directly relating to domestic violence, dating violence, sexual assault, or stalking.".

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to agreements executed or modified on or after the date that is 30 days after the date of the enactment of this Act.

(2) PUBLIC USE REQUIREMENT.—The amendments made by subsection (c) shall apply to buildings placed in service before, on, or after the date of the enactment of this Act.

SEC. 206. CLARIFICATION OF GENERAL PUBLIC USE REQUIREMENT RELATING TO VETERANS, ETC.

(a) IN GENERAL.—Paragraph (9) of section 42(g) of the Internal Revenue Code of 1986, as amended by section 205, is further amended by adding at the end the following flush language:

"Any veteran of the Armed Forces shall be treated as a member of a specified group under a Federal program for purposes of subparagraph (B).".

(b) QUALIFIED RESIDENTIAL RENTAL PROJECTS.—Paragraph (2) of section 142(d) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(F) CLARIFICATION OF GENERAL PUBLIC USE REQUIREMENT.—A unit shall not fail to meet the general public use requirement solely because of occupancy restrictions or preferences, if such restrictions or preferences meet the general public use requirement of section 42.".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to buildings placed in service before, on, or after the date of the enactment of this Act.

(2) QUALIFIED RESIDENTIAL RENTAL PROJECTS.—The amendment made by subsection (b) shall apply to bonds issued before, on, or after the date of the enactment of this Act.

TITLE III—RULES RELATING TO CREDIT ELIGIBILITY AND DETERMINATION

SEC. 301. RECONSTRUCTION OR REPLACEMENT PERIOD AFTER CASUALTY LOSS.

(a) NO RECAPTURE FOLLOWING CASUALTY LOSS.—Subparagraph (E) of section 42(j)(4) of the Internal Revenue Code of 1986 is amended to read as follows:

"(E) NO RECAPTURE BY REASON OF CASUALTY LOSS.—

"(i) IN GENERAL.—The increase in tax under this subsection shall not apply to a reduction in qualified basis by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the applicable housing credit agency, not to exceed 25 months from the date on which the qualified casualty loss arises.

"(ii) QUALIFIED CASUALTY LOSSES.—In the case of a qualified casualty loss, the period described in clause (i) may be extended, but not in excess of 12 months, if the applicable housing credit agency determines the qualified casualty arose by reason of an event which was not discrete to the building and which made a reconstruction or replacement within 25 months impractical. In the event the applicable housing credit agency determines a period in excess of 25 months is necessary for such reconstruction or replacement, the compliance period shall be increased by any such additional time.

"(iii) APPLICATION.—The determination under paragraph (1) shall not be made with respect to a property the basis of which is affected by a qualified casualty loss until the period described in clause (i) (as modified by clause (ii), if applicable) with respect to such property has expired.

"(iv) QUALIFIED CASUALTY LOSS.—For purposes of this subparagraph, the term 'qualified casualty loss' means a casualty loss that is the result of a federally declared disaster (as defined in section 165(i)(5)).".

(b) QUALIFIED BASIS FOLLOWING CASUALTY LOSS.—Paragraph (1) of section 42(c) of the Internal

Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(F) QUALIFIED BASIS FOLLOWING CASUALTY LOSS.—If a casualty causes the qualified basis of a building in any year to be less than the qualified basis in the immediately preceding year then, in the year of such casualty and each succeeding year until such building or the units affected by the casualty are reconstructed or replaced (but only through the last year of the period permitted for reconstruction or replacement under subsection (j)(4)(E))—

"(i) the qualified basis of such building shall be equal to the qualified basis of such building as of the last day of the year preceding the year in which such casualty occurred,

"(ii) if such building is not reconstructed or replaced by the expiration of the applicable period for such reconstruction or replacement under subsection (j)(4), then the recapture amount provided for in subsection (j)(1) shall include the amount of any credit claimed under this section by reason of the application of clause (i), and

"(iii) a building which was a qualified low-income building as of the last day of the year preceding the year in which such casualty occurred shall not cease to be a qualified low-income building solely because of such casualty.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to casualties occurring after the date which is 25 months before the date of the enactment of this Act.

SEC. 302. MODIFICATION OF PREVIOUS OWNERSHIP RULES; 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 inserting ", or the taxpayer elects the application of subparagraph (C)(ii)" after "service".

(b) LIMITATION ON ACQUISITION BASIS.—Subparagraph (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 purposes 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 between the date of acquisition of the building by the taxpayer and the date the building 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 adjusted basis shall not exceed the sum of—

"(I) the lowest amount paid for acquisition of the building by any person 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 improvements 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 section 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 "subparagraph (B)(ii) or (C)(ii)".

(d) MODIFICATION OF PLACED IN SERVICE RULE.—Clause (iii) of section 42(d)(2)(B) of the Internal Revenue Code of 1986 is amended to read as follows:

"(iii) the building was not owned by the taxpayer or by any person related (as of the date of acquisition by the taxpayer) to the taxpayer at any time during the 5-year period ending on the date of acquisition by the taxpayer, and".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings placed in service after December 31, 2024.

SEC. 303. CERTAIN RELOCATION COSTS TAKEN INTO ACCOUNT 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, 2024.

(c) NO INFERENCE.—Nothing in the amendment made by this section shall be construed to create any inference with respect to the treatment of relocation costs paid or incurred before January 1, 2025.

SEC. 304. 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) EFFECTIVE DATE.—The amendments made by this section 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, 2025.

SEC. 305. DETERMINATION OF COMMUNITY REVITALIZATION PLAN TO BE MADE BY 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 housing credit agency according to criteria established by such agency," after "(d)(5)(B)(ii)) and".

(b) CRITERIA.—Paragraph (1) of section 42(m) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(E) CRITERIA FOR DETERMINATION RELATING TO CONCERTED COMMUNITY REVITALIZATION PLAN.—For purposes of subparagraph (B)(ii)(III), the criteria which shall be established by a housing credit agency for determining whether the development of a project contributes to a concerted community development plan shall take into account any factors the agency deems appropriate, including the extent to which the proposed plan—

"(i) is geographically specific,

"(ii) outlines a clear plan for implementation and goals for outcomes,

"(iii) includes a strategy for applying for or obtaining commitments of public or private investment (or both) in nonhousing infrastructure, amenities, or services, and

"(iv) demonstrates the need for community revitalization.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to allocations of housing credit dollar amounts made under qualified allocation plans (as defined in section 42(m)(1)(B) of the Internal Revenue Code of 1986) adopted after December 31, 2025.

SEC. 306. PROHIBITION OF LOCAL APPROVAL AND CONTRIBUTION REQUIREMENTS.

(a) IN GENERAL.—Paragraph (1) of section 42(m) of the Internal Revenue Code of 1986, as amended by section 305, is further amended—

(1) by striking clause (ii) of subparagraph (A) and by redesignating clauses (iii) and (iv) thereof as clauses (ii) and (iii), and

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

"(F) LOCAL APPROVAL OR CONTRIBUTION NOT TAKEN INTO ACCOUNT.—The selection criteria under a qualified allocation plan shall not include consideration of—

"(i) any support or opposition with respect to the project from local or elected officials, or

"(ii) any local government contribution to the project, except to the extent such contribution is taken into account as part of a broader consideration of the project's ability to leverage outside funding sources, and is not prioritized over any other source of outside funding.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to allocations of housing credit dollar amounts made under qualified allocation plans (as defined in section 42(m)(1)(B) of the Internal Revenue Code of 1986) adopted after December 31, 2025.

SEC. 307. 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 building—

"(i) 20 percent or more of the residential units (determined as if the imputed income limitation applicable to such units were 30 percent of area median gross income) 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 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 (determined in a manner similar to the unit fraction under subsection (c)(1)(C)), 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 which receive allocations of housing credit dollar amount after the date of enactment of this Act, or in the case of buildings that are described in section 42(h)(4)(B) of the Internal Revenue Code of 1986, for obligations that are part of an issue the issue date of which is after December 31, 2025.

SEC. 308. INCREASE IN CREDIT FOR BOND-FINANCED PROJECTS DESIGNATED BY STATE AGENCY.

(a) IN GENERAL.—Clause (v) of section 42(d)(5)(B) of the Internal Revenue Code of 1986 is amended by striking the second sentence.

(b) TECHNICAL AMENDMENT.—Clause (v) of section 42(d)(5)(B) of the Internal Revenue Code of 1986, as amended by subsection (a), is further amended—

(1) by striking ''STATE'' in the heading, and

(2) by striking ''State housing credit agency'' and inserting ''housing credit agency''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings that are described in section 42(h)(4)(B) of the Internal Revenue Code of 1986, taking into account only obligations that are part of an issue the issue date of which is after December 31, 2025.

SEC. 309. ELIMINATION OF BASIS REDUCTION FOR LOW-INCOME HOUSING PROPERTIES ENERGY EFFICIENT COMMERCIAL BUILDING DEDUCTION.

(a) 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 AFFORDABLE HOUSING PROPERTIES.—Paragraph (1) shall not apply for purposes of determining eligible basis under section 42.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings which receive allocations of housing credit dollar amount after the date of the enactment of this Act and to buildings that are described in section 42(h)(4)(B) of the Internal Revenue Code of 1986 taking into account only obligations that are part of an issue the issue date of which is after December 31, 2025.

SEC. 310. RESTRICTION OF PLANNED FORECLOSURES.

(a) IN GENERAL.—Subclause (I) of section 42(h)(6)(E)(i) of the Internal Revenue Code of 1986 is amended to read as follows:

"(I) on the 61st day after the taxpayer (or a successor in interest) provides notice to the Secretary and the housing credit agency that the building has been acquired by foreclosure (or instrument in lieu of foreclosure) and that the taxpayer intends the termination of such period, unless, before such date, the Secretary or the housing credit agency determines that such acquisition is part of an arrangement with the taxpayer a purpose of which is to terminate such period, or".

(b) CONFORMING AMENDMENT.—The second sentence of clause (i) of section 42(h)(6)(E) of the Internal Revenue Code of 1986 is amended by striking "Subclause (II)" and inserting "Subclauses (I) and (II)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to acquisitions by foreclosure (or instrument in lieu of foreclosure) after December 31, 2024.

SEC. 311. INCREASE OF POPULATION CAP FOR DIFFICULT DEVELOPMENT AREAS.

(a) IN GENERAL.—Subclause (II) of section 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986 is amended by striking "20 percent" and inserting "30 percent".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to designations made under section 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986 after December 31, 2025.

SEC. 312. INCREASED COST OVERSIGHT AND ACCOUNTABILITY.

(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 reasonableness of the development costs of the project.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to allocations of credits under section 42 of the Internal Revenue Code of 1986 made after December 31, 2025.

SEC. 313. TAX-EXEMPT BOND FINANCING REQUIREMENT.

(a) IN GENERAL.—Subparagraph (B) of section 42(h)(4) of the Internal Revenue Code of 1986 is amended by adding at the end the following new sentence: ‘‘In the case of buildings financed by an obligation first taken into account under section 146 in calendar years beginning after the date of the enactment of the Affordable Housing Credit Improvement Act of 2025, the preceding sentence shall be applied by substituting ‘25 percent’ for ‘50 percent’.’’.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to any building some portion of which, or of the land on which the building is located, is financed by an obligation which is described in section 42(h)(4)(A) of the Internal Revenue Code of 1986 and which is part of an issue the issue date of which is after December 31, 2025.

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, as amended by section 312, is further amended by striking ‘‘and’’ at the end of clause (x), by striking the period at the end of clause (xi) and inserting ‘‘, and’’, and by adding at the end the following new clause:

"(xii) the affordable housing needs of individuals in the State who are—

"(I) enrolled members of a tribe with respect to an Indian tribal government (including any agencies or instrumentalities of an Indian tribal government and any Alaska Native regional or village corporation, as defined in, or established pursuant to, the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), or

"(II) described in section 801(9) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4221(9)).".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to allocations of credits under section 42 of the Internal Revenue Code of 1986 made after December 31, 2025.

SEC. 402. INCLUSION OF INDIAN AREAS AS DIFFICULT DEVELOPMENT AREAS FOR PURPOSES OF CERTAIN 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 purposes of subclause (I), the term 'Indian 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))) and any housing area (as defined in section 801(5) of such Act (25 U.S.C. 4221(5)))."

(c) ELIGIBLE BUILDINGS.—Clause (iii) of section 42(d)(5)(B) of the Internal Revenue Code of 1986, as amended by subsection (b), is further 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, 2025.

TITLE V—REFORMS RELATING TO RURAL ASSISTANCE

SEC. 501. INCLUSION OF RURAL AREAS AS DIFFICULT DEVELOPMENT AREAS.

(a) IN GENERAL.—Subclause (I) of section 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986, as amended by section 402, is further amended by inserting '', any rural area'' after ''median gross income''.

(b) RURAL AREA.—Clause (iii) of section 42(d)(5)(B) of the Internal Revenue Code of 1986, as amended by section 402, is further amended by redesignating subclause (III) as subclause (IV) and by inserting after subclause (II) the following new subclause:

"(III) RURAL AREA.—For purposes of subclause (I), the term 'rural area' means any non-metropolitan area, or any rural area as defined by section 520 of the Housing Act of 1949, which is identified by the qualified allocation plan under subsection (m)(1)(B).".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings placed in service after December 31, 2025.

SEC. 502. 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, 2024.

TITLE VI—EXEMPT FACILITY BONDS

SEC. 601. REVISION AND CLARIFICATION OF THE TREATMENT OF REFUNDING ISSUES.

(a) IN GENERAL.—Subparagraph (A) of section 146(i)(6) of the Internal Revenue Code of 1986 is amended to read as follows:

"(A) IN GENERAL.—During the 12-month period beginning on the date of a repayment of a loan financed by an issue 95 percent or more of the net proceeds of which are used to provide projects described in section 142(d), if such repayment is used to provide a new loan for any project described in section 142(a)(7) or for any purpose described in subsection (a)(2)(A) or (b) of section 143, any bond which is issued to refinance such issue shall be treated as a refunding issue. Any issue treated as a refunding issue by reason of the preceding sentence shall be so treated only to the extent the principal amount of such refunding issue does not exceed the principal amount of the bonds refunded.".

(b) REMOVAL OF ONE-REFUNDING LIMIT.—Subparagraph (B) of section 146(i)(6) of the Internal Revenue Code of 1986 is amended—

(1) by striking ‘‘4 years’’ in clause (i) and inserting ‘‘10 years’’,

(2) by striking ‘‘was issued’’ in clause (ii) and inserting ‘‘is issued’’,

(3) by redesignating clauses (i) (as so amended), (ii) (as so amended), and (iii) as subclauses (I), (II), and (III), respectively, and by moving such subclauses 2 ems to the right,

(4) by striking ‘‘LIMITATIONS.—Subparagraph (A) shall apply to only one refunding of the original issue and’’ and inserting ‘‘LIMITATIONS.—

‘‘(i) IN GENERAL.—Subparagraph (A) shall apply to a bond’’, and

(5) by adding at the end the following new clause:

‘‘(ii) SOURCE OF LOAN REPAYMENT.—Subparagraph (A) shall not apply to any repayment of a loan which is—

‘‘(I) made by a repayment of another loan, or

‘‘(II) financed by an issue treated as a refunding issue under subparagraph (A).’’.

(c) CONFORMING AMENDMENT.—The heading of paragraph (6) of section 146(i) of the Internal Revenue

Code of 1986 is amended by striking ‘‘RESIDENTIAL RENTAL PROJECT BONDS AS REFUNDING BONDS IRRESPECTIVE OF OBLIGOR’’ and inserting ‘‘BONDS AS REFUNDING BONDS’’.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsections (a) and (c) shall apply to refunding issues described in section 146(i)(6)(A) of the Internal Revenue Code of 1986 issued on or after the date of the enactment of this Act.

(2) REMOVAL OF ONE-REFUNDING LIMIT.—The amendments made by subsection (b) shall apply to repayments of loans received after July 30, 2008.

TITLE VII—AFFORDABLE HOUSING TAX CREDIT

SEC. 701. 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.''.

TITLE VIII—DATA AND TRANSPARENCY

SEC. 801. SENSE OF CONGRESS.

(a) TRANSPARENCY.—It is the sense of Congress that in addition to expanding and strengthening the affordable housing credit through the provisions in the Affordable

Housing Credit Improvement Act of 2025, subsequent steps should also be taken to share data and identify other ways to increase the transparency of the program, and the House of Representatives and the Senate should work together with Federal agencies to identify data sources that can be shared.

(b) DISCRIMINATORY LAND USE POLICIES.—It is the Sense of Congress that action should be taken to discourage the use of discriminatory land use policies and remove barriers to making hosing more affordable to further the original intent of the affordable housing credit program. The House and Senate should work together to develop incentives within the affordable housing credit program to encourage states and localities to remove or reform burdensome land use and zoning regulations and facilitate the adoption or continuation of inclusive land use and zoning policies to increase housing supply and affordability.

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