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Code (as so in effect) shall have the same
meaning as when used in such section.

“(B) COORDINATION WITH SECTION

199A.—No deduction shall be allowed under sec-
tion 199A of such Code for any qualified pay-
ment to which subparagraph (A) applies.”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise pro-
vided in this subsection, the amendments made by
this section shall take effect as if included in section
11011 of Public Law 115–97.

(2) APPLICATION OF SECTION 199 TO CERTAIN
QUALIFIED PAYMENTS PAID AFTER 2017.—The
amendment made by subsection (c) shall take effect
as if included in section 13305 of Public Law 115–97.

SEC. 102. INCREASE IN STATE HOUSING CREDIT CEILING


(a) IN GENERAL.—Section 42(h)(3)(I) of the Inter-
nal Revenue Code of 1986 is amended to read as follows:

“(I) INCREASE IN STATE HOUSING CREDIT

CEILING FOR 2018, 2019, 2020, AND 2021.—

In the case of calendar years 2018, 2019, 2020,
and 2021, each of the dollar amounts in effect
under clauses (I) and (II) of subparagraph
(C)(ii) for any calendar year (after any increase under subparagraph (H)) shall be increased by multiplying such dollar amount by 1.125.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to calendar years beginning after December 31, 2017.

SEC. 103. AVERAGE INCOME TEST FOR LOW-INCOME HOUSING CREDIT.

(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 residential units in such project are both rent-restricted and occupied by individuals whose income does not exceed the imputed income limitation designated by the taxpayer with respect to the respective unit.
“(ii) Special rules relating to income limitation.—For purposes of clause (i)—

“(I) Designation.—The taxpayer shall designate the imputed income limitation of each unit taken into account under such clause.

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

“(III) 10-percent increments.—The designated imputed income limitation of any unit under subclause (I) shall be 20 percent, 30 percent, 40 percent, 50 percent, 60 percent, 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 smaller 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 described 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 resident 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 40 percent of area median gross income’ for ‘any residential rental unit’ and all that follows in such clause, and
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 rent-
al unit’ and all that follows in such
clause.

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

“(I) the imputed income limita-
tion 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 limita-
tion which would have to be des-
ignated with respect to such unit
under such paragraph in order for the
project to continue to meet the re-
quirements 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.