

106TH CONGRESS  
1ST SESSION

# H. R. 2446

To amend the Internal Revenue Code of 1986 to allow a credit against income tax to holders of Better America Bonds.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 1, 1999

Mr. MATSUI (for himself, Mr. DOGGETT, Mr. BLUMENAUER, Mr. GEPHARDT, Mr. BONIOR, Mr. RANGEL, Mr. COYNE, Mr. LEVIN, Mr. CARDIN, Mr. LEWIS of Georgia, Mr. NEAL of Massachusetts, Mr. JEFFERSON, Mrs. THURMAN, Mr. BECERRA, Mr. ALLEN, Ms. BALDWIN, Mr. BARRETT of Wisconsin, Mr. BERMAN, Ms. BROWN of Florida, Mr. BROWN of California, Mr. BROWN of Ohio, Mrs. CAPPS, Ms. CARSON, Mrs. CHRISTENSEN, Mr. CUMMINGS, Ms. DEGETTE, Ms. DELAURO, Mr. DIXON, Mr. DOOLEY of California, Mr. DOYLE, Mr. FARR of California, Mr. FATTAH, Mr. FROST, Mr. HINCHEY, Mr. HOEFFEL, Mr. HOLT, Mr. LARSON, Mr. MALONEY of Connecticut, Mr. MEEHAN, Mr. MENENDEZ, Ms. MILLENDER-MCDONALD, Mr. GEORGE MILLER of California, Mrs. NAPOLITANO, Ms. NORTON, Ms. PELOSI, Mr. SERRANO, Ms. SCHAKOWSKY, Mr. THOMPSON of Mississippi, Mr. TIERNEY, Mrs. JONES of Ohio, Mr. UDALL of Colorado, Mr. UDALL of New Mexico, Mr. WAXMAN, Mr. WEYGAND, and Ms. WOOLSEY) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a credit against income tax to holders of Better America Bonds.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Better America Bonds  
3 Act of 1999”.

4 **SEC. 2. CREDIT TO HOLDERS OF BETTER AMERICA BONDS.**

5       (a) IN GENERAL.—Subpart B of part IV of sub-  
6 chapter A of chapter 1 of the Internal Revenue Code of  
7 1986 is amended by adding at the end the following new  
8 section:

9 **“SEC. 30B. CREDIT TO HOLDERS OF BETTER AMERICA**  
10 **BONDS.**

11       “(a) ALLOWANCE OF CREDIT.—In the case of a tax-  
12 payer who holds a Better America Bond on a credit allow-  
13 ance date of such bond which occurs during the taxable  
14 year, there shall be allowed as a credit against the tax  
15 imposed by this chapter for such taxable year an amount  
16 equal to the sum of the credits determined under sub-  
17 section (b) with respect to credit allowance dates during  
18 such year on which the taxpayer holds such bond.

19       “(b) AMOUNT OF CREDIT.—

20       “(1) IN GENERAL.—The amount of the credit  
21 determined under this subsection with respect to any  
22 credit allowance date for a Better America Bond is  
23 25 percent of the annual credit determined with re-  
24 spect to such bond.

1           “(2) ANNUAL CREDIT.—The annual credit de-  
2           termined with respect to any Better America Bond  
3           is the product of—

4                   “(A) the applicable credit rate, multiplied  
5                   by

6                   “(B) the outstanding face amount of the  
7                   bond.

8           “(3) APPLICABLE CREDIT RATE.—For purposes  
9           of paragraph (1), the applicable credit rate with re-  
10          spect to an issue is the rate equal to an average  
11          market yield (as of the day before the date of  
12          issuance of the issue) on outstanding long-term cor-  
13          porate debt obligations (determined under regula-  
14          tions prescribed by the Secretary).

15          “(4) SPECIAL RULE FOR ISSUANCE AND RE-  
16          DEMPTION.—In the case of a bond which is issued  
17          during the 3-month period ending on a credit allow-  
18          ance date, the amount of the credit determined  
19          under this subsection with respect to such credit al-  
20          lowance date shall be a ratable portion of the credit  
21          otherwise determined based on the portion of the 3-  
22          month period during which the bond is outstanding.  
23          A similar rule shall apply when the bond is re-  
24          deemed.

1 “(c) BETTER AMERICA BOND.—For purposes of this  
2 section—

3 “(1) IN GENERAL.—The term ‘Better America  
4 Bond’ means any bond issued as part of an issue  
5 if—

6 “(A) 95 percent or more of the proceeds of  
7 such issue are to be used for any qualified pur-  
8 pose,

9 “(B) the bond is issued by a State or local  
10 government within the jurisdiction of which the  
11 qualified purpose of the issue is to be carried  
12 out,

13 “(C) the issuer designates such bond for  
14 purposes of this section,

15 “(D) the term of each bond which is part  
16 of such issue does not exceed 15 years,

17 “(E) the requirements of section 147(f)  
18 are met with respect to such issue, and

19 “(F) except in the case of the proceeds of  
20 such issue which are to be used for the qualified  
21 purpose described in paragraph (2)(A)(iv), the  
22 payment of the principal of such issue is se-  
23 cured by taxes of general applicability imposed  
24 by a general purpose governmental unit.

25 “(2) QUALIFIED PURPOSE.—

1           “(A) IN GENERAL.—The term ‘qualified  
2           purpose’ means any of the following:

3                   “(i) The acquisition of land for use as  
4                   open space, wetlands, public parks, or  
5                   greenways, and the provision of visitor fa-  
6                   cilities (such as campgrounds and hiking  
7                   or biking trails) for land so used, but only  
8                   if—

9                           “(I) such land and facilities are  
10                           to be owned by the issuer or a quali-  
11                           fied owner, and

12                           “(II) the initial owner of such  
13                           land and facilities records pursuant to  
14                           State law a qualified restrictive cov-  
15                           enant with respect to such land and  
16                           facilities.

17                   “(ii) The remediation of land acquired  
18                   under clause (i) (or other publicly owned  
19                   land) to enhance water quality by—

20                           “(I) restoring hydrology or plant-  
21                           ing trees or other vegetation,

22                           “(II) undertaking reasonable  
23                           measures to control erosion,

24                           “(III) restoring wetlands, or

1                   “(IV)   remediating    conditions  
2                   caused by the prior disposal of toxic  
3                   or other waste.

4                   “(iii) The acquisition by the issuer or  
5                   any qualified owner of any restriction on  
6                   privately owned open land which prevents  
7                   commercial development and any substan-  
8                   tial change in the use or character of the  
9                   land if such restriction would, if contrib-  
10                  uted by the owner of the open land to a  
11                  qualified organization (as defined in sec-  
12                  tion 170(h)(3)), be a qualified conservation  
13                  contribution (as defined in section 170(h)).

14                  “(iv) The environmental assessment  
15                  and remediation of real property owned by  
16                  any State or local government if—

17                         “(I) such property was acquired  
18                         by such government as a result of  
19                         being abandoned by the prior owner,  
20                         and

21                         “(II) such property is located in  
22                         an area at or on which there has been  
23                         a release (or threat of release) or dis-  
24                         posal of any hazardous substance (as  
25                         defined in section 198).

1           “(B) REMEDIATION OF NATIONAL PRIOR-  
2 ITIES LISTED SITES NOT QUALIFIED PUR-  
3 POSE.—Subparagraph (A)(ii) shall not apply to  
4 remediation of any site which is on, or proposed  
5 for, the national priorities list under section  
6 105(a)(8)(B) of the Comprehensive Environ-  
7 mental Response, Compensation, and Liability  
8 Act of 1980.

9           “(C) QUALIFIED OWNER.—For purposes of  
10 this paragraph, the term ‘qualified owner’  
11 means any organization described in section  
12 501(c)(3) whose exempt purpose includes envi-  
13 ronmental protection.

14           “(D) QUALIFIED RESTRICTIVE COV-  
15 ENANT.—For purposes of subparagraph  
16 (A)(i)(II), the term ‘qualified restrictive cov-  
17 enant’ means, with respect to land or facilities,  
18 any covenant which prohibits the person who  
19 owns such land or facilities at the end of the  
20 term of the bond from selling or otherwise per-  
21 mitting a use of such land or facilities which is  
22 not described in subparagraph (A) unless—

23                   “(i) a reasonable period is allowed for  
24 a qualified owner to purchase such land or  
25 facilities,

1 “(ii) the purchase price is not greater  
 2 than the price originally paid in conjunc-  
 3 tion with the expenditure of bond proceeds,  
 4 and

5 “(iii) the purchaser records pursuant  
 6 to State law a covenant with respect to the  
 7 purchased land and facilities which pro-  
 8 tects in perpetuity the use of such land  
 9 and facilities for a use described in sub-  
 10 paragraph (A).

11 “(3) PUBLIC AVAILABILITY REQUIREMENT,  
 12 ETC.—

13 “(A) IN GENERAL.—The term ‘Better  
 14 America Bond’ shall not include any bond  
 15 which is part of an issue if—

16 “(i) any portion of the proceeds of the  
 17 issue are to be used for any private busi-  
 18 ness use (as defined in section 141(b)(6)),  
 19 or

20 “(ii) the payment of the principal of,  
 21 or the interest on, any portion of such pro-  
 22 ceeds is (under the terms of such issue or  
 23 any underlying arrangement) directly or  
 24 indirectly secured or to be derived as de-



1           scribed in subparagraph (A) or (B) of sec-  
2           tion 141(b)(2).

3           “(B)   EXCEPTION.—Subparagraph   (A)  
4           shall not apply to proceeds used for a qualified  
5           purpose described in paragraph (2)(A)(iv).

6           “(d) LIMITATION ON AMOUNT OF BONDS DES-  
7           IGNATED.—

8           “(1) IN GENERAL.—The maximum aggregate  
9           face amount of bonds issued during any calendar  
10          year which may be designated under subsection  
11          (c)(1) by any issuer shall not exceed the limitation  
12          amount allocated under paragraph (3) for such cal-  
13          endar year to such issuer.

14          “(2) NATIONAL LIMITATION ON AMOUNT OF  
15          BONDS DESIGNATED.—There is a national Better  
16          America Bond limitation for each calendar year.  
17          Such limitation is—

18                 “(A) \$1,900,000,000 for each of calendar  
19                 years 2000, 2001, 2002, 2003, and 2004, and

20                 “(B) except as provided in paragraph (4),  
21                 zero after 2004.

22          “(3) ALLOCATION OF LIMITATION AMONG  
23          STATES AND LOCAL GOVERNMENTS.—

24                 “(A) IN GENERAL.—The national Better  
25                 America Bond limitation for any calendar year

1 shall be allocated by the EPA Administrator to  
2 States and local governments having approved  
3 applications. As part of the competitive applica-  
4 tion process, the Environmental Protection  
5 Agency should, when possible, allocate such lim-  
6 itation on a per capita basis.

7 “(B) APPROVED APPLICATION.—For pur-  
8 poses of subparagraph (A), the term ‘approved  
9 application’ means an application which is ap-  
10 proved by the EPA Administrator and includes  
11 such information as the EPA Administrator  
12 shall specify.

13 “(4) CARRYOVER OF UNUSED LIMITATION.—If  
14 for any calendar year—

15 “(A) the amount allocated under para-  
16 graph (4) to any State or local government, ex-  
17 ceeds

18 “(B) the amount of bonds issued during  
19 such year which are designated under sub-  
20 section (c)(1) pursuant to such allocation,

21 the limitation amount under paragraph (3) for such  
22 State or local government for the following calendar  
23 year shall be increased by the amount of such ex-  
24 cess.

25 “(e) LIMITATION BASED ON AMOUNT OF TAX.—

1           “(1) IN GENERAL.—The credit allowed under  
2           subsection (a) for any taxable year shall not exceed  
3           the excess of—

4                   “(A) the sum of the regular tax liability  
5                   (as defined in section 26(b)) plus the tax im-  
6                   posed by section 55, over

7                   “(B) the sum of the credits allowable  
8                   under part IV of subchapter A (other than sub-  
9                   part C thereof, relating to refundable credits).

10           “(2) CARRYOVER OF UNUSED CREDIT.—If the  
11           credit allowable under subsection (a) exceeds the  
12           limitation imposed by paragraph (1) for such taxable  
13           year, such excess shall be carried to the succeeding  
14           taxable year and added to the credit allowable under  
15           subsection (a) for such taxable year.

16           “(f) OTHER DEFINITIONS.—For purposes of this  
17           section—

18                   “(1) CREDIT ALLOWANCE DATE.—The term  
19                   ‘credit allowance date’ means—

20                           “(A) March 15,

21                           “(B) June 15,

22                           “(C) September 15, and

23                           “(D) December 15.

24           Such term includes the last day on which the bond  
25           is outstanding.

1           “(2) BOND.—The term ‘bond’ includes any ob-  
2           ligation.

3           “(3) STATE.—The term ‘State’ includes the  
4           District of Columbia, any possession of the United  
5           States, and any Indian tribal government (within the  
6           meaning of section 7871).

7           “(4) LOCAL GOVERNMENT.—The term ‘local  
8           government’ means—

9                   “(A) any county, city, town, township, par-  
10                  ish, village, or other general purpose political  
11                  subdivision of a State, and

12                   “(B) any combination of political subdivi-  
13                  sions described in subparagraph (A) recognized  
14                  by the EPA Administrator.

15           “(5) EPA ADMINISTRATOR.—The term ‘EPA  
16           Administrator’ means the Administrator of the Envi-  
17           ronmental Protection Agency.

18           “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross  
19           income includes the amount of the credit allowed to the  
20           taxpayer under this section (determined without regard to  
21           subsection (e)) and the amount so included shall be treat-  
22           ed as interest income.

23           “(h) SPECIAL RULES RELATING TO ARBITRAGE.—

24                   “(1) IN GENERAL.—A bond shall not be treated  
25           as failing to meet the requirements of subsection

1 (c)(1) solely by reason of the fact that the proceeds  
2 of the issue of which such bond is a part are in-  
3 vested for a temporary period (but not more than 36  
4 months) until such proceeds are needed for the pur-  
5 pose for which such issue was issued.

6 “(2) REASONABLE EXPECTATION AND BINDING  
7 COMMITMENT REQUIREMENTS.—Paragraph (1) shall  
8 apply to an issue only if, as of the date of  
9 issuance—

10 “(A) the issuer reasonably expects that—

11 “(i) at least 95 percent of the pro-  
12 ceeds of the issue will be spent for a quali-  
13 fied purpose within the 3-year period be-  
14 ginning on such date, and

15 “(ii) property financed with such pro-  
16 ceeds will be used for qualified purposes  
17 for at least 15 years after being so fi-  
18 nanced,

19 “(B) there is a binding commitment with  
20 a third party to spend at least 10 percent of the  
21 proceeds of the issue for qualified purposes  
22 within the 6-month period beginning on such  
23 date, and

1           “(C) the issuer reasonably expects that the  
2           remaining proceeds of the issue will be spent  
3           with due diligence for qualified purposes.

4           “(3) EARNINGS ON PROCEEDS.—Any earnings  
5           on proceeds during the temporary period shall be  
6           treated as proceeds of the issue for purposes of ap-  
7           plying subsection (c)(1) and paragraph (1) of this  
8           subsection.

9           “(i) DENIAL OF DEDUCTION FOR ENVIRONMENTAL  
10          REMEDATION EXPENDITURES.—Expenditures financed  
11          by any Better America Bond shall not be allowed as a  
12          deduction under section 198.

13          “(j) OTHER SPECIAL RULES.—

14                 “(1) BONDS HELD BY REGULATED INVEST-  
15          MENT COMPANIES.—If any Better America Bond is  
16          held by a regulated investment company, the credit  
17          determined under subsection (a) shall be allowed to  
18          shareholders of such company under procedures pre-  
19          scribed by the Secretary.

20                 “(2) CREDITS MAY BE STRIPPED.—Under regu-  
21          lations prescribed by the Secretary—

22                         “(A) IN GENERAL.—There may be a sepa-  
23          ration (including at issuance) of the ownership  
24          of a Better America Bond and the entitlement  
25          to the credit under this section with respect to

1           such bond. In case of any such separation, the  
2           credit under this section shall be allowed to the  
3           person who on the credit allowance date holds  
4           the instrument evidencing the entitlement to  
5           the credit and not to the holder of the bond.

6           “(B) CERTAIN RULES TO APPLY.—In the  
7           case of a separation described in subparagraph  
8           (A), the rules of section 1286 shall apply to the  
9           Better America Bond as if it were a stripped  
10          bond and to the credit under this section as if  
11          it were a stripped coupon.

12          “(3) TREATMENT FOR ESTIMATED TAX PUR-  
13          POSES.—Solely for purposes of sections 6654 and  
14          6655, the credit allowed by this section to a tax-  
15          payer by reason of holding a Better America Bond  
16          on a credit allowance date shall be treated as if it  
17          were a payment of estimated tax made by the tax-  
18          payer on such date.

19          “(4) CREDIT MAY BE TRANSFERRED.—Nothing  
20          in any law or rule of law shall be construed to limit  
21          the transferability of the credit allowed by this sec-  
22          tion through sale and repurchase agreements.

23          “(5) REPORTING.—Issuers of Better America  
24          Bonds shall submit reports similar to the reports re-  
25          quired under section 149(e).

1       “(k) RECAPTURE OF PORTION OF CREDIT WHERE  
2 CESSATION OF QUALIFIED USE.—

3               “(1) IN GENERAL.—If any bond which when  
4 issued purported to be a Better America Bond  
5 ceases to meet the requirements of subsection (c),  
6 the issuer shall pay to the United States (at the  
7 time required by the Secretary) an amount equal to  
8 the aggregate of the credits allowable under this sec-  
9 tion (determined without regard to subsection (e))  
10 for taxable years ending during the calendar year  
11 in which such cessation occurs and the 2 preceding  
12 calendar years.

13               “(2) FAILURE TO PAY.—If the issuer fails to  
14 timely pay the amount required by paragraph (1)  
15 with respect to any issue, the tax imposed by this  
16 chapter on each holder of any bond which is part of  
17 such issue shall be increased (for the taxable year of  
18 the holder in which such cessation occurs) by the ag-  
19 gregate decrease in the credits allowed under this  
20 section to such holder for taxable years beginning in  
21 such 3 calendar years which would have resulted  
22 solely from denying any credit under this section  
23 with respect to such issue for such taxable years.

24               “(3) SPECIAL RULES.—



1           “(A) TAX BENEFIT RULE.—The tax for  
2           the taxable year shall be increased under para-  
3           graph (2) only with respect to credits allowed  
4           by reason of this section which were used to re-  
5           duce tax liability. In the case of credits not so  
6           used to reduce tax liability, the carryforwards  
7           and carrybacks under section 39 shall be appro-  
8           priately adjusted.

9           “(B) NO CREDITS AGAINST TAX.—Any in-  
10          crease in tax under paragraph (2) shall not be  
11          treated as a tax imposed by this chapter for  
12          purposes of determining—

13                 “(i) the amount of any credit allow-  
14                 able under this part, or

15                 “(ii) the amount of the tax imposed  
16                 by section 55.

17          “(l) TERMINATION.—This section shall not apply to  
18          any bond issued after December 31, 2004.”

19          (b) REPORTING.—Subsection (d) of section 6049 of  
20          such Code (relating to returns regarding payments of in-  
21          terest) is amended by adding at the end the following new  
22          paragraph:

23                 “(8) REPORTING OF CREDIT ON BETTER AMER-  
24          ICA BONDS.—

1           “(A) IN GENERAL.—For purposes of sub-  
 2           section (a), the term ‘interest’ includes amounts  
 3           includible in gross income under section 30B(g)  
 4           and such amounts shall be treated as paid on  
 5           the credit allowance date (as defined in section  
 6           30B(f)(1)).

7           “(B) REPORTING TO CORPORATIONS,  
 8           ETC.—Except as otherwise provided in regula-  
 9           tions, in the case of any interest described in  
 10          subparagraph (A) of this paragraph, subsection  
 11          (b)(4) of this section shall be applied without  
 12          regard to subparagraphs (A), (H), (I), (J), (K),  
 13          and (L)(i).

14          “(C) REGULATORY AUTHORITY.—The Sec-  
 15          retary may prescribe such regulations as are  
 16          necessary or appropriate to carry out the pur-  
 17          poses of this paragraph, including regulations  
 18          which require more frequent or more detailed  
 19          reporting.”

20          (c) CONFORMING AMENDMENT.—The table of sec-  
 21          tions for subpart B of part IV of subchapter A of chapter  
 22          1 of such Code is amended by adding at the end the fol-  
 23          lowing new item:

“Sec. 30B. Credit to holders of Better America Bonds.”

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to obligations issued after Decem-  
3 ber 31, 1999.

4       (e) GUIDELINES FOR APPLICATIONS.—Not later than  
5 January 1, 2000, guidelines specifying the criteria to be  
6 used in approving applications under section 30B(d)(3) of  
7 the Internal Revenue Code of 1986 (as added by this Act)  
8 shall be developed and published by the Administrator of  
9 the Environmental Protection Agency in the Federal Reg-  
10 ister.

○