

117TH CONGRESS
2D SESSION

H. R. 7220

To amend the Internal Revenue Code of 1986 to allow a business credit for gain from the sale of real property for use as a manufactured home community, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 2022

Ms. OMAR (for herself, Ms. LEE of California, Mr. POCAN, and Ms. BONAMICI) 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 allow a business credit for gain from the sale of real property for use as a manufactured home community, and for other purposes.

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 “Frank Adelman Man-
5 ufactured Housing Community Sustainability Act”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds that—

1 (1) more than 17 million people live in manu-
2 factured homes, benefiting from high-quality afford-
3 able homes that can provide them stability;

4 (2) owners of manufactured homes are dis-
5 proportionately low-income households: in 2013, the
6 median annual household income for those living in
7 manufactured housing was \$28,400;

8 (3) about 75 percent of manufactured home
9 households earn less than \$50,000;

10 (4) over 10 percent of United States veterans
11 live in manufactured homes;

12 (5) in the late 1990s, manufactured housing
13 represented two-thirds of the new affordable housing
14 produced in the United States, and it remains the
15 largest source of unsubsidized affordable housing in
16 the country;

17 (6) as of 2015, the average cost per square foot
18 for a new manufactured home was \$48, less than
19 half the \$101 per square foot of the structure-only
20 cost of a new site-built home;

21 (7) in 2009, 43 percent of all new homes that
22 sold for less than \$150,000 were manufactured
23 homes;

24 (8) manufactured homes account for 23 percent
25 of new home sales under \$200,000;

1 (9) more than 50,000 manufactured home com-
2 munities, or “mobile home parks”, exist throughout
3 the United States;

4 (10) more than 2.9 million manufactured homes
5 are placed in manufactured home communities;

6 (11) manufactured home communities provide
7 critical affordable housing but receive very little
8 local, State, or Federal funds subsidizing the cost of
9 these homes;

10 (12) manufactured home owners in commu-
11 nities may own the home, but they do not own the
12 land under their homes, leaving them vulnerable to
13 rent increases, arbitrary rule enforcement, and even
14 closure of the community if the community owner
15 decides to convert the land to some other use;

16 (13) eviction or closure of manufactured home
17 communities is very disruptive to residents who may
18 be unable to pay the thousands of dollars it takes to
19 move their home or even find a new location for
20 their home;

21 (14) in the past two decades, a national net-
22 work of housing providers has helped residents pur-
23 chase and own the land and manage the community
24 in order to preserve a crucial source of affordable
25 housing;

1 (15) nationwide, there are more than 1,000 of
2 these stable, permanent ownership cooperatives or
3 nonprofit-owned developments in more than a dozen
4 States;

5 (16) members continue to own their own homes
6 individually and an equal share of the land beneath
7 the entire neighborhood where everyone has a say in
8 the way the resident-owned community is run, and
9 major decisions are made by democratic vote by a
10 member-elected board of directors;

11 (17) in New Hampshire, more than 20 percent
12 of manufactured home communities are owned by
13 residents;

14 (18) in Vermont, Massachusetts, Rhode Island,
15 Washington, Oregon, and Minnesota, resident-owned
16 cooperatives and nonprofit ownership have flour-
17 ished;

18 (19) nationwide, only 2 percent of all manufac-
19 tured home communities are resident- or nonprofit-
20 owned;

21 (20) owners are frequently reluctant to sell the
22 community because they would prefer to pass the
23 property on to their heirs tax free and avoid capital
24 gains taxes;

1 (21) when the owner dies, the heirs frequently
2 sell the community to the highest bidder resulting in
3 displacement for dozens and sometimes hundreds of
4 families; and

5 (22) a Federal tax benefit needs to be estab-
6 lished to induce owners to sell to residents they have
7 known for decades or to nonprofit organizations in
8 order to preserve the community for years to come.

9 **SEC. 3. TAX CREDIT FOR MANUFACTURED HOME COMMU-**
10 **UNITY SALE TO RESIDENTS OR NONPROFIT**
11 **ENTITY.**

12 (a) IN GENERAL.—Subpart D of part IV of sub-
13 chapter A of chapter 1 of the Internal Revenue Code of
14 1986 (relating to business related credits) is amended by
15 adding at the end the following new section:

16 **“SEC. 45U. MANUFACTURED HOME COMMUNITY SALE TO**
17 **RESIDENTS OR NONPROFIT ENTITY.**

18 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
19 tion 38, the manufactured home community sale credit de-
20 termined under this section for any taxable year is an
21 amount equal to 75 percent of the qualified gain received
22 by the taxpayer during the taxable year.

23 “(b) DEFINITIONS.—For purposes of this section—

24 “(1) QUALIFIED GAIN.—The term ‘qualified
25 gain’ means gain from the sale or exchange of real

1 property to a qualified manufactured home commu-
2 nity cooperative or corporation if—

3 “(A) the real property is acquired for use
4 as a manufactured home community, and

5 “(B) the requirements of paragraph (2)
6 are met.

7 “(2) REQUIREMENTS.—The requirements of
8 this paragraph are met if—

9 “(A) the seller (or any related person)
10 owned the property for not less than the 2-year
11 period ending before the sale or exchange, and

12 “(B) the property is transferred subject to
13 a binding covenant that the property will be
14 used as a manufactured home community for a
15 term of not less than 50 years (or, in the case
16 of a manufactured home community located in
17 a State the laws of which restrict such covenant
18 to a lesser term, the maximum permissible term
19 allowed under such State laws).

20 “(3) MANUFACTURED HOME COMMUNITY.—The
21 term ‘manufactured home community’ means a com-
22 munity composed primarily of manufactured homes
23 used solely for residential purposes and owned by a
24 manufactured home community cooperative or cor-
25 poration.

1 “(4) MANUFACTURED HOME COMMUNITY COOP-
2 ERATIVE OR CORPORATION.—

3 “(A) IN GENERAL.—The term ‘qualified
4 manufactured home community cooperative or
5 corporation’ means a cooperative or a nonprofit
6 corporation established pursuant to the laws of
7 the State in which the property used as a man-
8 ufactured home community is located and
9 which—

10 “(i) in the case of a community owned
11 by a nonprofit corporation whose member-
12 ship interests are sold on a nonappre-
13 ciating basis, has only one class of mem-
14 bership consisting of residents, and

15 “(ii) in the case of a community
16 owned by a cooperative, has no more than
17 two classes of membership, which includes
18 both members and a tax-exempt organiza-
19 tion actively engaged in supporting afford-
20 able housing and resident-owned manufac-
21 tured home communities.

22 “(B) GOVERNANCE.—An entity shall not
23 be treated as a qualified manufactured home
24 community cooperative or corporation for pur-
25 poses of subparagraph (A) unless governance of

1 the entity is carried out by members elected to
2 a board of directors with voting structured eq-
3 uitably among all members.

4 “(C) MEMBER.—The term ‘member’
5 means—

6 “(i) an individual who—

7 “(I) has attained the age of 18,

8 “(II) is entitled by reason of the
9 individual’s membership interest to
10 execute an occupancy agreement with
11 the manufactured home community
12 cooperative nonprofit with respect to
13 one site in the manufactured home
14 community for the purposes of situ-
15 ating a manufactured home owned by
16 the member or, as permitted by the
17 manufactured community cooperative
18 or corporation, the member’s trust or
19 other entity, and

20 “(III) is a resident of the manu-
21 factured home community, and

22 “(ii) a tax exempt organization.

23 “(5) MEMBERSHIP INTEREST.—The term
24 ‘membership interest’ means an ownership interest
25 in a manufactured home community cooperative or

1 corporation or a membership interest in a manufac-
2 tured home community nonprofit corporation.

3 “(6) MANUFACTURED HOME.—The term ‘man-
4 ufactured home’ means a structure, transportable in
5 one or more sections, which—

6 “(A) in the traveling mode, is 8 body feet
7 or more in width and 40 body feet or more in
8 length, or when erected on site, is 320 square
9 feet or more,

10 “(B) is built on a permanent chassis and
11 designed to be used as a dwelling (with or with-
12 out a permanent foundation when connected to
13 required utilities) and includes plumbing, heat-
14 ing, and electrical heating systems, and

15 “(C) in the case of a structure manufac-
16 tured after June 15, 1976, is certified as meet-
17 ing the Manufactured Home Construction and
18 Safety Standards issued under the National
19 Manufactured Housing Construction and Safety
20 Standards Act of 1974 (42 U.S.C. 5401–5426)
21 by the Department of Housing and Urban De-
22 velopment and displays a label of such certifi-
23 cation on the exterior of each transportable sec-
24 tion.

25 “(c) SPECIAL RULES.—

1 “(1) RELATED PERSON.—For purposes of sub-
2 section (b)(2)(A), a person (hereafter in this sub-
3 paragraph referred to as the ‘related person’) is re-
4 lated to the seller if—

5 “(A) the related person bears a relation-
6 ship to the seller specified in section 267(b) or
7 707(b)(1), or

8 “(B) the related person and the seller are
9 engaged in trades or businesses under common
10 control (within the meaning of subsections (a)
11 and (b) of section 52).

12 “(2) ELECTION BY BOTH SELLER AND
13 BUYER.—The credit is allowable under this section
14 only if—

15 “(A) elected by both the seller and the
16 buyer of the real property and evidenced by an
17 affidavit executed by both parties, and

18 “(B) the buyer of the real property records
19 the affidavit and the affidavit is referenced in
20 its deed to the real property.

21 The seller shall elect the credit under this section on
22 its return of tax.

23 “(d) TAX UPON VIOLATION OF COVENANT.—There
24 is imposed a tax on the buyer for a violation of the cov-
25 enant specified in subsection (b)(2)(B). The amount of

1 such tax shall be 20 percent of the net proceeds after set-
2 tlement for the sale or exchange of the real property re-
3 ferred to in subsection (b)(2). For purposes of section
4 501(a), the tax imposed by this subsection shall not be
5 treated as a tax imposed by this subtitle.

6 “(e) REGULATIONS.—The Secretary shall issue such
7 regulations or other guidance as may be necessary to carry
8 out this section, including the recapture of the tax benefit
9 under this section in any case in which the real property
10 described in subsection (b) is not used as a manufactured
11 home community for at least 50 years.”.

12 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
13 NESS CREDIT.—Section 38(b) of such Code is amended
14 by striking “plus” at the end of paragraph (32), by strik-
15 ing the period at the end of paragraph (33) and inserting
16 “, plus”, and by adding at the end the following new para-
17 graph:

18 “(34) the manufactured home community sale
19 credit determined under section 45T(a).”.

20 (c) CONFORMING AMENDMENTS.—

21 (1) Subsection (c) of section 196 of such Code
22 is amended by striking “and” at the end of para-
23 graph (13), by striking the period at the end of
24 paragraph (14) and inserting “, and”, and by add-
25 ing at the end the following new paragraph:

1 “(15) the manufactured home community sale
2 credit determined under section 45U(a).”.

3 (2) The table of sections for subpart D of part
4 IV of subchapter A of chapter 1 of such Code is
5 amended by adding at the end the following new
6 item:

 “Sec. 45U. Manufactured home community sale to residents or nonprofit enti-
 ty.”.

7 (d) **EFFECTIVE DATE.**—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2021.

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