

106TH CONGRESS
1ST SESSION

H. R. 1406

To amend the Internal Revenue Code of 1986 to provide that certain bonds issued by local governments in connection with delinquent real property taxes may be treated as tax exempt.

IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 1999

Mr. CAMP (for himself, Mr. LEVIN, Mr. KNOLLENBERG, Mr. UPTON, Mr. EHLERS, Mr. SMITH of Michigan, Mr. HOEKSTRA, Mr. BARCIA, Mr. BONIOR, Mr. KILDEE, Ms. RIVERS, Ms. STABENOW, Mr. DINGELL, Mr. CONYERS, Ms. KILPATRICK, and Mr. STUPAK) 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 provide that certain bonds issued by local governments in connection with delinquent real property taxes may be treated as tax exempt.

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. TAX EXEMPT TREATMENT OF CERTAIN BONDS**
4 **ISSUED IN CONNECTION WITH DELINQUENT**
5 **REAL PROPERTY TAXES.**

6 (a) IN GENERAL.—Section 148 of the Internal Rev-
7 enue Code of 1986 is amended by redesignating subsection

1 (i) as subsection (j) and by inserting after subsection (h)
2 the following new subsection:

3 “(i) SPECIAL RULE FOR DELINQUENT TAX
4 BONDS.—

5 “(1) IN GENERAL.—For purposes of this sec-
6 tion, a bond which meets the requirements of para-
7 graph (2) shall not be treated as an arbitrage bond.

8 “(2) DELINQUENT TAX BOND REQUIRE-
9 MENTS.—A bond meets the requirements of this
10 paragraph if—

11 “(A) the bond is issued primarily to facili-
12 tate the collection or receipt of delinquent real
13 property taxes,

14 “(B) all sale proceeds of the issue of which
15 the bond is a part (other than sale proceeds, if
16 any, to be used for costs of issuance and the es-
17 tablishment of a reasonably required reserve or
18 replacement fund) are transferred, within 30
19 days after the date of issue of the bond, to gov-
20 ernmental units that levy, collect, or receive real
21 property taxes,

22 “(C)(i) the amount of the sale proceeds so
23 transferred does not exceed the amount of de-
24 linquent real property taxes for the year (or the

1 preceding year) certified by such units to the
2 issuer of the bond as uncollected, and

3 “(ii) such certification is made as of a spe-
4 cific date which occurs during the 5-month pe-
5 riod preceding the date of the issuance of the
6 bond,

7 “(D) the maturity date of the bond is not
8 later than 3 months after the date of the issue,

9 “(E) the last maturity date of the issue of
10 which the bond is a part (including the last ma-
11 turity date of any bonds issued to refund that
12 issue or to refund other bonds issued to refund
13 that issue) is not later than 26 months after
14 the date of issuance of the original bond, and

15 “(F) all delinquent real property taxes
16 (and interest, fees, and penalties attributable to
17 such taxes) received by such governmental units
18 after the specific date referred to in subpara-
19 graph (C) and before any maturity date of such
20 issue are used, within 3 months of receipt, for
21 the payment of principal, interest, or redemp-
22 tion price of the issue of which the bond is a
23 part (to the extent that such taxes, interest,
24 fees, and penalties do not exceed such principal,

1 interest, and redemption price, in the aggre-
 2 gate).”

3 (b) COORDINATION WITH HEDGE BOND RULES.—
 4 Section 149(g)(3) of such Code is amended by adding at
 5 the end the following new subparagraph:

6 “(D) EXCEPTION FOR DELINQUENT TAX
 7 BOND.—For purposes of this subsection, the
 8 term ‘hedge bond’ shall not include any bond
 9 that meets the requirements of section
 10 148(i)(2).”

11 (c) COORDINATION WITH POOLED FINANCIAL BOND
 12 RULES.—Section 149(f)(4)(B) of such Code is amended—

13 (1) by striking “or” at the end of clause (i),
 14 (2) by striking the period at the end of clause
 15 (ii) and inserting “, or”, and
 16 (3) by adding at the end the following new
 17 clause:

18 “(iii) section 148(i) applies to such
 19 bond.”

20 (d) COORDINATION WITH PRIVATE ACTIVITY BOND
 21 RULES.—Paragraph (2) of section 141(c) of such Code
 22 (relating to private activity bond; qualified bond) is
 23 amended by striking “or” at the end of subparagraph (A),
 24 by striking the period at the end of subparagraph (B) and

1 inserting “, or”, and by adding at the end the following
2 new subparagraph:

3 “(C) is with respect to a bond which meets
4 the requirements of section 148(i)(2) (relating
5 to delinquent tax bonds).”

6 (e) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to bonds issued after the date of
8 the enactment of this Act. For purposes of the preceding
9 sentence, a bond (or series of bonds) issued to refund a
10 bond shall be treated as being issued on the date of
11 issuance of the refunded bond, if the refunding bond meets
12 the requirements of subclauses (I), (II), and (III) of sec-
13 tion 144(a)(12)(A)(ii) of the Internal Revenue Code of
14 1986.

○