

107TH CONGRESS
1ST SESSION

S. 426

To amend the Internal Revenue Code of 1986 to provide an income tax credit to holders of bonds financing new communications technologies, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 1, 2001

Mrs. CLINTON (for herself, Mr. BAUCUS, Mr. CORZINE, Mr. DAYTON, Mr. DODD, Mr. LEAHY, Mr. LIEBERMAN, Ms. MIKULSKI, Mr. ROCKEFELLER, and Mr. SCHUMER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide an income tax credit to holders of bonds financing new communications technologies, and for other purposes.

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 “Technology Bond Ini-
5 tiative of 2001”.

6 **SEC. 2. FINDINGS**

7 Congress finds the following:

1 (1) Access to high-speed Internet is as impor-
 2 tant to 21st Century businesses as access to the rail-
 3 roads and interstate highways was to businesses of
 4 the last century.

5 (2) Up to one-third of the United States popu-
 6 lation lacks access to high-speed Internet.

7 (3) Companies without access to high-speed
 8 Internet are unable to meet their market potential,
 9 just as a community cannot prosper if it doesn't
 10 have high quality roads and bridges.

11 (4) Technology bonds would provide incentives
 12 to State and local governments to partner with the
 13 private sector to expand broadband deployment in
 14 their communities, especially underserved urban and
 15 rural areas.

16 **SEC. 3. CREDIT TO HOLDERS OF QUALIFIED TECHNOLOGY**
 17 **BONDS.**

18 (a) IN GENERAL.—Part IV of subchapter A of chap-
 19 ter 1 of the Internal Revenue Code of 1986 (relating to
 20 credits against tax) is amended by adding at the end the
 21 following new subpart:

22 **“Subpart H—Nonrefundable Credit for Holders of**
 23 **Qualified Technology Bonds**

“Sec. 54. Credit to holders of qualified technology bonds.

1 **“SEC. 54. CREDIT TO HOLDERS OF QUALIFIED TECH-**
 2 **NOLOGY BONDS.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
 4 payer who holds a qualified technology bond on a credit
 5 allowance date of such bond which occurs during the tax-
 6 able year, there shall be allowed as a credit against the
 7 tax imposed by this chapter for such taxable year the
 8 amount determined under subsection (b).

9 “(b) AMOUNT OF CREDIT.—

10 “(1) IN GENERAL.—The amount of the credit
 11 determined under this subsection with respect to any
 12 qualified technology bond is the amount equal to the
 13 product of—

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

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

19 “(2) DETERMINATION.—During each calendar
 20 month, the Secretary shall determine a credit rate
 21 which shall apply to bonds issued during the fol-
 22 lowing calendar month. The credit rate for any
 23 month is the percentage which the Secretary esti-
 24 mates will permit the issuance of qualified tech-
 25 nology bonds without discount and without interest
 26 cost to the issuer.

1 “(c) LIMITATION BASED ON AMOUNT OF TAX.—The
 2 credit allowed under subsection (a) for any taxable year
 3 shall not exceed the excess of—

4 “(1) the sum of the regular tax liability (as de-
 5 fined in section 26(b)) plus the tax imposed by sec-
 6 tion 55, over

7 “(2) the sum of the credits allowable under this
 8 part (other than this subpart and subpart C).

9 “(d) QUALIFIED TECHNOLOGY BOND.—For pur-
 10 poses of this part—

11 “(1) IN GENERAL.—The term ‘qualified tech-
 12 nology bond’ means any bond issued as part of an
 13 issue if—

14 “(A) 95 percent of more of the proceeds of
 15 such issue are to be used for any or a series of
 16 qualified projects,

17 “(B) the bond is issued by a State or local
 18 government within the jurisdiction of which
 19 such project is located,

20 “(C) the issuer designates such bond for
 21 purposes of this section,

22 “(D) certifies that it has obtained the writ-
 23 ten approval of the Secretary of Commerce for
 24 such project, and

1 “(E) the term of each bond which is part
2 of such issue does not exceed 15 years.

3 “(2) QUALIFIED PROJECT.—

4 “(A) IN GENERAL.—The term ‘qualified
5 project’ means a project—

6 “(i) to expand broadband tele-
7 communications services in an area within
8 the jurisdiction of a State or local govern-
9 ment,

10 “(ii) which is nominated by such State
11 or local government for a designation as a
12 qualified project, and

13 “(iii) which the Secretary of Com-
14 merce, after consultation with the Sec-
15 retary of Housing and Urban Development
16 designates as a qualified project or a series
17 of qualified projects.

18 “(B) DESIGNATION PREFERENCES.—With
19 respect to designations under this section, pref-
20 erences shall be given to—

21 “(i) nominations of projects involving
22 underserved urban or rural areas lacking
23 access to high-speed Internet connections,
24 and

1 “(ii) nominations reflecting partner-
 2 ships and comprehensive planning between
 3 State and local governments and the pri-
 4 vate sector.

5 “(e) LIMITATION ON AMOUNT OF BONDS DES-
 6 IGNATED.—

7 “(1) NATIONAL LIMITATION.—There is a na-
 8 tional technology bond limitation for each calendar
 9 year. Such limitation is \$100,000,000 for 2002,
 10 2003, 2004, 2005, and 2006, and, except as pro-
 11 vided in paragraph (4), zero thereafter.

12 “(2) ALLOCATION OF LIMITATION.—The na-
 13 tional technology bond limitation for a calendar year
 14 shall be allocated by the Secretary among the quali-
 15 fied projects designated for such year.

16 “(3) DESIGNATION SUBJECT TO LIMITATION
 17 AMOUNT.—The maximum aggregate face amount of
 18 bonds issued during any calendar year which may be
 19 designated under subsection (d)(1) with respect to
 20 any qualified project shall not exceed the limitation
 21 amount allocated to such project under paragraph
 22 (2) for such calendar year.

23 “(4) CARRYOVER OF UNUSED LIMITATION.—If
 24 for any calendar year—

1 “(A) the national technology limitation
2 amount, exceeds

3 “(B) the amount of bonds issued during
4 such year which are designated under sub-
5 section (d)(1) with respect to qualified projects,
6 the national technology limitation amount for the
7 following calendar year shall be increased by the
8 amount of such excess.

9 “(f) OTHER DEFINITIONS.—For purposes of this
10 subpart—

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

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

18 “(3) STATE.—The term ‘State’ means the sev-
19 eral States and the District of Columbia.

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

25 “(h) OTHER SPECIAL RULES.—

1 “(1) PARTNERSHIP; S CORPORATION; AND
 2 OTHER PASS-THRU ENTITIES.—Under regulations
 3 prescribed by the Secretary, in the case of a partner-
 4 ship, trust, S corporation, or other pass-thru entity,
 5 rules similar to the rules of section 41(g) shall apply
 6 with respect to the credit allowable under subsection
 7 (a).

8 “(2) BONDS HELD BY REGULATED INVEST-
 9 MENT COMPANIES.—If any qualified technology bond
 10 is held by a regulated investment company, the cred-
 11 it determined under subsection (a) shall be allowed
 12 to shareholders of such company under procedures
 13 prescribed by the Secretary.

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

21 “(4) REPORTING.—Issuers of qualified tech-
 22 nology bonds shall submit reports similar to the re-
 23 ports required under section 149(e).”.

24 (b) REPORTING.—Subsection (d) of section 6049 of
 25 the Internal Revenue Code of 1986 (relating to returns

1 regarding payments of interest) is amended by adding at
 2 the end the following new paragraph:

3 “(8) REPORTING OF CREDIT ON QUALIFIED
 4 TECHNOLOGY BONDS.—

5 “(A) IN GENERAL.—For purposes of sub-
 6 section (a), the term ‘interest’ includes amounts
 7 includible in gross income under section 54(g)
 8 and such amounts shall be treated as paid on
 9 the credit allowance date (as defined in section
 10 54(f)(2)).

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

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

24 (c) CLERICAL AMENDMENTS.—

1 (1) The table of subparts for part IV of sub-
2 chapter A of chapter 1 of the Internal Revenue Code
3 of 1986 is amended by adding at the end the fol-
4 lowing new item:

 “Subpart H. Nonrefundable Credit for Holders of Qualified Technology
 Bonds.”.

5 (2) Section 6401(b)(1) of such Code is amend-
6 ed by striking “and G” and inserting “G, and H”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to obligations issued after Decem-
9 ber 31, 2001.

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