

106TH CONGRESS  
1ST SESSION

# H. R. 1354

To amend the Internal Revenue Code of 1986 to encourage a strong  
community-based banking system.

---

## IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1999

Mr. SESSIONS (for himself, Mr. BACHUS, Mr. PAUL, Mr. MCCOLLUM, Mr. BOEHNER, and Mr. BEREUTER) 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 encourage  
a strong community-based banking system.

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 “Community Savings  
5       and Investment Act of 1999”.

6       **SEC. 2. INCOME TAX ON QUALIFIED COMMUNITY LENDERS.**

7       (a) IN GENERAL.—Section 11 of the Internal Rev-  
8       enue Code of 1986 (relating to tax imposed on corpora-  
9       tions) is amended by redesignating subsection (d) as sub-

1 section (e) and by inserting after subsection (c) the fol-  
 2 lowing new subsection:

3 “(d) QUALIFIED COMMUNITY LENDERS.—

4 “(1) IN GENERAL.—In the case of a qualified  
 5 community lender, in lieu of the amount of tax  
 6 under subsection (b) the amount of tax imposed by  
 7 subsection (a) for a taxable year shall be the sum  
 8 of—

9 “(A) 15 percent of so much of the taxable  
 10 income as exceeds \$250,000 but does not ex-  
 11 ceed \$1,000,000, and

12 “(B) the highest rate of tax imposed by  
 13 subsection (b) multiplied by so much of the tax-  
 14 able income as exceeds \$1,000,000.

15 “(2) QUALIFIED COMMUNITY LENDER.—For  
 16 purposes of paragraph (1), the term ‘qualified com-  
 17 munity lender’ means a bank—

18 “(A) which achieved a rating of ‘satisfac-  
 19 tory record of meeting community credit needs’,  
 20 or better, at the most recent examination of  
 21 such bank under the Community Reinvestment  
 22 Act of 1977,

23 “(B) whose outstanding local community  
 24 loans at all times during the taxable year com-

1           prised not less than 60 percent of the total out-  
2           standing loans,

3           “(C) meets the ownership requirements of  
4           paragraph (3), and

5           “(D) at all times during the taxable year  
6           has total assets of not more than  
7           \$1,000,000,000.”.

8           “(3) OWNERSHIP REQUIREMENTS.—

9           “(A) IN GENERAL.—The ownership re-  
10          quirements of this paragraph are met with re-  
11          spect to any bank if—

12                 “(i) no shares of, or other ownership  
13                 interests in, the bank are publicly traded,  
14                 or

15                 “(ii) in the case of a bank the shares  
16                 of which or ownership interests in which  
17                 are publicly traded, the last known address  
18                 of the holders of at least  $\frac{2}{3}$  of all such  
19                 shares or interests, including persons for  
20                 whose benefit such shares or interests are  
21                 held by another, is in the home State of  
22                 the bank or a State contiguous to such  
23                 home State.

1 “(B) HOME STATE DEFINED.—For pur-  
2 poses of subparagraph (A), the term ‘home  
3 State’ means—

4 “(i) with respect to a national bank or  
5 Federal savings association, the State in  
6 which the main office of the bank or sav-  
7 ings association is located, and

8 “(ii) with respect to a State bank or  
9 State savings association, the State by  
10 which the bank or savings association is  
11 chartered.

12 “(4) OTHER DEFINITIONS.—For purposes of  
13 this subsection—

14 “(A) BANK.—The term ‘bank’—

15 “(i) has the meaning given to such  
16 term in section 581, and

17 “(ii) includes any bank—

18 “(I) in which at least 80 percent  
19 of the shares of, or other ownership  
20 interests in the bank are owned by  
21 other qualified community lenders,  
22 and

23 “(II) the sole purpose of which is  
24 to serve the banking needs of such  
25 lenders.

1                   “(B) LOCAL COMMUNITY LOAN.—The term  
2                   ‘local community loan’ means—

3                   “(i) any loan originated by a bank to  
4                   any person, other than a related person  
5                   with respect to the bank, who is a resident  
6                   of a community in which the bank is char-  
7                   tered or in which it operates an office at  
8                   which deposits are accepted, and

9                   “(ii) any loan originated by a bank to  
10                  any person, other than a related person  
11                  with respect to the bank, who is engaged  
12                  in a trade or business in any such commu-  
13                  nity, to the extent that all or substantially  
14                  all of the proceeds of such loan are ex-  
15                  pended in connection with the trade or  
16                  business of such person in any such com-  
17                  munity.

18                  “(C) RELATED PERSON.—The term ‘re-  
19                  lated person’ means, with respect to any bank,  
20                  any affiliate of the bank, any person who is a  
21                  director, officer, or principal shareholder of the  
22                  bank, and any member of the immediate family  
23                  of any such person.”.

24                  (b) S CORPORATION INCOME.—

1           (1) IN GENERAL.—Section 1 of such Code (re-  
 2           lating to tax imposed) is amended by adding at the  
 3           end the following new subsection:

4           “(i) COMMUNITY LENDER INCOME FROM S COR-  
 5           PORATION.—

6           “(1) IN GENERAL.—If a taxpayer has commu-  
 7           nity lender income from a S corporation for any tax-  
 8           able year, the tax imposed by this section for such  
 9           taxable year shall be the sum of—

10           “(A) the tax computed at the rates and in  
 11           the same manner as if this subsection had not  
 12           been enacted on the greater of—

13           “(i) taxable income reduced by com-  
 14           munity lender income, or

15           “(ii) the lesser of—

16           “(I) the amount of taxable in-  
 17           come taxed at a rate below 28 per-  
 18           cent, or

19           “(II) taxable income reduced by  
 20           community lender income, and

21           “(B) a tax on community lender income  
 22           computed at—

23           “(i) a rate of zero on zero-rate com-  
 24           munity lender income,

1 “(ii) a rate of 15 percent on 15 per-  
2 cent community lender income, and

3 “(iii) the highest rate in effect under  
4 this section with respect to the taxpayer on  
5 the excess of community lender income on  
6 which a tax is determined under clause (i)  
7 or (ii).

8 “(2) COMMUNITY LENDER INCOME.—For pur-  
9 poses of paragraph (1)—

10 “(A) IN GENERAL.—The term ‘qualified  
11 community lender income’ means taxable in-  
12 come (if any) of a qualified community lender  
13 (as defined in section 11(d)(2)) that is an S  
14 corporation, determined at the entity level.

15 “(B) ZERO-RATE COMMUNITY LENDER IN-  
16 COME.—The term ‘zero-rate community lender  
17 income’ means the taxpayer’s pro rata share of  
18 so much of community lender income as does  
19 not exceed \$250,000.

20 “(C) 15 PERCENT COMMUNITY LENDER IN-  
21 COME.—The term ‘15 percent community lend-  
22 er income’ means the taxpayer’s pro rata share  
23 of so much of community lender income as ex-  
24 ceeds \$250,000 but does not exceed  
25 \$1,000,000.

1 “(D) SPECIAL RULES.—

2 “(i) For purposes of this paragraph,  
3 the taxpayer’s pro rata share of commu-  
4 nity lender income shall be determined  
5 under part II of subchapter S.

6 “(ii) This subsection shall be applied  
7 after the application of subsection (h).”.

8 (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years beginning after  
10 December 31, 1999.

11 **SEC. 3. EXCLUSION FROM INCOME TAXATION FOR INCOME**  
12 **DERIVED FROM BANKING SERVICES WITHIN**  
13 **DISTRESSED COMMUNITIES.**

14 (a) FEDERAL TAXATION.—Part III of subchapter B  
15 of chapter 1 of the Internal Revenue Code of 1986 (relat-  
16 ing to items specifically excluded from gross income) is  
17 amended by redesignating section 139 as section 140 and  
18 by inserting after section 138 the following new section:

19 **“SEC. 139. BANKING SERVICES WITHIN DISTRESSED COM-**  
20 **MUNITIES.**

21 “(a) IN GENERAL.—At the election of the taxpayer,  
22 gross income shall not include distressed community bank-  
23 ing income.

24 “(b) DISTRESSED COMMUNITY BANKING INCOME.—  
25 For purposes of subsection (a), the term ‘distressed com-



1 munity banking income’ means net income of a qualified  
 2 depository institution which is derived from the active con-  
 3 duct of a banking business in a distressed community.

4 “(c) QUALIFIED DEPOSITORY INSTITUTION.—An in-  
 5 stitution is a qualified depository institution if—

6 “(1) such institution is an insured depository  
 7 institution (as defined in section 3 of the Federal  
 8 Deposit Insurance Act (12 U.S.C. 1813)),

9 “(2) such institution is located in, or has a  
 10 branch located in, a qualified distressed community,  
 11 and

12 “(3) as of the last day of the taxable year, at  
 13 least 85 percent of its loans from its location within  
 14 the qualified distressed community are local commu-  
 15 nity loans (as defined in section 11(d)(4)(B)).

16 “(d) DISTRESSED COMMUNITY.—The term ‘dis-  
 17 tressed community’ has the meaning given the term ‘quali-  
 18 fied distressed community’ by section 233 of the Bank En-  
 19 terprise Act of 1991 (12 U.S.C. 1834a(b)).”.

20 (b) CLERICAL AMENDMENT.—The table of sections  
 21 for part III of subchapter B of chapter 1 of such Code  
 22 is amended by striking the item relating to section 139  
 23 and inserting after the item relating to section 138 the  
 24 following new items:

“Sec. 139. Banking services within distressed communities.  
 “Sec. 140. Cross references to other Acts.”.

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

○