Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,
SECTION 1. SHORT TITLE.
This Act may be cited as the “Historic Tax Credit
Improvement Act of 2017”.
SEC. 2. INCREASE IN THE REHABILITATION CREDIT FOR
CERTAIN SMALL PROJECTS.
(a) IN GENERAL.—Section 47 of the Internal Rev-
ene Code of 1986 is amended by adding at the end the
following new subsection:
“(e) Special Rule Regarding Certain Small Projects.—

“(1) In General.—In the case of any qualified rehabilitated building or portion thereof—

“(A) which is placed in service after the date of the enactment of this subsection, and

“(B) which is a small project,

subsection (a)(2) shall be applied by substituting ‘30 percent’ for ‘20 percent’.

“(2) Maximum Credit.—The credit under this section (after application of this subsection) with respect to any project for all taxable years shall not exceed $750,000.

“(3) Small Project.—

“(A) In General.—For purposes of this subsection, the term ‘small project’ means any certified historic structure or portion thereof if—

“(i) the total qualified rehabilitation expenditures taken into account for purposes of this section with respect to the rehabilitation do not exceed $3,750,000, and

“(ii) no credit was allowed under this section for either of the two immediately
preceding taxable years with respect to such building.

“(B) Progress Expenditures.—Credit allowable by reason of subsection (d) shall not be taken into account under subparagraph (A)(ii).”.

(b) Effective Date.—The amendment made by this section shall apply to periods after the date of the enactment of this Act, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 3. ALLOWANCE FOR THE TRANSFER OF CREDITS FOR CERTAIN SMALL PROJECTS.

(a) In General.—Section 47(e) of the Internal Revenue Code of 1986, as added by section 2, is amended by adding at the end the following new paragraph:

“(4) Transfer of Small Project Credit.—

“(A) In General.—Subject to subparagraph (B) and such regulations or other guidance as the Secretary may provide, the taxpayer may transfer to any other taxpayer all or a portion of the credit allowable to the taxpayer under subsection (a) for a small project.
“(B) CERTIFICATION.—A transfer under subparagraph (A) shall be accompanied by a certificate which includes—

“(i) the certification for the certified historic structure,

“(ii) the taxpayer’s name, address, and tax identification number,

“(iii) the transferee’s name, address, and tax identification number,

“(iv) the date of project completion and the amount of credit being transferred, and

“(v) such other information as may be required by the Secretary.

“(C) CREDIT MAY ONLY BE TRANSFERRED ONCE.—A credit transferred under subparagraph (A) is not transferable by the transferee to any other taxpayer.

“(D) TAX TREATMENT OF TRANSFER.—

“(i) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for any amount of consideration paid or incurred by the transferee in return for the transfer of any credit under this paragraph.
"(ii) ALLOWANCE OF CREDIT.—The amount of credit transferred under sub-
paragraph (A)—

“(I) shall not be allowed to the transferor for any taxable year, and

“(II) shall be allowable to the transferee as a credit under this sec-
tion for the taxable year of the trans-
feree in which such credit is trans-
ferred.

“(E) RECAPTURE AND OTHER SPECIAL RULES.—For purposes of section 50, the trans-
feree of a credit with respect to a smaller project under this paragraph shall be treated as the taxpayer with respect to the smaller project.

“(F) INFORMATION REPORTING.—The transferor and the transferee shall each make such reports regarding the transfer of an amount of credit under paragraph (A), and con-
taining such information, as the Secretary may require. The reports required by this subpara-
graph shall be filed at such time and in such manner as may be required by the Secretary.”.
(b) **Effective Date.**—The amendment made by this section shall apply to periods after December 31, 2016.

**SEC. 4. INCREASING THE TYPE OF BUILDINGS ELIGIBLE FOR REHABILITATION.**

(a) **In General.**—Section 47(c)(1)(C)(i)(I) of the Internal Revenue Code of 1986 is amended by inserting “50 percent of” before “the adjusted basis”.

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

**SEC. 5. REDUCTION OF BASIS ADJUSTMENT FOR REHABILITATION PROPERTY.**

(a) **In General.**—Section 50(e) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

“(6) **Special rule relating to the rehabilitation credit.**—In the case of any rehabilitation credit—

“(A) only 50 percent of such credit shall be taken into account under paragraph (1), and

“(B) only 50 percent of any recapture amount attributable to such credit shall be taken into account under paragraph (2).”.
(b) COORDINATION WITH BASIS ADJUSTMENT.—Subsection (d) of section 50 of the Internal Revenue Code of 1986 is amended by adding at the end the following new sentence: “For purposes of paragraph (5), in applying the provisions of section 48(d)(5)(B) (as so in effect) to a lease of property eligible for the credit under section 47, gross income of the lessee of such property shall include, ratably over the shortest recovery period applicable to such property under section 168, an amount equal to 50 percent of the amount of the credit allowable under section 38 to such lessee with respect to such property.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 6. MODIFICATIONS REGARDING CERTAIN TAX-EXEMPT USE PROPERTY.

(a) IN GENERAL.—Section 47(c)(2)(B)(v)(I) of the Internal Revenue Code of 1986 is amended by inserting “, and subclauses (I), (II), and (III) of section 168(h)(1)(B)(ii) shall not apply” after “thereof”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.