

106TH CONGRESS
1ST SESSION

H. R. 996

To amend the Internal Revenue Code of 1986 to provide a source of interest-free capital, in addition to that recommended in the President's budget proposal, for the construction and renovation of public schools in States experiencing large increases in public school enrollment.

IN THE HOUSE OF REPRESENTATIVES

MARCH 4, 1999

Mr. ETHERIDGE (for himself, Mr. PRICE of North Carolina, Mr. RANGEL, Mr. MCINTYRE, Mr. FRANK of Massachusetts, Ms. CARSON, Mr. MCGOVERN, Ms. PELOSI, Mr. MORAN of Virginia, Mr. TOWNS, Mr. WAXMAN, Mr. FILNER, Mr. FROST, Mr. GREEN of Texas, Mr. FORBES, Mr. LEWIS of Georgia, Mr. GORDON, Mr. PAYNE, Mr. HINCHEY, Mr. DELAHUNT, Mrs. MALONEY of New York, Mr. SANDLIN, Mr. LAMPSON, Mr. ACKERMAN, Mr. MARTINEZ, Mr. PASTOR, Mr. ORTIZ, Mr. NEAL of Massachusetts, Mrs. CLAYTON, Mrs. MEEK of Florida, Mr. PALLONE, Mr. ROMERO-BARCELÓ, Mrs. TAUSCHER, Mr. CROWLEY, Mr. CLEMENT, Mr. SHOWS, Mr. KENNEDY of Rhode Island, Mr. BONIOR, Ms. MILLENDER-McDONALD, Mr. CAPUANO, Mr. EVANS, Mr. MEEHAN, Ms. KILPATRICK, Mr. OLVER, Mr. WEXLER, Mr. BROWN of California, Ms. NORTON, Mr. BAIRD, Mr. WATT of North Carolina, Mr. DOOLEY of California, Mr. INSLEE, Ms. BROWN of Florida, Mrs. CAPPs, Mr. DAVIS of Florida, Mr. PHELPS, Mr. CONYERS, Mr. DINGELL, Mr. GONZALEZ, Ms. BERKLEY, Mr. HILL of Indiana, Mr. WEINER, Ms. EDDIE BERNICE JOHNSON of Texas, Mrs. JONES of Ohio, Mr. WU, and Ms. BALDWIN) 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 a source of interest-free capital, in addition to that recommended in the President's budget proposal, for the

construction and renovation of public schools in States experiencing large increases in public school enrollment.

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 “School Construction
 5 Act of 1999”.

6 **SEC. 2. INCENTIVES FOR PUBLIC SCHOOL CONSTRUCTION.**

7 (a) IN GENERAL.—Part IV of subchapter A of chap-
 8 ter 1 of the Internal Revenue Code of 1986 (relating to
 9 credits against tax) is amended by inserting after subpart
 10 G the following new subpart:

11 **“Subpart H—Credit to Holders of Qualified Public**
 12 **School Construction Bonds**

“Sec. 54. Credit to holders of qualified public school construction
 bonds.

“Sec. 54A. Qualified public school construction bonds.

13 **“SEC. 54. CREDIT TO HOLDERS OF QUALIFIED PUBLIC**
 14 **SCHOOL CONSTRUCTION BONDS.**

15 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
 16 payer who holds a qualified public school construction
 17 bond on the credit allowance date of such bond which oc-
 18 curs during the taxable year, there shall be allowed as a
 19 credit against the tax imposed by this chapter for such
 20 taxable year the amount determined under subsection (b).

21 “(b) AMOUNT OF CREDIT.—

1 “(1) IN GENERAL.—The amount of the credit
2 determined under this subsection with respect to any
3 qualified public school construction bond is the
4 amount equal to the product of—

5 “(A) the credit rate determined by the Sec-
6 retary under paragraph (2) for the month in
7 which such bond was issued, multiplied by

8 “(B) the face amount of the bond held by
9 the taxpayer on the credit allowance date.

10 “(2) DETERMINATION.—During each calendar
11 month, the Secretary shall determine a credit rate
12 which shall apply to bonds issued during the follow-
13 ing calendar month. The credit rate for any month
14 is the percentage which the Secretary estimates will
15 on average permit the issuance of qualified public
16 school construction bonds without discount and with-
17 out interest cost to the issuer.

18 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

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

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

1 “(B) the sum of the credits allowable
2 under this part (other than subpart C thereof,
3 relating to refundable credits).

4 “(2) CARRYOVER OF UNUSED CREDIT.—If the
5 credit allowable under subsection (a) exceeds the
6 limitation imposed by paragraph (1) for such taxable
7 year, such excess shall be carried to the succeeding
8 taxable year and added to the credit allowable under
9 subsection (a) for such taxable year.

10 “(d) DEFINITIONS.—For purposes of this subpart—

11 “(1) CREDIT ALLOWANCE DATE.—The term
12 ‘credit allowance date’ means, with respect to any
13 issue, the last day of the 1-year period beginning on
14 the date of issuance of such issue and the last day
15 of each successive 1-year period thereafter.

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

18 “(3) STATE.—The term ‘State’ includes the
19 District of Columbia and any possession of the
20 United States.

21 “(4) PUBLIC SCHOOL FACILITY.—The term
22 ‘public school facility’ shall not include any stadium
23 or other facility primarily used for athletic contests
24 or exhibitions or other events for which admission is
25 charged to the general public.

1 “(e) CREDIT INCLUDED IN GROSS INCOME.—Gross
 2 income includes the amount of the credit allowed to the
 3 taxpayer under this section and the amount so included
 4 shall be treated as interest income.

5 “(f) BONDS HELD BY REGULATED INVESTMENT
 6 COMPANIES.—If any qualified public school construction
 7 bond is held by a regulated investment company, the credit
 8 determined under subsection (a) shall be allowed to share-
 9 holders of such company under procedures prescribed by
 10 the Secretary.

11 **“SEC. 54A. QUALIFIED PUBLIC SCHOOL CONSTRUCTION**
 12 **BONDS.**

13 “(a) QUALIFIED PUBLIC SCHOOL CONSTRUCTION
 14 BOND.—For purposes of this subpart—

15 “(1) IN GENERAL.—The term ‘qualified public
 16 school construction bond’ means any bond issued as
 17 part of an issue if—

18 “(A) 95 percent or more of the proceeds of
 19 such issue are to be used for the construction,
 20 rehabilitation, or repair of a public school facil-
 21 ity,

22 “(B) the bond is issued by a State or local
 23 government within the jurisdiction of which
 24 such school is located,

1 “(C) the issuer designates such bond for
2 purposes of this section, and

3 “(D) the term of each bond which is part
4 of such issue does not exceed 15 years.

5 “(2) TEMPORARY PERIOD EXCEPTION.—A bond
6 shall not be treated as failing to meet the require-
7 ment of paragraph (1)(A) solely by reason of the
8 fact that the proceeds of the issue of which such
9 bond is a part are invested for a reasonable tem-
10 porary period (but not more than 36 months) until
11 such proceeds are needed for the purpose for which
12 such issue was issued. Any earnings on such pro-
13 ceeds during such period shall be treated as proceeds
14 of the issue for purposes of applying paragraph
15 (1)(A).

16 “(b) LIMITATION ON AMOUNT OF BONDS DES-
17 IGNATED.—The maximum aggregate face amount of
18 bonds issued during any calendar year which may be des-
19 ignated under subsection (a) by any issuer shall not exceed
20 the limitation amount allocated under subsection (d) for
21 such calendar year to such issuer.

22 “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS
23 DESIGNATED.—There is a national qualified school con-
24 struction bond limitation for each calendar year. Such lim-
25 itation is—

1 “(1) \$3,600,000,000 for 2000,

2 “(2) \$3,600,000,000 for 2001, and

3 “(3) except as provided in subsection (e), zero
4 after 2001.

5 “(d) ALLOCATION OF LIMITATION AMONG STATES.—

6 “(1) IN GENERAL.—The Secretary shall allo-
7 cate the national qualified school construction bond
8 limitation for any calendar year among the States
9 with projected enrollment increases. The amount al-
10 located to a State under the preceding sentence shall
11 be allocated by the State education agency to issuers
12 within such State and such allocations may be made
13 only if there is an approved State application.

14 “(2) ALLOCATION FORMULA.—

15 “(A) IN GENERAL.—The national qualified
16 school construction bond limitation shall be al-
17 located among the States with projected enroll-
18 ment increases in proportion to their respective
19 shares of the national projected enrollment in-
20 crease.

21 “(B) PROJECTED ENROLLMENT IN-
22 CREASE.—The amount of projected enrollment
23 increase for the United States or any State is
24 the amount of the increase (as projected by the
25 Secretary of Education using data as of Janu-

ary 1, 1998) in enrollment in public elementary and secondary schools in the United States or in such State (as the case may be) during the 10-year period beginning with 1997.

“(3) APPROVED STATE APPLICATION.—For purposes of paragraph (1), the term ‘approved State application’ means an application which is approved by the Secretary of Education and which includes—

“(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State’s needs for public school facilities, including descriptions of—

“(i) health and safety problems at such facilities,

“(ii) the capacity of public schools in the State to house projected enrollments, and

“(iii) the extent to which the public schools in the State offer the physical infrastructure needed to provide a high-quality education to all students, and

“(B) a description of how the State will allocate to local educational agencies, or otherwise use, its allocation under this subsection to address the needs identified under subparagraph (A), including a description of how it will—

“(i) give priority to localities experiencing the largest increases in enrollment,

“(ii) use its allocation under this subsection to assist localities that lack the fiscal capacity to issue bonds on their own, and

“(iii) ensure that its allocation under this subsection is used only to supplement, and not supplant, the amount of school construction, rehabilitation, and repair in the State that would have occurred in the absence of such allocation.

Any allocation under paragraph (1) by a State education agency shall be binding if such agency reasonably determined that the allocation was in accordance with the plan approved under this paragraph.

“(e) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

1 “(1) the amount allocated under subsection (d)
2 to any State, exceeds

3 “(2) the amount of bonds issued during such
4 year which are designated under subsection (a) pur-
5 suant to such allocation,

6 the limitation amount under such subsection for such
7 State for the following calendar year shall be increased
8 by the amount of such excess. The subsection shall not
9 apply if such following calendar year is after 2003.”

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

14 “(8) REPORTING OF CREDIT ON QUALIFIED
15 PUBLIC SCHOOL CONSTRUCTION BONDS.—

16 “(A) IN GENERAL.—For purposes of sub-
17 section (a), the term ‘interest’ includes amounts
18 includible in gross income under section 54(e)
19 and such amounts shall be treated as paid on
20 the credit allowance date (as defined in section
21 54(d)(1)).

22 “(B) REPORTING TO CORPORATIONS,
23 ETC.—Except as otherwise provided in regula-
24 tions, in the case of any interest described in
25 subparagraph (A) of this paragraph, subsection

1 (b)(4) of this section shall be applied without
2 regard to subparagraphs (A), (H), (I), (J), (K),
3 and (L)(i).

4 “(C) REGULATORY AUTHORITY.—The Sec-
5 retary may prescribe such regulations as are
6 necessary or appropriate to carry out the pur-
7 poses of this paragraph, including regulations
8 which require more frequent or more detailed
9 reporting.”

10 (c) CLERICAL AMENDMENT.—The table of subparts
11 for part IV of subchapter A of chapter 1 of such Code
12 is amended by adding at the end the following new item:

“Subpart H. Credit to holders of qualified public school construc-
tion bonds.”.

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

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