

One Hundred Tenth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Thursday,
the third day of January, two thousand and eight*

An Act

To provide needed housing reform 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 “Housing and Economic Recovery Act of 2008”.

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

Sec. 1. Short title; table of contents.

DIVISION A—HOUSING FINANCE REFORM

Sec. 1001. Short title.

Sec. 1002. Definitions.

TITLE I—REFORM OF REGULATION OF ENTERPRISES

Subtitle A—Improvement of Safety and Soundness Supervision

Sec. 1101. Establishment of the Federal Housing Finance Agency.

Sec. 1102. Duties and authorities of the Director.

Sec. 1103. Federal Housing Finance Oversight Board.

Sec. 1104. Authority to require reports by regulated entities.

Sec. 1105. Examiners and accountants; authority to contract for reviews of regulated entities; ombudsman.

Sec. 1106. Assessments.

Sec. 1107. Regulations and orders.

Sec. 1108. Prudential management and operations standards.

Sec. 1109. Review of and authority over enterprise assets and liabilities.

Sec. 1110. Risk-based capital requirements.

Sec. 1111. Minimum capital levels.

Sec. 1112. Registration under the securities laws.

Sec. 1113. Prohibition and withholding of executive compensation.

Sec. 1114. Limit on golden parachutes.

Sec. 1115. Reporting of fraudulent loans.

Sec. 1116. Inclusion of minorities and women; diversity in Agency workforce.

Sec. 1117. Temporary authority for purchase of obligations of regulated entities by Secretary of Treasury.

Sec. 1118. Consultation between the Director of the Federal Housing Finance Agency and the Board of Governors of the Federal Reserve System to ensure financial market stability.

Subtitle B—Improvement of Mission Supervision

Sec. 1121. Transfer of program approval and housing goal oversight.

Sec. 1122. Assumption by the Director of certain other HUD responsibilities.

Sec. 1123. Review of enterprise products.

Sec. 1124. Conforming loan limits.

Sec. 1125. Annual housing report.

Sec. 1126. Public use database.

Sec. 1127. Reporting of mortgage data.

Sec. 1128. Revision of housing goals.

Sec. 1129. Duty to serve underserved markets.

Sec. 1130. Monitoring and enforcing compliance with housing goals.

SEC. 3025. MODIFICATION OF DEFINITION OF TAX-EXEMPT USE PROPERTY FOR PURPOSES OF THE REHABILITATION CREDIT.

(a) **IN GENERAL.**—Subclause (I) of section 47(c)(2)(B)(v) is amended by striking “section 168(h)” and inserting “section 168(h), except that ‘50 percent’ shall be substituted for ‘35 percent’ in paragraph (1)(B)(iii) thereof”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to expenditures properly taken into account for periods after December 31, 2007.

SEC. 3026. EXTENSION OF SPECIAL RULE FOR MORTGAGE REVENUE BONDS FOR RESIDENCES LOCATED IN DISASTER AREAS.

(a) **IN GENERAL.**—Paragraph (11) of section 143(k) is amended—

(1) by striking “December 31, 1996” and inserting “May 1, 2008”, and

(2) by striking “January 1, 1999” and inserting “January 1, 2010”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to bonds issued after May 1, 2008.

SEC. 3027. TRANSFER OF FUNDS APPROPRIATED TO CARRY OUT 2008 RECOVERY REBATES FOR INDIVIDUALS.

Of the funds made available by section 101(e)(1)(A) of the Economic Stimulus Act of 2008 (Public Law 110-185), the Secretary of the Treasury may transfer funds among the accounts specified in such section to carry out section 6428 of the Internal Revenue Code of 1986. The Secretary shall provide advance notification of any such transfer to the Committees on Appropriations of the House of Representatives and the Senate, and any transfer greater than \$5,000,000 shall be subject to the approval of such Committees.

TITLE II—REFORMS RELATED TO REAL ESTATE INVESTMENT TRUSTS

Subtitle A—Foreign Currency and Other Qualified Activities

SEC. 3031. REVISIONS TO REIT INCOME TESTS.

(a) **FOREIGN CURRENCY GAINS NOT GROSS INCOME IN APPLYING REIT INCOME TESTS.**—Section 856 (defining real estate investment trust) is amended by adding at the end the following new subsection:

“(n) **RULES REGARDING FOREIGN CURRENCY TRANSACTIONS.**—

“(1) **IN GENERAL.**—For purposes of this part—

“(A) passive foreign exchange gain for any taxable year shall not constitute gross income for purposes of subsection (c)(2), and

“(B) real estate foreign exchange gain for any taxable year shall not constitute gross income for purposes of subsection (c)(3).

“(2) **REAL ESTATE FOREIGN EXCHANGE GAIN.**—For purposes of this subsection, the term ‘real estate foreign exchange gain’ means—

“(A) foreign currency gain (as defined in section 988(b)(1)) which is attributable to—

“(i) any item of income or gain described in subsection (c)(3),

“(ii) the acquisition or ownership of obligations secured by mortgages on real property or on interests in real property (other than foreign currency gain attributable to any item of income or gain described in clause (i)), or

“(iii) becoming or being the obligor under obligations secured by mortgages on real property or on interests in real property (other than foreign currency gain attributable to any item of income or gain described in clause (i)),

“(B) section 987 gain attributable to a qualified business unit (as defined by section 989) of the real estate investment trust, but only if such qualified business unit meets the requirements under—

“(i) subsection (c)(3) for the taxable year, and

“(ii) subsection (c)(4)(A) at the close of each quarter that the real estate investment trust has directly or indirectly held the qualified business unit, and

“(C) any other foreign currency gain as determined by the Secretary.

“(3) PASSIVE FOREIGN EXCHANGE GAIN.—For purposes of this subsection, the term ‘passive foreign exchange gain’ means—

“(A) real estate foreign exchange gain,

“(B) foreign currency gain (as defined in section 988(b)(1)) which is not described in subparagraph (A) and which is attributable to—

“(i) any item of income or gain described in subsection (c)(2),

“(ii) the acquisition or ownership of obligations (other than foreign currency gain attributable to any item of income or gain described in clause (i)), or

“(iii) becoming or being the obligor under obligations (other than foreign currency gain attributable to any item of income or gain described in clause (i)), and

“(C) any other foreign currency gain as determined by the Secretary.

“(4) EXCEPTION FOR INCOME FROM SUBSTANTIAL AND REGULAR TRADING.—Notwithstanding this subsection or any other provision of this part, any section 988 gain derived by a corporation, trust, or association from dealing, or engaging in substantial and regular trading, in securities (as defined in section 475(c)(2)) shall constitute gross income which does not qualify under paragraph (2) or (3) of subsection (c). This paragraph shall not apply to income which does not constitute gross income by reason of subsection (c)(5)(G).”.

(b) ADDITION TO REIT HEDGING RULE.—Subparagraph (G) of section 856(c)(5) is amended to read as follows:

“(G) TREATMENT OF CERTAIN HEDGING INSTRUMENTS.—Except to the extent as determined by the Secretary—

“(i) any income of a real estate investment trust from a hedging transaction (as defined in clause (ii) or (iii) of section 1221(b)(2)(A)) which is clearly identified pursuant to section 1221(a)(7), including gain from

the sale or disposition of such a transaction, shall not constitute gross income under paragraphs (2) and (3) to the extent that the transaction hedges any indebtedness incurred or to be incurred by the trust to acquire or carry real estate assets, and

“(ii) any income of a real estate investment trust from a transaction entered into by the trust primarily to manage risk of currency fluctuations with respect to any item of income or gain described in paragraph (2) or (3) (or any property which generates such income or gain), including gain from the termination of such a transaction, shall not constitute gross income under paragraphs (2) and (3), but only if such transaction is clearly identified as such before the close of the day on which it was acquired, originated, or entered into (or such other time as the Secretary may prescribe).”.

(c) **AUTHORITY TO EXCLUDE ITEMS OF INCOME FROM REIT INCOME TESTS.**—Section 856(c)(5) is amended by adding at the end the following new subparagraph:

“(J) **SECRETARIAL AUTHORITY TO EXCLUDE OTHER ITEMS OF INCOME.**—To the extent necessary to carry out the purposes of this part, the Secretary is authorized to determine, solely for purposes of this part, whether any item of income or gain which—

“(i) does not otherwise qualify under paragraph (2) or (3) may be considered as not constituting gross income for purposes of paragraphs (2) or (3), or

“(ii) otherwise constitutes gross income not qualifying under paragraph (2) or (3) may be considered as gross income which qualifies under paragraph (2) or (3).”.

SEC. 3032. REVISIONS TO REIT ASSET TESTS.

(a) **CLARIFICATION OF VALUATION TEST.**—The first sentence in the matter following section 856(c)(4)(B)(iii)(III) is amended by inserting “(including a discrepancy caused solely by the change in the foreign currency exchange rate used to value a foreign asset)” after “such requirements”.

(b) **CLARIFICATION OF PERMISSIBLE ASSET CATEGORY.**—Section 856(c)(5), as amended by section 3031(c), is amended by adding at the end the following new subparagraph:

“(K) **CASH.**—If the real estate investment trust or its qualified business unit (as defined in section 989) uses any foreign currency as its functional currency (as defined in section 985(b)), the term ‘cash’ includes such foreign currency but only to the extent such foreign currency—

“(i) is held for use in the normal course of the activities of the trust or qualified business unit which give rise to items of income or gain described in paragraph (2) or (3) of subsection (c) or are directly related to acquiring or holding assets described in subsection (c)(4), and

“(ii) is not held in connection with an activity described in subsection (n)(4).”.

SEC. 3033. CONFORMING FOREIGN CURRENCY REVISIONS.

(a) **NET INCOME FROM FORECLOSURE PROPERTY.**—Clause (i) of section 857(b)(4)(B) is amended to read as follows:

“(i) gain (including any foreign currency gain, as defined in section 988(b)(1)) from the sale or other disposition of foreclosure property described in section 1221(a)(1) and the gross income for the taxable year derived from foreclosure property (as defined in section 856(e)), but only to the extent such gross income is not described in (or, in the case of foreign currency gain, not attributable to gross income described in) section 856(c)(3) other than subparagraph (F) thereof, over”.

(b) **NET INCOME FROM PROHIBITED TRANSACTIONS.**—Clause (i) of section 857(b)(6)(B) is amended to read as follows:

“(i) the term ‘net income derived from prohibited transactions’ means the excess of the gain (including any foreign currency gain, as defined in section 988(b)(1)) from prohibited transactions over the deductions (including any foreign currency loss, as defined in section 988(b)(2)) allowed by this chapter which are directly connected with prohibited transactions;”.

Subtitle B—Taxable REIT Subsidiaries

SEC. 3041. CONFORMING TAXABLE REIT SUBSIDIARY ASSET TEST.

Section 856(c)(4)(B)(ii) is amended—

- (1) by striking “20 percent” and inserting “25 percent”, and
- (2) by striking “REIT subsidiaries” and all that follows, and inserting “REIT subsidiaries,”.

Subtitle C—Dealer Sales

SEC. 3051. HOLDING PERIOD UNDER SAFE HARBOR.

(a) **IN GENERAL.**—Section 857(b)(6) (relating to income from prohibited transactions) is amended—

- (1) by striking “4 years” in subparagraphs (C)(i), (C)(iv), and (D)(i) and inserting “2 years”,
- (2) by striking “4-year period” in subparagraphs (C)(ii), (D)(ii), and (D)(iii) and inserting “2-year period”, and
- (3) by striking “real estate asset” and all that follows through “if” in the matter preceding clause (i) of subparagraphs (C) and (D), respectively, and inserting “real estate asset (as defined in section 856(c)(5)(B)) and which is described in section 1221(a)(1) if”.

(b) **RETENTION OF EXISTING LAW.**—Section 857(b)(6) is amended—

- (1) by striking subparagraph (G) and redesignating subparagraphs (H) and (I) as subparagraphs (G) and (H), respectively, and
- (2) in subparagraph (G), as so redesignated, by adding at the end the following: “For purposes of the preceding sentence, the reference to subparagraph (D) shall be a reference

to such subparagraph as in effect on the day before the enactment of the Housing Assistance Tax Act of 2008, as modified by subparagraph (G) as so in effect.”.

SEC. 3052. DETERMINING VALUE OF SALES UNDER SAFE HARBOR.

Section 857(b)(6) is amended—

(1) by striking the semicolon at the end of subparagraph (C)(iii) and inserting “, or (III) the fair market value of property (other than sales of foreclosure property or sales to which section 1033 applies) sold during the taxable year does not exceed 10 percent of the fair market value of all of the assets of the trust as of the beginning of the taxable year;”, and

(2) by adding “or” at the end of subclause (II) of subparagraph (D)(iv) and by adding at the end of such subparagraph the following new subclause:

“(III) the fair market value of property (other than sales of foreclosure property or sales to which section 1033 applies) sold during the taxable year does not exceed 10 percent of the fair market value of all of the assets of the trust as of the beginning of the taxable year.”.

Subtitle D—Health Care REITs

SEC. 3061. CONFORMITY FOR HEALTH CARE FACILITIES.

(a) **RELATED PARTY RENTALS.**—Subparagraph (B) of section 856(d)(8) (relating to special rule for taxable REIT subsidiaries) is amended to read as follows:

“(B) **EXCEPTION FOR CERTAIN LODGING FACILITIES AND HEALTH CARE PROPERTY.**—The requirements of this subparagraph are met with respect to an interest in real property which is a qualified lodging facility (as defined in paragraph (9)(D)) or a qualified health care property (as defined in subsection (e)(6)(D)(i)) leased by the trust to a taxable REIT subsidiary of the trust if the property is operated on behalf of such subsidiary by a person who is an eligible independent contractor. For purposes of this section, a taxable REIT subsidiary is not considered to be operating or managing a qualified health care property or qualified lodging facility solely because it—

“(i) directly or indirectly possesses a license, permit, or similar instrument enabling it to do so, or

“(ii) employs individuals working at such facility or property located outside the United States, but only if an eligible independent contractor is responsible for the daily supervision and direction of such individuals on behalf of the taxable REIT subsidiary pursuant to a management agreement or similar service contract.”.

(b) **ELIGIBLE INDEPENDENT CONTRACTOR.**—Subparagraphs (A) and (B) of section 856(d)(9) (relating to eligible independent contractor) are amended to read as follows:

“(A) **IN GENERAL.**—The term ‘eligible independent contractor’ means, with respect to any qualified lodging facility or qualified health care property (as defined in subsection

(e)(6)(D)(i)), any independent contractor if, at the time such contractor enters into a management agreement or other similar service contract with the taxable REIT subsidiary to operate such qualified lodging facility or qualified health care property, such contractor (or any related person) is actively engaged in the trade or business of operating qualified lodging facilities or qualified health care properties, respectively, for any person who is not a related person with respect to the real estate investment trust or the taxable REIT subsidiary.

“(B) SPECIAL RULES.—Solely for purposes of this paragraph and paragraph (8)(B), a person shall not fail to be treated as an independent contractor with respect to any qualified lodging facility or qualified health care property (as so defined) by reason of the following:

“(i) The taxable REIT subsidiary bears the expenses for the operation of such qualified lodging facility or qualified health care property pursuant to the management agreement or other similar service contract.

“(ii) The taxable REIT subsidiary receives the revenues from the operation of such qualified lodging facility or qualified health care property, net of expenses for such operation and fees payable to the operator pursuant to such agreement or contract.

“(iii) The real estate investment trust receives income from such person with respect to another property that is attributable to a lease of such other property to such person that was in effect as of the later of—

“(I) January 1, 1999, or

“(II) the earliest date that any taxable REIT subsidiary of such trust entered into a management agreement or other similar service contract with such person with respect to such qualified lodging facility or qualified health care property.”.

(c) TAXABLE REIT SUBSIDIARIES.—The last sentence of section 856(l)(3) is amended—

(1) by inserting “or a health care facility” after “a lodging facility”, and

(2) by inserting “or health care facility” after “such lodging facility”.

Subtitle E—Effective Dates

SEC. 3071. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this title shall apply to taxable years beginning after the date of the enactment of this Act.

(b) REIT INCOME TESTS.—

(1) The amendments made by section 3031(a) and (c) shall apply to gains and items of income recognized after the date of the enactment of this Act.

(2) The amendment made by section 3031(b) shall apply to transactions entered into after the date of the enactment of this Act.

(c) CONFORMING FOREIGN CURRENCY REVISIONS.—

(1) The amendment made by section 3033(a) shall apply to gains recognized after the date of the enactment of this Act.

(2) The amendment made by section 3033(b) shall apply to gains and deductions recognized after the date of the enactment of this Act.

(d) DEALER SALES.—The amendments made by subtitle C shall apply to sales made after the date of the enactment of this Act.

TITLE III—REVENUE PROVISIONS

Subtitle A—General Provisions

SEC. 3081. ELECTION TO ACCELERATE THE AMT AND RESEARCH CREDITS IN LIEU OF BONUS DEPRECIATION.

(a) IN GENERAL.—Section 168(k) is amended by adding at the end the following new paragraph:

“(4) ELECTION TO ACCELERATE THE AMT AND RESEARCH CREDITS IN LIEU OF BONUS DEPRECIATION.—

“(A) IN GENERAL.—If a corporation elects to have this paragraph apply for the first taxable year of the taxpayer ending after March 31, 2008, in the case of such taxable year and each subsequent taxable year—

“(i) paragraph (1) shall not apply to any eligible qualified property placed in service by the taxpayer,

“(ii) the applicable depreciation method used under this section with respect to such property shall be the straight line method, and

“(iii) each of the limitations described in subparagraph (B) for any such taxable year shall be increased by the bonus depreciation amount which is—

“(I) determined for such taxable year under subparagraph (C), and

“(II) allocated to such limitation under subparagraph (E).

“(B) LIMITATIONS TO BE INCREASED.—The limitations described in this subparagraph are—

“(i) the limitation imposed by section 38(c), and

“(ii) the limitation imposed by section 53(c).

“(C) BONUS DEPRECIATION AMOUNT.—For purposes of this paragraph—

“(i) IN GENERAL.—The bonus depreciation amount for any taxable year is an amount equal to 20 percent of the excess (if any) of—

“(I) the aggregate amount of depreciation which would be allowed under this section for eligible qualified property placed in service by the taxpayer during such taxable year if paragraph (1) applied to all such property, over

“(II) the aggregate amount of depreciation which would be allowed under this section for eligible qualified property placed in service by the taxpayer during such taxable year if paragraph (1) did not apply to any such property.