

107TH CONGRESS
1ST SESSION

S. 726

To amend the Internal Revenue Code of 1986 to provide for the treatment of prepayments for natural gas.

IN THE SENATE OF THE UNITED STATES

APRIL 6, 2001

Mr. BREAU (for himself, Mr. THOMPSON, Mr. MILLER, Mr. CLELAND, Ms. LANDRIEU, Mr. SHELBY, Mr. BUNNING, and Mr. FRIST) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide for the treatment of prepayments for natural gas.

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 “Municipal Utility Nat-
5 ural Gas Supply Act of 2001”.

6 **SEC. 2. ARBITRAGE RULES NOT TO APPLY TO PREPAY-**
7 **MENTS FOR NATURAL GAS.**

8 (a) IN GENERAL.—Subsection (b) of section 148 of
9 the Internal Revenue Code of 1986 (defining higher yield-

ing investments) is amended by adding at the end the following new paragraph:

“(4) EXCEPTION FOR CERTAIN PREPAYMENTS TO ENSURE NATURAL GAS SUPPLY.—The term ‘investment property’ shall not include any prepayment for the purpose of obtaining a supply of natural gas reasonably expected to be used in a business of 1 or more utilities each of which is owned and operated by a State or local government, any political subdivision or instrumentality thereof, or any governmental unit acting for or on behalf of such a utility.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 1301 of the Tax Reform Act of 1986.

SEC. 3. PRIVATE LOAN FINANCING TEST NOT TO APPLY TO PREPAYMENTS FOR NATURAL GAS.

(a) IN GENERAL.—Paragraph (2) of section 141(c) of the Internal Revenue Code of 1986 (relating to exception for tax assessment, etc., loans) is amended by striking “or” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, or”, and by adding at the end the following new subparagraph:

“(C) arises from a transaction described in section 148(b)(4).”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect as if included in the amend-
3 ments made by section 1301 of the Tax Reform Act of
4 1986.

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