

118TH CONGRESS  
2D SESSION

**S.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to establish the New Homes Tax Credit.

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IN THE SENATE OF THE UNITED STATES

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Mr. HEINRICH introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Internal Revenue Code of 1986 to establish the New Homes Tax Credit.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “New Homes Tax Cred-  
5 it Act”.

6 **SEC. 2. ESTABLISHMENT OF NEW HOMES TAX CREDIT.**

7 (a) IN GENERAL.—Subpart D of part IV of sub-  
8 chapter A of chapter 1 of the Internal Revenue Code of  
9 1986 is amended by inserting after section 45AA the fol-  
10 lowing new section:

1 **“SEC. 45BB. NEW HOMES TAX CREDIT.**

2 “(a) ALLOWANCE OF CREDIT.—

3 “(1) IN GENERAL.—For purposes of section 38,  
4 in the case of a taxpayer who holds a qualified eq-  
5 uity investment on a credit allowance date of such  
6 investment which occurs during the taxable year, the  
7 new homes tax credit determined under this section  
8 for such taxable year is an amount equal to the ap-  
9 plicable percentage of the amount paid to the hous-  
10 ing development entity for such investment at its  
11 original issue.

12 “(2) APPLICABLE PERCENTAGE.—For purposes  
13 of paragraph (1), the applicable percentage is—

14 “(A) 7 percent with respect to the first  
15 credit allowance date, and

16 “(B) 8 percent with respect to the remain-  
17 der of the credit allowance dates.

18 “(3) CREDIT ALLOWANCE DATE.—For purposes  
19 of paragraph (1), the term ‘credit allowance date’  
20 means, with respect to any qualified equity invest-  
21 ment—

22 “(A) the date on which such investment is  
23 initially made, and

24 “(B) each of the 4 anniversary dates of  
25 such date thereafter.

26 “(b) QUALIFIED EQUITY INVESTMENT.—

1           “(1) IN GENERAL.—For purposes of this sec-  
2           tion, the term ‘qualified equity investment’ means  
3           any equity investment in a housing development en-  
4           tity if—

5                   “(A) such investment is acquired by the  
6                   taxpayer at its original issue (directly or  
7                   through an underwriter) solely in exchange for  
8                   cash,

9                   “(B) substantially all of such cash is used  
10                  by the housing development entity to make  
11                  qualified housing investments, and

12                  “(C) such investment is designated for  
13                  purposes of this section by the housing develop-  
14                  ment entity.

15           Such term shall not include any equity investment  
16           issued by a housing development entity more than 5  
17           years after the date that such entity receives an allo-  
18           cation under subsection (e). Any allocation not used  
19           within such 5-year period may be reallocated by the  
20           Secretary under subsection (e).

21           “(2) SPECIAL RULES.—Rules similar to the  
22           rules under paragraphs (2) through (6) of section  
23           45D(b) shall apply for purposes of this section.

1       “(c) HOUSING DEVELOPMENT ENTITY.—For pur-  
2 poses of this section, the term ‘housing development enti-  
3 ty’ means any domestic corporation or partnership if—

4               “(1) one of the missions of the entity is to pro-  
5 vide funding for construction of housing for low- and  
6 moderate-income individuals, and

7               “(2) the entity is certified by the Secretary for  
8 purposes of this section as being a housing develop-  
9 ment entity.

10       “(d) OTHER DEFINITIONS.—For purposes of this  
11 section—

12               “(1) QUALIFIED HOUSING INVESTMENT.—

13                       “(A) IN GENERAL.—The term ‘qualified  
14 housing investment’ means funding which is  
15 provided by a housing development entity to a  
16 qualified construction business—

17                               “(i) following completion of a qualified  
18 home project by such qualified construction  
19 business, and

20                               “(ii)(I) in the case of a home de-  
21 scribed in clause (i) of paragraph (3)(A),  
22 after the housing development entity has  
23 confirmed (on or before the date on which  
24 ownership of the home is transferred to the  
25 buyer) that—

1                   “(aa) the home is being sold to a  
2                   qualified buyer, and

3                   “(bb) that such buyer has been  
4                   provided notice with respect to the re-  
5                   quirements under subsection (g), or

6                   “(II) in the case of a home described  
7                   in clause (ii) of such paragraph, after the  
8                   housing development entity has confirmed  
9                   (on or before the date on which renovation  
10                  of the home is completed by the qualified  
11                  construction business) that—

12                  “(aa) the home is owned by a  
13                  qualified buyer, and

14                  “(bb) that such buyer has been  
15                  provided notice with respect to the re-  
16                  quirements under subsection (g).

17                  “(B) TRANSFER OF FUNDS AT CLOSING.—

18                  With respect to any funding described in sub-  
19                  paragraph (A), such funding shall be provided  
20                  by the housing development entity to the quali-  
21                  fied construction business—

22                  “(i) in the case of a home described in  
23                  clause (i) of paragraph (3)(A), on the date  
24                  on which ownership of the home is trans-  
25                  ferred to the qualified buyer, or

1                   “(ii) in the case of a home described  
2                   in clause (ii) of such paragraph, on the  
3                   date on which renovation of the home is  
4                   completed by the qualified construction  
5                   business.

6                   “(C) LIMITATION.—In the case of any  
7                   home constructed or renovated as part of a  
8                   qualified home project, the amount of funding  
9                   provided by a housing development entity to a  
10                  qualified construction business with respect to  
11                  such home shall not exceed an amount equal to  
12                  20 percent (or, in the case of a home renovated  
13                  as part of a qualified home project, 15 percent)  
14                  of the median purchase price for single-family  
15                  housing in the area in which such home is lo-  
16                  cated, as determined by the Secretary of Hous-  
17                  ing and Urban Development for the purpose of  
18                  section 1807.402(a)(2) of title 12, Code of Fed-  
19                  eral Regulations (or any successor regulation).

20                  “(2) QUALIFIED CONSTRUCTION BUSINESS.—  
21                  The term ‘qualified construction business’ means an  
22                  entity engaged in the trade or business of the con-  
23                  struction or renovation of residential housing.

24                  “(3) QUALIFIED HOME PROJECTS.—

1                   “(A) IN GENERAL.—The term ‘qualified  
2                   home project’ means—

3                   “(i) the construction of entry-level  
4                   homes which are sold to qualified buyers,  
5                   or

6                   “(ii) the renovation of Single-family  
7                   housing (as such term is used in section  
8                   1807.402 of title 12, Code of Federal Reg-  
9                   ulations) which is owned by a qualified  
10                  buyer.

11                  “(B) ENTRY-LEVEL HOMES.—The term  
12                  ‘entry-level home’ means any residential build-  
13                  ing which—

14                  “(i) satisfies the requirement under  
15                  section 1807.402(a)(1) of title 12, Code of  
16                  Federal Regulations, and

17                  “(ii) is designed to be purchased by a  
18                  first-time homebuyer (as defined in section  
19                  104 of the Cranston-Gonzalez National Af-  
20                  fordable Housing Act (42 U.S.C. 12704)).

21                  “(4) QUALIFIED BUYER.—The term ‘qualified  
22                  buyer’ means an individual or family whose income  
23                  is not greater than 120 percent of area median in-  
24                  come.





1 qualified housing investments to provide hous-  
2 ing that is exclusively available to members of  
3 an Indian tribe (as such term is defined in sec-  
4 tion 4 of the Indian Self-Determination and  
5 Education Assistance Act (25 U.S.C. 5304)),  
6 and

7 “(C) give priority to—

8 “(i) any community development fi-  
9 nancial institution (as defined in section  
10 103 of the Community Development Bank-  
11 ing and Financial Institutions Act of 1994  
12 (12 U.S.C. 4702)) which is certified as a  
13 community development financial institu-  
14 tion under the Community Development  
15 Banking and Financial Institutions Act of  
16 1994 (12 U.S.C. 4701 et seq.),

17 “(ii) any community development  
18 credit union,

19 “(iii) any housing development entity  
20 with prior experience relating to other Fed-  
21 eral programs designed to create affordable  
22 housing for low- and moderate-income indi-  
23 viduals, such as—

24 “(I) the low-income housing cred-  
25 it under section 42, and

1                   “(II) the HOME Investment  
2                   Partnerships program under subtitle  
3                   A of title II of the Cranston-Gonzalez  
4                   National Affordable Housing Act (42  
5                   U.S.C. 12741 et seq.), and

6                   “(iv) any housing development entity  
7                   which—

8                   “(I) has previously worked within  
9                   the community in which the proposed  
10                  qualified home project is located, and

11                  “(II) can demonstrate engage-  
12                  ment with local officials and low-in-  
13                  come individuals within such commu-  
14                  nity.

15                  “(3) CARRYOVER OF UNUSED LIMITATION.—If  
16                  the new homes tax credit limitation for any calendar  
17                  year exceeds the aggregate amount allocated under  
18                  paragraph (2) for such year, such limitation for the  
19                  succeeding calendar year shall be increased by the  
20                  amount of such excess. No amount may be carried  
21                  under the preceding sentence to any calendar year  
22                  after 2036.

23                  “(f) BASIS REDUCTION.—Rules similar to the rules  
24                  under subsection (h) of section 45D shall apply for pur-  
25                  poses of this section.

1       “(g) LIMITATION DURING INITIAL 5-YEAR PE-  
2 RIOD.—

3               “(1) IN GENERAL.—

4                       “(A) PRINCIPAL RESIDENCE REQUIRE-  
5 MENT.—Subject to subparagraph (C), with re-  
6 spect to any qualified home project for which  
7 funding has been provided by a housing devel-  
8 opment entity to a qualified construction busi-  
9 ness pursuant to the provisions of this section,  
10 the housing development entity shall ensure  
11 that, during the limitation period, the home  
12 with respect to which such funding has been  
13 provided remains the principal residence of the  
14 qualified buyer.

15                       “(B) LIENS.—With respect to the require-  
16 ment under subparagraph (A), the housing de-  
17 velopment entity shall enforce such requirement  
18 by means of the imposition of a lien on the  
19 home constructed or renovated as part of the  
20 qualified home project, with such lien to be re-  
21 corded with the relevant local official or agency  
22 designated to record liens.

23                       “(C) EXCEPTION FOR MEMBERS OF THE  
24 ARMED FORCES.—In the case of any home con-  
25 structed or renovated as part of a qualified

1 home project, if there is a disposition of such  
2 home by the qualified buyer—

3 “(i) during the limitation period, and

4 “(ii) which is in connection with Gov-  
5 ernment orders received by such qualified  
6 buyer for qualified official extended duty  
7 service (as defined in section  
8 36(f)(4)(E)(ii)),

9 subparagraph (A) shall not apply.

10 “(2) LIMITATION PERIOD.—For purposes of  
11 this subsection, the term ‘limitation period’ means  
12 the 5-year period subsequent to—

13 “(A) in the case of a home described in  
14 clause (i) of subsection (d)(3)(A), on the date  
15 on which ownership of the home is transferred  
16 to the qualified buyer, or

17 “(B) in the case of a home described in  
18 clause (ii) of such subsection, on the date on  
19 which renovation of the home is completed by  
20 the qualified construction business.

21 “(3) REGULATIONS AND GUIDANCE.—The Sec-  
22 retary shall issue such regulations or other guidance  
23 as the Secretary determines necessary to carry out  
24 the purposes of this subsection.

25 “(h) REPORTING.—

1           “(1) IN GENERAL.—Not later than January 1,  
2           2026, and annually thereafter, the Secretary shall  
3           submit a report to the Committee on Banking,  
4           Housing, and Urban Affairs of the Senate, the Com-  
5           mittee on Financial Services of the House of Rep-  
6           resentatives, the Committee on Ways and Means of  
7           the House of Representatives, and the Committee on  
8           Finance of the Senate, containing information re-  
9           garding—

10                   “(A) the size and location of qualified  
11                   home projects which have been financially sup-  
12                   ported by qualified equity investments for which  
13                   a credit has been allowed under this section,  
14                   and

15                   “(B) the income of individuals and families  
16                   residing in homes constructed or renovated as  
17                   part of such qualified home projects.

18           “(2) COLLECTION OF INFORMATION.—The Sec-  
19           retary shall develop a method to collect and stream-  
20           line relevant data for purposes of collecting the in-  
21           formation described in paragraph (1).

22           “(i) REGULATIONS.—The Secretary shall prescribe  
23           such regulations as may be appropriate to carry out this  
24           section.”.

25           (b) CONFORMING AMENDMENTS.—

1           (1) Section 38(b) of such Code is amended by  
2 striking “plus” at the end of paragraph (40), by  
3 striking the period at the end of paragraph (41) and  
4 inserting “, plus”, and by adding at the end the fol-  
5 lowing new paragraph:

6           “(42) the new homes tax credit determined  
7 under section 45BB(a).”.

8           (2) The table of sections for subpart D of part  
9 IV of subchapter A of chapter 1 of such Code is  
10 amended by inserting after the item relating to sec-  
11 tion 45AA the following new item:

“Sec. 45BB. New Homes Tax Credit.”.

12           (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to investments made after Decem-  
14 ber 31, 2024.