

113TH CONGRESS
1ST SESSION

H. R. 2084

To establish the American Infrastructure Fund, to provide bond guarantees and make loans to States, local governments, and non-profit infrastructure providers for investments in certain infrastructure projects, and to provide equity investments in such projects, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 22, 2013

Mr. DELANEY (for himself, Mr. BARR, Mr. BERA of California, Mr. CARNEY, Mr. COLE, Mr. CONNOLLY, Mr. RODNEY DAVIS of Illinois, Mr. FITZPATRICK, Ms. GABBARD, Mr. GARCIA, Mr. GIBSON, Mr. JOHNSON of Ohio, Mr. JOYCE, Mr. KENNEDY, Mr. KIND, Mr. KINZINGER of Illinois, Mr. MESSER, Mr. MORAN, Mr. MURPHY of Florida, Mr. PETERS of California, Mr. PITTENGER, Mr. POLIS, Mr. RUPPERSBERGER, Ms. SINEMA, Mr. STIVERS, Mr. TURNER, and Mr. YOHO) introduced the following bill; which was referred to the Committee on Transportation and Infrastructure, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To establish the American Infrastructure Fund, to provide bond guarantees and make loans to States, local governments, and non-profit infrastructure providers for investments in certain infrastructure projects, and to provide equity investments in such projects, 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 “Partnership to Build
5 America Act of 2013”.

6 **SEC. 2. AMERICAN INFRASTRUCTURE FUND.**

7 (a) AMERICAN INFRASTRUCTURE FUND.—

8 (1) IN GENERAL.—There is established a wholly
9 owned Government corporation to be called the
10 American Infrastructure Fund (“AIF”)—

11 (A) which shall be headed by the Board of
12 Trustees established under subsection (b);

13 (B) which may have separate sub-accounts
14 or subsidiaries for funds used to make loans,
15 bond guarantees, and equity investments under
16 this section and funds used to make bond guar-
17 antees under this section;

18 (C) which shall be available to the AIF to
19 pay for the costs of carrying out this section,
20 including the compensation of the Board and
21 other employees of the AIF; and

22 (D) the funds of which may be invested by
23 the Board in such manner as the Board deter-
24 mines appropriate.

1 (2) DEPOSITS TO AIF.—All funds received from
2 bond issuances, loan payments, bond guarantee fees,
3 and any other funds received in carrying out this
4 section shall be held by AIF.

5 (3) LIMITATIONS.—The charter of the AIF
6 shall limit its activities to those activities described
7 as the mission of the Board under subsection (b)(2).

8 (4) OVERSIGHT.—The AIF shall register with
9 the Securities and Exchange Commission and the
10 Secretary shall report to Congress annually as to
11 whether the AIF is fulfilling the mission of the
12 Board under subsection (b)(2).

13 (5) TREATMENT OF AIF.—Title 31, United
14 States Code, is amended in each of sections
15 9107(c)(3) and 9108(d)(2)—

16 (A) by inserting “the American Infrastruc-
17 ture Fund,” after “the Regional Banks for Co-
18 operatives,”; and

19 (B) by striking “those banks” and insert-
20 ing “those entities”.

21 (b) BOARD OF TRUSTEES.—

22 (1) IN GENERAL.—There is established a Board
23 of Trustees of the AIF (the “Board”), which shall
24 be composed of 11 members, of which at least 4
25 must be risk management experts, as certified by

1 the Board, having substantial experience in bond
2 guarantees or municipal credit.

3 (2) MISSION.—The Mission of the Board is—

4 (A) to operate the AIF and its subsidiaries
5 to be a low cost provider of bond guarantees,
6 loans, and equity investments to State and local
7 governments and non-profit infrastructure pro-
8 viders for both urban and rural non-profit in-
9 frastructure projects that provide a positive eco-
10 nomic impact and to meet such other standards
11 as the Board may develop;

12 (B) to operate the AIF in a self-sustaining
13 manner so as to allow the AIF to repay its in-
14 frastructure bonds when due;

15 (C) to not have a profit motive, but seek
16 at all times to pursue its mission of providing
17 low cost bond guarantees and loans while cov-
18 ering its costs, reserves as may be needed, and
19 applying prudent underwriting standards;

20 (D) to only consider projects put forth by
21 State and local governments and not to seek
22 projects directly;

23 (E) to at all times make clear that no tax-
24 payer money supports the AIF or ever will; and

1 (F) to engage in no other activities other
2 than those permitted under this section.

3 (3) MEMBERSHIP.—

4 (A) PRESIDENTIALLY-APPOINTED MEM-
5 BERS.—Except as provided under subparagraph
6 (C), 4 members of the Board shall be appointed
7 by the President, by and with the advice and
8 consent of the Senate, and serve for a term of
9 7 years.

10 (B) ADDITIONAL MEMBERS.—Except as
11 provided under subparagraph (C), 7 members
12 of the Board shall be appointed by the current
13 members of the Board appointed pursuant to
14 this subparagraph or subparagraph (C)(ii), and
15 serve for a term of 7 years.

16 (C) INITIAL MEMBERS.—The Board shall
17 initially consist of the following members, who
18 shall be appointed not later than the end of the
19 60-day period beginning on the date that bonds
20 are issued under subsection (e):

21 (i) Four members, appointed by the
22 President, by and with the advice and con-
23 sent of the Senate.

24 (ii) Seven additional members, ap-
25 pointed one each by the seven entities pur-

1 chasing the largest amount of bonds (by
2 aggregate face amount of bonds pur-
3 chased) under subsection (e).

4 (D) STAGGERED TERMS.—The members of
5 the Board shall serve staggered terms, with 2
6 each of the initial members of the Board serv-
7 ing for terms of 4, 5, 6, 7, and 8 years, respec-
8 tively, and the initial Chair selected under sub-
9 paragraph (E) serving for 9 years. The decision
10 of which Board members, other than the Chair,
11 serve for which initial terms shall be made by
12 the members of the Board drawing lots.

13 (E) CHAIR.—The members of the Board
14 shall choose 1 member to serve as the Chair of
15 the Board for a term of 7 years, except that the
16 initial Chair shall serve for a term of 7 years,
17 as described under subparagraph (D).

18 (F) VACANCIES.—Any member of the
19 Board appointed to fill a vacancy occurring be-
20 fore the expiration of the term to which that
21 member's predecessor was appointed shall be
22 appointed only for the remainder of the term.

23 (G) CONTINUATION OF SERVICE.—Each
24 member of the Board may continue to serve
25 after the expiration of the term of office to

1 which that member was appointed until a suc-
2 cessor has been appointed.

3 (H) CONFLICTS OF INTEREST.—No mem-
4 ber of the Board may have a financial interest
5 in, or be employed by, a Qualified Infrastruc-
6 ture Project (“QIP”) related to assistance pro-
7 vided under this section or any entity that has
8 purchased bonds under subsection (e). Owning
9 municipal credit of any State or local govern-
10 ment or owning the securities of a diversified
11 company that engages in infrastructure activi-
12 ties, provided those activities constitute less
13 than 20 percent of the company’s revenues, or
14 investing in broadly held investment funds shall
15 not be deemed to create a conflict of interest.
16 The Board may issue regulations to define
17 terms used under this subparagraph.

18 (4) COMPENSATION.—The members of the
19 Board shall be compensated at an amount to be set
20 by the Board, but under no circumstances may such
21 compensation be higher than the rate prescribed for
22 level IV of the Executive Schedule under section
23 5315 of title 5, United States Code.

24 (5) STAFF.—The Board shall employ and set
25 compensation for such staff as the Board determines

1 as is necessary to carry out the activities and mis-
2 sion of the AIF, and such staff may be paid without
3 regard to the provisions of chapter 51 and sub-
4 chapter III of chapter 53, United States Code, relat-
5 ing to classification and General Schedule pay rates.

6 (6) PROCEDURES.—The Board shall establish
7 such procedures as are necessary to carry out this
8 section.

9 (7) CORPORATE GOVERNANCE STANDARDS.—

10 (A) BOARD COMMITTEES GENERALLY.—

11 The Board shall maintain all of the committees
12 required to be maintained by the board of direc-
13 tors of an issuer listed on the New York Stock
14 Exchange as of the date of the enactment of
15 this section.

16 (B) RISK MANAGEMENT COMMITTEE.—The

17 Board shall maintain a risk management com-
18 mittee, which shall—

19 (i) consist of 4 members of the Board,
20 with the initial 4 members consisting of 2
21 members appointed under paragraph
22 (3)(C)(i) and 2 members appointed under
23 paragraph (3)(C)(ii);

24 (ii) employ additional staff who are
25 certified by the Board as having significant

1 and relevant experience in insurance un-
2 derwriting and credit risk management;
3 and

4 (iii) establish the risk management
5 policies used by the Board.

6 (C) STANDARDS.—The Board shall, to the
7 extent practicable, follow all standards with re-
8 spect to corporate governance that are required
9 to be followed by the board of directors of an
10 issuer listed on the New York Stock Exchange
11 as of the date of the enactment of this section.

12 (c) INFRASTRUCTURE INVESTMENT.—

13 (1) IN GENERAL.—The AIF shall provide bond
14 guarantees to debt issued by State and local govern-
15 ments and non-profit infrastructure providers, make
16 loans to States, local governments, and non-profit
17 infrastructure providers, and make equity invest-
18 ments in projects sponsored by State and local gov-
19 ernments and non-profit infrastructure provider to
20 help Qualified Infrastructure Projects (“QIPs”).
21 The AIF may not make any loans or provide bond
22 guaranties to for-profit entities.

23 (2) QUALIFIED INFRASTRUCTURE PROJECTS.—

24 A project qualifies as a QIP under this section if—

1 (A) the project involves the construction,
2 maintenance, improvement, or repair of a trans-
3 portation, energy, water, communications, or
4 educational facility; and

5 (B) the recipient of bond guarantees,
6 loans, equity investments, or any other financ-
7 ing technique authorized under this Act pro-
8 vides written assurances prescribed by the AIF
9 that the project will be performed in compliance
10 with the requirements of all Federal laws that
11 would otherwise apply to similar projects to
12 which the United States is a party.

13 (3) APPLICATION FOR ASSISTANCE.—

14 (A) IN GENERAL.—A State or local gov-
15 ernment that wishes to receive a loan or bond
16 guarantee under this section shall submit an
17 application to the Board in such form and man-
18 ner and containing such information as the
19 Board may require.

20 (B) REQUIREMENT FOR NON-PROFIT IN-
21 FRASTRUCTURE PROVIDERS TO APPLY
22 THROUGH STATE OR LOCAL GOVERNMENTS.—A
23 non-profit infrastructure provider may only re-
24 ceive a bond guarantee, loan, or equity invest-
25 ment under this section if the State or local

1 government for the jurisdiction in which the
2 non-profit infrastructure provider is located
3 submits an application pursuant to subpara-
4 graph (A) on behalf of such non-profit infra-
5 structure provider.

6 (4) LIMITATIONS ON SINGLE STATE AWARDS.—

7 (A) ANNUAL LIMITATION.—The Board
8 shall set an annual limit, as a percentage of
9 total assistance provided under this section dur-
10 ing a year, on the amount of assistance a single
11 State (including local governments and other
12 non-profit infrastructure providers within such
13 State) may receive in assistance provided under
14 this section.

15 (B) CUMULATIVE LIMITATION.—The
16 Board shall set a limit, as a percentage of total
17 assistance provided under this section out-
18 standing at any one time, on the amount of as-
19 sistance a single State (including local govern-
20 ments and other non-profit infrastructure pro-
21 viders within such State) may receive in assist-
22 ance provided under this section.

23 (5) LOAN SPECIFICATIONS.—Loans made under
24 this section shall have such maturity and carry such
25 interest rate as the Board determines appropriate.

1 (6) BOND GUARANTEE.—The Board shall
2 charge such fees for Bond guarantees made under
3 this section as the Board determines appropriate.

4 (7) EQUITY INVESTMENTS.—With respect to a
5 QIP, the amount of an equity investment made by
6 the AIF in such QIP may not exceed 20 percent of
7 the total cost of the QIP.

8 (8) PUBLIC-PRIVATE PARTNERSHIP REQUIRE-
9 MENTS.—At least 25 percent of the assistance pro-
10 vided under this section shall be provided to QIPs
11 for which at least 20 percent of the financing for
12 such QIPs comes from private debt or equity.

13 (9) PROHIBITION ON PRINCIPAL FORGIVE-
14 NESS.—With respect to a loan made under this sec-
15 tion, the Board may not forgive any amount of prin-
16 cipal on such loan.

17 (d) AMERICAN INFRASTRUCTURE BONDS.—

18 (1) IN GENERAL.—The Secretary shall, not
19 later than the end of the 90-day period following the
20 date of the enactment of this section and acting
21 through the AIF, issue bonds, to be called “Amer-
22 ican Infrastructure Bonds”, the proceeds from which
23 shall be deposited into the AIF.

24 (2) FORMS AND DENOMINATIONS; INTEREST.—
25 American Infrastructure Bonds shall—

1 (A) be in such forms and denominations as
2 determined by the Secretary, and shall have a
3 50-year maturity; and

4 (B) bear interest of 1 percent.

5 (3) NO FULL FAITH AND CREDIT.—Interest
6 and principal payments paid to holders of American
7 Infrastructure Bonds shall be paid from the AIF, to
8 the extent funds are available, and shall not be
9 backed by the full faith and credit of the United
10 States.

11 (4) AMOUNT OF BONDS.—The aggregate face
12 amount of the bonds issued under this subsection
13 shall be \$50,000,000,000.

14 (5) SALE OF AMERICAN INFRASTRUCTURE
15 BONDS.—

16 (A) COMPETITIVE BIDDING PROCESS.—
17 The Secretary shall sell the \$50,000,000,000 of
18 American Infrastructure Bonds—

19 (i) through a competitive bidding
20 process that encourages aggressive bidding;

21 (ii) in a manner so as to ensure that
22 there are at least 7 different un-affiliated
23 purchasers; and

24 (iii) with prospective purchasers bid-
25 ding on how low of a multiplier they will

1 accept (for purposes of subsection (b)(1) of
2 section 966 of the Internal Revenue Code
3 of 1986) when purchasing the American
4 Infrastructure Bonds, for purposes of ap-
5 plying the foreign earnings exclusion de-
6 scribed under that section.

7 (B) LIMITATION.—The multiplier de-
8 scribed under subparagraph (A)(iii) may not be
9 greater than 6.

10 (6) REIMBURSEMENT OF COSTS.—The Board
11 shall repay the Secretary, from funds in the AIF, for
12 the costs to the Secretary in carrying out this sub-
13 section.

14 (e) ADDITIONAL BONDS.—

15 (1) IN GENERAL.—The Board may issue such
16 other bonds as the Board determines appropriate,
17 the proceeds from which shall be deposited into the
18 AIF.

19 (2) NO FULL FAITH AND CREDIT.—Interest
20 and principal payments paid to holders of bonds
21 issued pursuant to paragraph (1) shall be paid from
22 the AIF, to the extent funds are available, and shall
23 not be backed by the full faith and credit of the
24 United States.

25 (f) DEFINITIONS.—For purposes of this section:

1 (1) BOND GUARANTEE.—The term “bond guar-
2 antee” has the meaning given the term “loan guar-
3 antee” under section 502 of the Federal Credit Re-
4 form Act of 1990 (2 U.S.C. 661a).

5 (2) COST.—With respect to a loan or a bond
6 guarantee, the term “cost” has the meaning given
7 such term under section 502 of the Federal Credit
8 Reform Act of 1990 (2 U.S.C. 661a).

9 (3) NON-PROFIT INFRASTRUCTURE PRO-
10 VIDER.—The term “non-profit infrastructure pro-
11 vider” means a non-profit entity that seeks to fi-
12 nance a QIP.

13 (4) LOAN.—The term “loan” has the meaning
14 given the term “direct loan” under section 502 of
15 the Federal Credit Reform Act of 1990 (2 U.S.C.
16 661a).

17 (5) SECRETARY.—The term “Secretary” means
18 the Secretary of the Treasury.

19 (6) STATE.—The term “State” means each of
20 the several States, the District of Columbia, any ter-
21 ritory or possession of the United States, and each
22 federally recognized Indian tribe.

1 **SEC. 3. FOREIGN EARNINGS EXCLUSION FOR PURCHASE OF**
2 **INFRASTRUCTURE BONDS.**

3 (a) IN GENERAL.—Subpart F of part III of sub-
4 chapter N of chapter 1 of the Internal Revenue Code of
5 1986 is amended by adding at the end the following new
6 section:

7 **“SEC. 966. FOREIGN EARNINGS EXCLUSION FOR PURCHASE**
8 **OF INFRASTRUCTURE BONDS.**

9 “(a) EXCLUSION.—In the case of a corporation which
10 is a United States shareholder and for which the election
11 under this section is in effect for the taxable year, gross
12 income does not include an amount equal to the qualified
13 cash dividend amount.

14 “(b) QUALIFIED CASH DIVIDEND AMOUNT.—For
15 purposes of this section, the term ‘qualified cash dividend
16 amount’ means an amount of the cash dividends which
17 are received during a taxable year by such shareholder
18 from controlled foreign corporations equal to—

19 “(1) the multiplier determined under section
20 2(d)(5) of the Partnership to Build America Act of
21 2013 for such shareholder, multiplied by

22 “(2) the face amount of qualified infrastructure
23 bonds acquired at its original issue (directly or
24 through an underwriter) by such shareholder.

25 “(c) LIMITATIONS.—

1 “(1) IN GENERAL.—The amount of dividends
2 taken into account under subsection (a) for a tax-
3 able year shall not exceed the lesser of—

4 “(A) the cash dividends received by the
5 taxpayer for such taxable year, or

6 “(B) the amount shown on the applicable
7 financial statement as earnings permanently re-
8 invested outside the United States.

9 “(2) DIVIDENDS MUST BE EXTRAORDINARY.—
10 The amount of dividends taken into account under
11 subsection (a) shall not exceed the excess (if any)
12 of—

13 “(A) the cash dividends received during
14 the taxable year by such shareholder from con-
15 trolled foreign corporations, over

16 “(B) the annual average for the base pe-
17 riod years of the cash dividends received during
18 each base period year by such shareholder from
19 controlled foreign corporations.

20 “(3) REDUCTION OF BENEFIT IF INCREASE IN
21 RELATED PARTY INDEBTEDNESS.—The amount of
22 dividends which would (but for this paragraph) be
23 taken into account under subsection (a) shall be re-
24 duced by the excess (if any) of—

1 “(A) the amount of indebtedness of the
2 controlled foreign corporation to any related
3 person (as defined in section 954(d)(3)) as of
4 the close of the taxable year for which the elec-
5 tion under this section is in effect, over

6 “(B) the amount of indebtedness of the
7 controlled foreign corporation to any related
8 person (as so defined) as of the close of the pre-
9 ceding taxable year.

10 All controlled foreign corporations with respect to
11 which the taxpayer is a United States shareholder
12 shall be treated as 1 controlled foreign corporation
13 for purposes of this subsection. The Secretary may
14 prescribe such regulations as may be necessary or
15 appropriate to prevent the avoidance of the purposes
16 of this subsection, including regulations which pro-
17 vide that cash dividends shall not be taken into ac-
18 count under subsection (a) to the extent such divi-
19 dends are attributable to the direct or indirect trans-
20 fer (including through the use of intervening entities
21 or capital contributions) of cash or other property
22 from a related person (as so defined) to a controlled
23 foreign corporation.

24 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
25 poses of this section—

1 “(1) QUALIFIED INFRASTRUCTURE BONDS.—

2 The term ‘qualified infrastructure bond’ means a
3 bond issued under section 2(d) of the Partnership to
4 Build America Act of 2013.

5 “(2) APPLICABLE FINANCIAL STATEMENT.—

6 The term ‘applicable financial statement’ means,
7 with respect to a taxable year—

8 “(A) with respect to a United States
9 shareholder which is required to file a financial
10 statement with the Securities and Exchange
11 Commission (or which is included in such a
12 statement so filed by another person), the most
13 recent audited annual financial statement (in-
14 cluding the notes which form an integral part
15 of such statement) of such shareholder (or
16 which includes such shareholder)—

17 “(i) which was so filed for such tax-
18 able year, and

19 “(ii) which is certified as being pre-
20 pared in accordance with generally accept-
21 ed accounting principles, and

22 “(B) with respect to any other United
23 States shareholder, the most recent audited fi-
24 nancial statement (including the notes which
25 form an integral part of such statement) of

1 such shareholder (or which includes such share-
2 holder)—

3 “(i) which is certified as being pre-
4 pared in accordance with generally accept-
5 ed accounting principles, and

6 “(ii) which is used for the purposes of
7 a statement or report—

8 “(I) to creditors,

9 “(II) to shareholders, or

10 “(III) for any other substantial
11 nontax purpose.

12 “(3) BASE PERIOD YEARS.—

13 “(A) IN GENERAL.—The base period years
14 are the 3 taxable years—

15 “(i) which are among the 5 most re-
16 cent preceding taxable years ending before
17 the taxable year, and

18 “(ii) which are determined by dis-
19 regarding—

20 “(I) 1 taxable year for which the
21 amount described in subsection
22 (c)(2)(B) is the largest, and

23 “(II) 1 taxable year for which
24 such amount is the smallest.

1 “(B) SHORTER PERIOD.—If the taxpayer
2 has fewer than 5 taxable years ending before
3 the taxable year, then in lieu of applying sub-
4 paragraph (A), the base period years shall in-
5 clude all the taxable years of the taxpayer end-
6 ing before such taxable year.

7 “(C) MERGERS, ACQUISITIONS, ETC.—

8 “(i) IN GENERAL.—Rules similar to
9 the rules of subparagraphs (A) and (B) of
10 section 41(f)(3) shall apply for purposes of
11 this paragraph.

12 “(ii) SPIN-OFFS, ETC.—If there is a
13 distribution to which section 355 (or so
14 much of section 356 as relates to section
15 355) applies during the 5-year period re-
16 ferred to in subparagraph (A)(i) and the
17 controlled corporation (within the meaning
18 of section 355) is a United States share-
19 holder—

20 “(I) the controlled corporation
21 shall be treated as being in existence
22 during the period that the distributing
23 corporation (within the meaning of
24 section 355) is in existence, and

1 “(II) for purposes of applying
2 subsection (c)(2) to the controlled cor-
3 poration and the distributing corpora-
4 tion, amounts described in subsection
5 (c)(2)(B) which are received or includ-
6 ible by the distributing corporation or
7 controlled corporation (as the case
8 may be) before the distribution re-
9 ferred to in subclause (I) from a con-
10 trolled foreign corporation shall be al-
11 located between such corporations in
12 proportion to their respective interests
13 as United States shareholders of such
14 controlled foreign corporation imme-
15 diately after such distribution.

16 Subclause (II) shall not apply if neither
17 the controlled corporation nor the distrib-
18 uting corporation is a United States share-
19 holder of such controlled foreign corpora-
20 tion immediately after such distribution.

21 “(4) DIVIDEND.—The term ‘dividend’ shall not
22 include amounts includible in gross income as a divi-
23 dend under section 78, 367, or 1248. In the case of
24 a liquidation under section 332 to which section
25 367(b) applies, the preceding sentence shall not

1 apply to the extent the United States shareholder
2 actually receives cash as part of the liquidation.

3 “(5) COORDINATION WITH DIVIDEND RECEIVED
4 DEDUCTION.—No deduction shall be allowed under
5 section 243 or 245 for any dividend which is ex-
6 cluded from income by subsection (a).

7 “(6) CONTROLLED GROUPS.—All United States
8 shareholders which are members of an affiliated
9 group filing a consolidated return under section
10 1501 shall be treated as one United States share-
11 holder.

12 “(7) REPORTING.—The Secretary shall require
13 by regulation or other guidance the reporting of
14 such information as the Secretary may require to
15 carry out this section.

16 “(e) DENIAL OF FOREIGN TAX CREDIT; DENIAL OF
17 CERTAIN EXPENSES.—

18 “(1) FOREIGN TAX CREDIT.—

19 “(A) IN GENERAL.—No credit shall be al-
20 lowed under section 901 for any taxes paid or
21 accrued (or treated as paid or accrued) with re-
22 spect to the excluded portion of any dividend.

23 “(B) DENIAL OF DEDUCTION OF RELATED
24 TAX.—No deduction shall be allowed under this

1 chapter for any tax for which credit is not al-
2 lowable by reason of the preceding sentence.

3 “(2) EXPENSES.—No deduction shall be al-
4 lowed for expenses directly allocable to the exclud-
5 able portion described in paragraph (1).

6 “(3) EXCLUDABLE PORTION.—For purposes of
7 paragraph (1), unless the taxpayer otherwise speci-
8 fies, the excludable portion of any dividend or other
9 amount is the amount which bears the same ratio to
10 the amount of such dividend or other amount as the
11 amount excluded from income under subsection (a)
12 for the taxable year bears to the amount described
13 in subsection (c)(2)(A) for such year.

14 “(4) COORDINATION WITH SECTION 78.—Sec-
15 tion 78 shall not apply to any tax which is not allow-
16 able as a credit under section 901 by reason of this
17 subsection.

18 “(f) ELECTION TO HAVE SECTION APPLY.—A tax-
19 payer may elect to have this section apply for any taxable
20 year.”.

21 (b) CLERICAL AMENDMENT.—The table of sections
22 for subpart F of part III of subchapter N of chapter 1
23 of such Code is amended by adding at the end the fol-
24 lowing new item:

“Sec. 966. Foreign earnings exclusion for purchase of infrastructure bonds.”.

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

○