

105TH CONGRESS
1ST SESSION

H. R. 711

To amend the Internal Revenue Code of 1986 concerning the tax treatment of distributions from qualified retirement plans investing in public benefit bonds.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 12, 1997

Ms. DELAURO introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 concerning the tax treatment of distributions from qualified retirement plans investing in public benefit bonds.

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 “Public Benefit Bonds
5 Innovative Financing Act”.

1 **SEC. 2. TAX TREATMENT OF DISTRIBUTIONS FROM QUALI-**
2 **FIED RETIREMENT PLANS INVESTING IN**
3 **PUBLIC BENEFIT BONDS.**

4 (a) IN GENERAL.—Section 72 of the Internal Reve-
5 nue Code of 1986 (relating to annuities; certain proceeds
6 of endowment and life insurance contracts) is amended by
7 redesignating subsection (w) as subsection (x) and by in-
8 serting after subsection (v) the following new subsection:

9 “(w) TREATMENT OF DISTRIBUTION FROM QUALI-
10 FIED RETIREMENT PLANS INVESTING IN PUBLIC BENE-
11 FIT BONDS.—

12 “(1) IN GENERAL.—In the case of any qualified
13 retirement plan which receives directly or indirectly
14 any interest on any public benefit bond (including
15 any payments in respect thereof made by a surety
16 or guarantor) for purposes of applying this section
17 to any distribution from such plan, the distributee’s
18 investment in the contract shall be treated as includ-
19 ing such distributee’s allocable share of such interest
20 under the terms of the qualified retirement plan,
21 and any such distribution shall be treated as a dis-
22 tribution described in subsection (e)(2)(B) in which
23 the distribution is allocable first to the investment in
24 the contract attributable to such interest.

25 “(2) TREATMENT OF INSTALLMENTS.—In the
26 case of a distribution to be made over more than one

1 calendar year, the amount of public benefit bond in-
2 terest to be taken into account with respect to a
3 given calendar year shall be the aggregate amount of
4 such interest allocable to the distributee as of the
5 end of the prior calendar year. With respect to the
6 final calendar year, the amount of public benefit
7 bond interest to be taken into account shall include
8 the amount of such interest received by the plan
9 during such year that is allocable to the plan partici-
10 pant with respect to whom the distribution is made.

11 “(3) PUBLIC BENEFIT BOND.—The term ‘pub-
12 lic benefit bond’ means any obligation issued after
13 the date of the enactment of this subsection if—

14 “(i) 95 percent or more of the net proceeds
15 of such obligation are used in connection with
16 the financing or refinancing of 1 or more infra-
17 structure facilities,

18 “(ii) such obligation has received a pub-
19 lished rating, and

20 “(iii) the development of such infrastruc-
21 ture facilities have been or will be undertaken
22 by a governmental entity or public-private part-
23 nership,

24 as such terms are defined in paragraph (7).

1 “(4) LEGEND REQUIRED.—No obligation shall
 2 be a public benefit bond for purposes of this sub-
 3 section unless it is designated as intended to be a
 4 public benefit bond on the date of issuance and
 5 bears a legend to such effect.

6 “(5) QUALIFIED RETIREMENT PLAN.—For pur-
 7 poses of this subsection, the term ‘qualified retire-
 8 ment plan’ means—

9 “(A) a qualified retirement plan (as de-
 10 fined in section 4974(c)), and

11 “(B) an eligible deferred compensation
 12 plan (as defined in section 457(b)).

13 “(6) TREATMENT OF DIVIDENDS FROM MUTUAL
 14 FUNDS.—

15 “(A) IN GENERAL.—For purposes of this
 16 subsection, in the case of any dividend (other
 17 than a dividend described in section 854(a)) re-
 18 ceived from a regulated investment company
 19 which meets the requirements of section 852 for
 20 the taxable year in which it paid the dividend—

21 “(i) the entire amount of such divi-
 22 dend shall be treated as interest on a pub-
 23 lic benefit bond if the aggregate interest on

1 such bonds received by such company dur-
2 ing the taxable year equals or exceeds 75
3 percent of its gross income, or

4 “(ii) if clause (i) does not apply, a
5 portion of such dividend shall be treated as
6 interest on a public benefit bond based on
7 the portion of the company’s gross income
8 which consists of such interest.

9 “(B) NOTICE TO SHAREHOLDERS.—The
10 amount of any distribution by a regulated in-
11 vestment company which may be taken into ac-
12 count as interest on a public benefit bond for
13 purposes of this section shall not exceed the
14 amount so designated by the company in a writ-
15 ten notice to its shareholders mailed not later
16 than 45 days after the close of its taxable year.

17 “(C) GROSS INCOME.—For purposes of
18 this section, the term ‘gross income’ does not
19 include gain from the sale or other disposition
20 of stock or securities.

21 “(7) DEFINITIONS.—In this section, the follow-
22 ing definitions apply:

1 “(A) ENTITY.—The term ‘entity’ means an
2 individual, corporation, partnership, joint ven-
3 ture, trust or governmental entity or instrumen-
4 tality.

5 “(B) INFRASTRUCTURE FACILITY.—The
6 term ‘infrastructure facility’ means a road,
7 highway, bridge, tunnel, airport, mass transpor-
8 tation vehicle or system, passenger rail vehicle
9 or system, intermodal transportation facility,
10 waterway, commercial port, drinking or waste
11 water treatment facility, solid waste disposal fa-
12 cility, pollution control system, hazardous waste
13 facility, federally designated national informa-
14 tion highway facility, school, and any ancillary
15 facility which forms a part of any such facility
16 or is reasonably related to such facility, whether
17 owned, leased or operated by a public entity or
18 a private entity or by a combination of such en-
19 tities, and the financing or refinancing of the
20 development of which is, or will be, supported
21 in whole or in part by user fees or other dedi-
22 cated revenue sources.

23 “(C) PUBLIC-PRIVATE PARTNERSHIP.—
24 The term ‘public-private partnership’ means
25 any entity—

1 “(i) which is undertaking the develop-
 2 ment of all or part of any infrastructure
 3 facility—

4 “(I) pursuant to requirements es-
 5 tablished in 1 or more contracts be-
 6 tween such entity and a State or an
 7 instrumentality of a State, or

8 “(II) the activities of which with
 9 respect to such facility are subject to
 10 regulation by a State or any instru-
 11 mentality of a State, and

12 “(ii) which owns, leases, or operates,
 13 or will own, lease, or operate, such infra-
 14 structure facility in whole or in part, and
 15 at least 1 of the participants in such entity
 16 is a nongovernmental entity.”.

17 (b) CONFORMING AMENDMENT.—Subsection (w) of
 18 section 72 of the Internal Revenue Code of 1986 is amend-
 19 ed by adding the following new paragraph:

20 “(4) TREATMENT OF QUALIFYING PUBLIC BEN-
 21 EFIT BOND INTEREST.—For purposes of subsections
 22 (c)(1)(A) and (c)(2)(A), the total amount of public
 23 benefit bond interest described in subsection (w)

1 with respect to a participant in a qualified retire-
2 ment plan (determined without reference to the an-
3 nuity starting date) shall be treated as an invest-
4 ment in the contract.”.

5 (c) EFFECTIVE DATE.—The amendments made this
6 section shall apply to distributions after the date of the
7 enactment of this Act.

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