

119TH CONGRESS
2D SESSION

H. R. 9573

To amend the Internal Revenue Code of 1986 to provide incentives for certain residential rental property.

IN THE HOUSE OF REPRESENTATIVES

JULY 2, 2026

Mr. CAREY 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 provide incentives for certain residential rental property.

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 “Housing Opportunities
5 and Preservation Enhancement Act of 2026”.

6 **SEC. 2. TAX INCENTIVES FOR CERTAIN RESIDENTIAL RENT-**
7 **AL PROPERTY.**

8 (a) IN GENERAL.—Chapter 1 of the Internal Rev-
9 enue Code of 1986 is amended by inserting after sub-
10 chapter V the following new subchapter:

1 **“Subchapter W—Certain Residential Rental**
 2 **Property**

“Sec. 1400W-1. Qualified property.

“Sec. 1400W-2. Rights of first refusal.

“Sec. 1400W-3. Exemption from passive activity rules.

“Sec. 1400W-4. Exemption from profit motive requirement.

“Sec. 1400W-5. Application of debt allocation and at-risk rules.

“Sec. 1400W-6. Determination of gain or loss on disposition of qualified prop-
erty.

“Sec. 1400W-7. Accelerated depreciation.

“Sec. 1400W-8. Exception from certain basis adjustment rules.

3 **“SEC. 1400W-1. QUALIFIED PROPERTY.**

4 “(a) IN GENERAL.—For purposes of this subchapter,
 5 the term ‘qualified property’ means, with respect to any
 6 taxable year, any building which—

7 “(1) is residential rental property (as defined in
 8 section 168(e)(2)(A)),

9 “(2) in the case of a qualified low-income build-
 10 ing (as defined in section 42(c)(2)), is not within the
 11 compliance period (as defined in section 42(i)(1))
 12 with respect to such building,

13 “(3) is owned by a partnership which is a lim-
 14 ited liability company or a limited partnership in
 15 which every managing member or general partner is
 16 a qualified tax-exempt organization, a State or local
 17 government, a qualified tribal housing agency, or a
 18 public housing authority,

19 “(4) as of the close of such taxable year, at
 20 least 70 percent of the residential units in such
 21 building are both rent-restricted (within the meaning

1 of section 42(g)(2)) and occupied by individuals
 2 whose income is 80 percent or less of the area me-
 3 dian income (determined under the rules of section
 4 42),

5 “(5) as of the close of such taxable year, such
 6 building bound by restrictions enforcing paragraph
 7 (4) which otherwise meet the requirements of clauses
 8 (ii) through (vi) of section 42(h)(6)(B),

9 “(6) during any 24-month period, rehabilitation
 10 expenditures (as defined in section 42(e)(2)) with re-
 11 spect to such building paid or incurred by such part-
 12 nership equal or exceed the greater of—

13 “(A) 20 percent of the adjusted basis of
 14 such building (as of the beginning of such pe-
 15 riod), or

16 “(B) \$20,000 per residential unit, and

17 “(7) was originally placed in service more than
 18 15 years before the date on the which the rehabilita-
 19 tion referred to in paragraph (6) began.

20 “(b) VERIFICATION OF REHABILITATION EXPENDI-
 21 TURES.—The requirement of subsection (a)(6) shall not
 22 be treated as satisfied unless an independent attorney or
 23 certified public accountant has issued a written certifi-
 24 cation that such attorney or accountant has examined the
 25 expenditures incurred with respect to such building and,

1 based upon such examination, it is such attorney's or ac-
2 countant's belief that such requirement has been satisfied.

3 “(c) DEFINITIONS.—For purposes of this section—

4 “(1) PUBLIC HOUSING AUTHORITY.—The term
5 ‘public housing authority’ means any State, county,
6 municipality, or other governmental entity or public
7 body, or agency or instrumentality of the foregoing,
8 that is authorized to engage or assist in the develop-
9 ment or operation of low-income housing under the
10 United States Housing Act of 1937.

11 “(2) QUALIFIED TAX-EXEMPT ORGANIZA-
12 TION.—

13 “(A) IN GENERAL.—The term ‘qualified
14 tax-exempt organization’ means, with respect to
15 any qualified property, any organization exempt
16 from the tax imposed under this chapter that,
17 for the 5 years preceding the date on which
18 such qualified property was placed in service—

19 “(i) met the requirements of section
20 42(h)(5)(C)(i) and (ii),

21 “(ii) had an ownership interest in res-
22 idential rental property serving low-income
23 persons, and

24 “(iii) materially participated (within
25 the meaning of section 469(h)) in the de-

1 velopment and operation of residential
2 rental property.

3 “(B) APPLICATION OF REQUIREMENTS TO
4 TIERED ORGANIZATIONS.—For purposes of this
5 paragraph, an organization shall be treated as
6 satisfying the requirements of clause (ii) or (iii)
7 of subparagraph (A) if—

8 “(i) any organization in which such
9 organization holds stock satisfies such re-
10 quirements, or

11 “(ii) all of the stock of such organiza-
12 tion is held by 1 or more tax-exempt orga-
13 nizations at all times during the period
14 such organization is in existence and such
15 organizations satisfy such requirements.

16 “(3) QUALIFIED TRIBAL HOUSING AUTHOR-
17 ITY.—The term ‘qualified tribal housing authority’
18 means, with respect to any qualified property, any
19 organization that, for the 5 years preceding the date
20 on which such qualified property was placed in serv-
21 ice—

22 “(A) is designated by an Indian tribal gov-
23 ernment (as defined in section 7701(a)(40)) to
24 engage or assist in the development and oper-
25 ation of low-income housing, and

1 “(B) had an ownership interest in residen-
 2 tial rental property serving low-income persons,
 3 and materially participated (within the meaning
 4 of section 469(h)) in the development and oper-
 5 ation of residential rental property.

6 “(d) INFLATION ADJUSTMENT.—In the case of a 24-
 7 month period referred to in subsection (a)(6) which ends
 8 in a calendar year after 2026, the \$20,000 amount in such
 9 subparagraph shall be increased by an amount equal to—

10 “(1) such dollar amount, multiplied by

11 “(2) the cost-of-living adjustment determined
 12 under section 1(f)(3) for such calendar year by sub-
 13 stituting ‘calendar year 2025’ for ‘calendar year
 14 2016’ in subparagraph (A)(ii) thereof.

15 Any increase under the preceding sentence which is not
 16 a multiple of \$100 shall be rounded to the nearest multiple
 17 of \$100.

18 **“SEC. 1400W-2. RIGHTS OF FIRST REFUSAL.**

19 “(a) IN GENERAL.—No Federal income tax benefit
 20 shall fail to be allowable to the taxpayer with respect to
 21 any qualified property, merely by reason of a right of first
 22 refusal or purchase option held by a government agency
 23 or an organization described in paragraph (3) or (4) of
 24 section 501(c) and exempt from tax under section 501(a)
 25 to purchase such property or all of the partnership inter-

1 ests (other than interests of the person exercising such
2 option or a related party thereto (within the meaning of
3 section 267(b) or 707(b)(1)), after the close of the 10th
4 year after the acquisition of the qualified property for a
5 price which is not less than the minimum purchase price.

6 “(b) MINIMUM PURCHASE PRICE.—For purposes of
7 this section, the term ‘minimum purchase price’ means,
8 with respect to any qualified property, the sum of—

9 “(1) the principal amount of outstanding in-
10 debtedness secured by such property (other than in-
11 debtedness incurred within the 5-year period ending
12 on the date of the sale), and

13 “(2) all Federal, State, and local taxes attrib-
14 utable to such sale.

15 “(c) SPECIAL RULES.—For purposes of determining
16 whether an option, including a right of first refusal, to
17 purchase property is described in this section—

18 “(1) such option or right of first refusal may be
19 exercised with or without the approval of the tax-
20 payer, or any limited partner in a limited partner-
21 ship or manager or managing member of a limited
22 liability company, and

23 “(2) a right of first refusal may be exercised in
24 response to any offer to purchase the property, in-
25 cluding an offer by a related party.

1 **“SEC. 1400W-3. EXEMPTION FROM PASSIVE ACTIVITY**
 2 **RULES.**

3 “For purposes of section 469, the term ‘passive activ-
 4 ity’ shall not include the residential rental of qualified
 5 property.

6 **“SEC. 1400W-4. EXEMPTION FROM PROFIT MOTIVE RE-**
 7 **QUIREMENT.**

8 “Section 183(a) shall not apply to the residential
 9 rental of qualified property.

10 **“SEC. 1400W-5. APPLICATION OF DEBT ALLOCATION AND**
 11 **AT-RISK RULES.**

12 “(a) IN GENERAL.—For purposes of sections 752
 13 and 465, the term ‘qualified nonrecourse financing’ in-
 14 cludes any financing—

15 “(1) which is borrowed by a partnership re-
 16 ferred to in section 1400W-1(a)(3) with respect to
 17 the activity of holding qualified property, and

18 “(2) which is borrowed by the partnership from
 19 an organization exempt from tax under this chapter,
 20 including any such organization that is a partner in
 21 the partnership.

22 “(b) DETERMINATION OF PARTNER’S SHARE OF
 23 QUALIFIED NONRECOURSE FINANCING.—A partner’s
 24 share of any qualified nonrecourse financing of such part-
 25 nership shall be determined on the basis of the partner’s
 26 share of liabilities of such partnership incurred in connec-

1 tion with such financing (within the meaning of section
2 752).

3 “(c) RISK OF LOSS.—For the purposes of section 752
4 and subsection (b), a partner shall be deemed to not bear
5 the risk of loss for a loan made (or made by a related
6 person to such partner) with respect to qualified property
7 that is qualified nonrecourse financing described in sub-
8 section (a).

9 **“SEC. 1400W-6. DETERMINATION OF GAIN OR LOSS ON DIS-**
10 **POSITION OF QUALIFIED PROPERTY.**

11 “For purposes of determining the gain or loss on the
12 sale or exchange of any qualified property (or any pass-
13 through interest therein) held by the taxpayer for not less
14 than 10 years beginning on the date that such qualified
15 property was placed in service, the basis of such property
16 or pass-through interest shall be equal to the fair market
17 value of such property on the date of such sale or ex-
18 change.

19 **“SEC. 1400W-7. ACCELERATED DEPRECIATION.**

20 “In the case of qualified property (and any property
21 intended to become qualified property within 24 months),
22 the recovery period of such property for purposes of sec-
23 tion 168 (including subsection (g)(2) thereof) shall be 15
24 years.

1 **“SEC. 1400W-8. EXCEPTION FROM CERTAIN BASIS ADJUST-**
 2 **MENT RULES.**

3 “(a) NO BASIS ADJUSTMENT FOR ENERGY EFFI-
 4 CIENT HOME CREDIT.—Section 45L(e) shall not apply to
 5 qualified property.

6 “(b) NO BASIS ADJUSTMENT FOR ENERGY EFFI-
 7 CIENT COMMERCIAL BUILDING DEDUCTION.—Section
 8 179D(e) shall not apply to qualified property.

9 “(c) NO BASIS ADJUSTMENT FOR INVESTMENT
 10 CREDITS.—Section 50(e) shall not apply to qualified prop-
 11 erty.

12 **“SEC. 1400W-9. TREATMENT OF CPAITAL GRANTS.**

13 “In the case of any amount received by an entity de-
 14 scribed in 1400W-1(c) with respect to property intended
 15 to be qualified property, as defined in section 460(c)(8),
 16 such consideration—

17 “(1) shall not be includible in gross income of
 18 the eligible taxpayer, and

19 “(2) the depreciable basis of any property ac-
 20 quired with such money shall not be reduced by the
 21 amount of such consideration.”.

22 (b) CLERICAL AMENDMENT.—The table of sub-
 23 chapters for chapter 1 of the Internal Revenue Code of
 24 1986 is amended by inserting after the item relating to
 25 subchapter V the following new item:

“SUBCHAPTER W—CERTAIN RESIDENTIAL RENTAL PROPERTY”.

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

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