

107TH CONGRESS
1ST SESSION

H. R. 3381

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

NOVEMBER 29, 2001

Mr. LEVIN (for himself, Mr. CAMP, Mr. HOEKSTRA, Mr. DINGELL, Mr. KILDEE, Mr. BONIOR, Ms. RIVERS, Mr. EHLERS, Mr. ROGERS of Michigan, Mr. KNOLLENBERG, 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 levied for school districts that
14 provide education primarily below the post-sec-
15 ondary level,

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

24 “(C)(i) the amount of the sale proceeds so
25 transferred does not exceed the amount of de-

1 delinquent real property taxes for the year (or the
2 preceding year) certified by such units to the
3 issuer of the bond as uncollected, and

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

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

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

23 For purposes of this part, proceeds of the issue
24 which are transferred in accordance with subpara-

1 graph (B) shall be treated as spent on the date so
2 transferred.

3 “(3) REFUNDING BONDS.—A bond (or series of
4 bonds) issued to refund a bond meeting the require-
5 ments of paragraph (2) shall be treated as meeting
6 such requirements only if, in addition to meeting
7 such requirements—

8 “(A) the maturity date of the refunding
9 bond is not later than 26 months after the date
10 of issuance of the original bond, and

11 “(B) the requirements of subclauses (II)
12 and (III) of section 144(a)(12)(A)(ii) are met.”

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

16 “(D) EXCEPTION FOR DELINQUENT TAX
17 BOND.—For purposes of this subsection, the
18 term ‘hedge bond’ shall not include any bond
19 that meets the requirements of section
20 148(i)(2).”

21 (c) COORDINATION WITH POOLED FINANCIAL BOND
22 RULES.—Section 149(f)(4)(B) of such Code is amended—
23 (1) by striking “or” at the end of clause (i),
24 (2) by striking the period at the end of clause
25 (ii) and inserting “, or”, and

1 (3) by adding at the end the following new
2 clause:

3 “(iii) section 148(i) applies to such
4 bond.”

5 (d) COORDINATION WITH PRIVATE ACTIVITY BOND
6 RULES.—Paragraph (2) of section 141(c) of such Code
7 (relating to private activity bond; qualified bond) is
8 amended by striking “or” at the end of subparagraph (A),
9 by striking the period at the end of subparagraph (B) and
10 inserting “, or”, and by adding at the end the following
11 new subparagraph:

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

15 (e) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to bonds issued after the date of
17 the enactment of this Act. For purposes of the preceding
18 sentence, a bond (or series of bonds) issued to refund a
19 bond shall be treated as being issued on the date of
20 issuance of the refunded bond, if the refunding bond meets
21 the requirements of subclauses (I), (II), and (III) of sec-
22 tion 144(a)(12)(A)(ii) of the Internal Revenue Code of
23 1986.

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