

105TH CONGRESS
1ST SESSION

S. 434

To amend the Internal Revenue Code of 1986 to correct the treatment
of tax-exempt financing of professional sports facilities.

IN THE SENATE OF THE UNITED STATES

MARCH 12, 1997

Mr. MOYNIHAN (for himself and Mr. BYRD) 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 correct
the treatment of tax-exempt financing of professional
sports facilities.

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 “Stop Tax-Exempt
5 Arena Debt Issuance Act”.

6 **SEC. 2. TREATMENT OF TAX-EXEMPT FINANCING OF PRO-**
7 **FESSIONAL SPORTS FACILITIES.**

8 (a) IN GENERAL.—Section 141 of the Internal Reve-
9 nue Code of 1986 (defining private activity bond and
10 qualified bond) is amended by redesignating subsection (e)

1 as subsection (f) and by inserting after subsection (d) the
 2 following new subsection:

3 “(e) CERTAIN ISSUES USED FOR PROFESSIONAL
 4 SPORTS FACILITIES TREATED AS PRIVATE ACTIVITY
 5 BONDS.—

6 “(1) IN GENERAL.—For purposes of this title,
 7 the term ‘private activity bond’ includes any bond is-
 8 sued as part of an issue if the amount of the pro-
 9 ceeds of the issue which are to be used (directly or
 10 indirectly) to provide professional sports facilities ex-
 11 ceeds the lesser of—

12 “(A) 5 percent of such proceeds, or

13 “(B) \$5,000,000.

14 “(2) BOND NOT TREATED AS A QUALIFIED
 15 BOND.—For purposes of this title, any bond de-
 16 scribed in paragraph (1) shall not be a qualified
 17 bond.

18 “(3) PROFESSIONAL SPORTS FACILITIES.—For
 19 purposes of this subsection—

20 “(A) IN GENERAL.—The term ‘professional
 21 sports facilities’ means real property or related
 22 improvements used for professional sports exhi-
 23 bitions, games, or training, regardless if the ad-
 24 mission of the public or press is allowed or
 25 paid.

1 “(B) USE FOR PROFESSIONAL SPORTS.—

2 Any use of facilities which generates a direct or
 3 indirect monetary benefit (other than reim-
 4 bursement for out-of pocket expenses) for a
 5 person who uses such facilities for professional
 6 sports exhibitions, games, or training shall be
 7 treated as a use described in subparagraph (A).

8 “(4) ANTI-ABUSE REGULATIONS.—The Sec-
 9 retary shall prescribe such regulations as may be ap-
 10 propriate to carry out the purposes of this sub-
 11 section, including such regulations as may be appro-
 12 priate to prevent avoidance of such purposes through
 13 related persons, use of related facilities or multiuse
 14 complexes, or otherwise.”

15 (b) EFFECTIVE DATE.—

16 (1) IN GENERAL.—Except as provided in para-
 17 graphs (2), (3), and (5), the amendments made by
 18 this section shall apply to bonds issued on or after
 19 the date of enactment of this Act.

20 (2) EXCEPTION FOR CONSTRUCTION, BINDING
 21 AGREEMENTS, OR APPROVED PROJECTS.—The
 22 amendments made by this section shall not apply to
 23 bonds—

24 (A) the proceeds of which are used for—

1 (i) the construction or rehabilitation
2 of a facility—

3 (I) if such construction or reha-
4 bilitation began before June 14, 1996,
5 and was completed on or after such
6 date, or

7 (II) if a State or political subdivi-
8 sion thereof has entered into a bind-
9 ing contract before June 14, 1996,
10 that requires the incurrence of signifi-
11 cant expenditures for such construc-
12 tion or rehabilitation, and some of
13 such expenditures are incurred on or
14 after such date; or

15 (ii) the acquisition of a facility pursu-
16 ant to a binding contract entered into by
17 a State or political subdivision thereof be-
18 fore June 14, 1996, and

19 (B) which are the subject of an official ac-
20 tion taken by relevant government officials be-
21 fore June 14, 1996—

22 (i) approving the issuance of such
23 bonds, or

1 (ii) approving the submission of the
2 approval of such issuance to a voter ref-
3 erendum.

4 (3) EXCEPTION FOR FINAL BOND RESOLU-
5 TIONS.—The amendments made by this section shall
6 not apply to bonds the proceeds of which are used
7 for the construction or rehabilitation of a facility if
8 a State or political subdivision thereof has completed
9 all necessary governmental approvals for the issu-
10 ance of such bonds before June 14, 1996.

11 (4) SIGNIFICANT EXPENDITURES.—For pur-
12 poses of paragraph (2)(A)(i)(II), the term “signifi-
13 cant expenditures” means expenditures equal to or
14 exceeding 10 percent of the reasonably anticipated
15 cost of the construction or rehabilitation of the facil-
16 ity involved.

17 (5) EXCEPTION FOR CERTAIN CURRENT
18 REFUNDINGS.—

19 (A) IN GENERAL.—The amendments made
20 by this section shall not apply to any bond the
21 proceeds of which are used exclusively to refund
22 a qualified bond (or a bond which is a part of
23 a series of refundings of a qualified bond) if—

1 (i) the amount of the refunding bond
 2 does not exceed the outstanding principal
 3 amount of the refunded bond,

4 (ii) the average maturity date of the
 5 issue of which the refunding bond is a part
 6 is not later than the average maturity date
 7 of the bonds to be refunded by such issue,
 8 and

9 (iii) the net proceeds of the refunding
 10 bond are used to redeem the refunded
 11 bond not later than 90 days after the date
 12 of the issuance of the refunding bond.

13 For purposes of clause (ii), average maturity
 14 shall be determined in accordance with section
 15 147(b)(2)(A) of the Internal Revenue Code of
 16 1986.

17 (B) QUALIFIED BOND.—For purposes of
 18 subparagraph (A), the term “qualified bond”
 19 means any tax-exempt bond to finance a profes-
 20 sional sports facility (as defined in section
 21 141(e)(3) of such Code, as added by subsection
 22 (a)) issued before the date of enactment of this
 23 Act.

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