

108TH CONGRESS
1ST SESSION

H. R. 882

To amend the Internal Revenue Code of 1986 to modify the qualified small
issue bond provisions.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 2003

Mr. ENGLISH 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 modify
the qualified small issue bond provisions.

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 “Bond Financing Re-
5 newal Act of 2003”.

6 **SEC. 2. MODIFICATIONS TO SMALL ISSUE BOND PROVI-**
7 **SIONS.**

8 (a) INCREASE IN AMOUNT OF QUALIFIED SMALL
9 ISSUE BONDS PERMITTED FOR FACILITIES TO BE USED
10 BY RELATED PRINCIPAL USERS.—

1 (1) IN GENERAL.—Clause (i) of section
2 144(a)(4)(A) of the Internal Revenue Code of 1986
3 (relating to \$10,000,000 limit in certain cases) is
4 amended by striking “\$10,000,000” and inserting
5 “\$20,000,000”.

6 (2) COST-OF-LIVING ADJUSTMENT.—Section
7 144(a)(4) of such Code is amended by adding at the
8 end the following:

9 “(G) COST-OF-LIVING ADJUSTMENT.—In
10 the case of a taxable year beginning in a cal-
11 endar year after 2003, the \$20,000,000 amount
12 under subparagraph (A) shall be increased by
13 an amount equal to—

14 “(i) such dollar amount, multiplied by
15 “(ii) the cost-of-living adjustment
16 under section 1(f)(3) for the calendar year
17 in which the taxable year begins, deter-
18 mined by substituting ‘calendar year 2002’
19 for ‘calendar year 1992’ in subparagraph
20 (B) thereof.”.

21 (3) CLERICAL AMENDMENT.—The heading of
22 paragraph (4) of section 144(a) of such Code is
23 amended by striking “\$10,000,000” and inserting
24 “\$20,000,000”.

1 (4) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to—

3 (A) obligations issued after the date of the
4 enactment of this Act, and

5 (B) capital expenditures made after such
6 date with respect to obligations issued on or be-
7 fore such date.

8 (b) DEFINITION OF MANUFACTURING FACILITY.—

9 (1) IN GENERAL.—Section 144(a)(12)(C) of
10 such Code (defining manufacturing facility) is
11 amended to read as follows:

12 “(C) MANUFACTURING FACILITY.—For the
13 purposes of this paragraph, the term ‘manufac-
14 turing facility’ means any facility—

15 “(i) which is used in the manufacture
16 of tangible personal property (including the
17 processing resulting in a change in the
18 condition of such property),

19 “(ii) which is used in the manufac-
20 ture, development, or production of specifi-
21 cally developed software products or proc-
22 esses if—

23 “(I) it takes more than 6 months
24 to develop or produce such products,

1 “(II) the development or produc-
2 tion could not with due diligence be
3 reasonably expected to occur in less
4 than 6 months, and

5 “(III) the software product or
6 process comprises programs, routines,
7 and attendant documentation devel-
8 oped and maintained for use in com-
9 puter and telecommunications tech-
10 nology, or

11 “(iii) which is used in the manufac-
12 ture, development, or production of spe-
13 cially developed biobased or bioenergy
14 products or processes if—

15 “(I) it takes more than 6 months
16 to develop or produce,

17 “(II) the development or produc-
18 tion could not with due diligence be
19 reasonably expected to occur in less
20 than 6 months, and

21 “(III) the biobased or bioenergy
22 product or process comprises prod-
23 ucts, processes, programs, routines,
24 and attendant documentation devel-
25 oped and maintained or the utilization

1 of biological materials in commercial
2 or industrial products, or renewable
3 domestic agricultural or forestry ma-
4 terials in commercial or industrial
5 products, or for the utilization of bio-
6 mass materials.

7 “(D) RELATED FACILITY.—For purposes
8 of subparagraph (C), the term ‘manufacturing
9 facility’ includes facilities that are directly and
10 functionally related to a manufacturing facility
11 (determined without regard to this sentence)
12 if—

13 “(i) such facilities, including an office
14 facility and a research and development fa-
15 cility, are located on the same site as the
16 manufacturing facility, and

17 “(ii) not more than 40 percent of the
18 net proceeds of the issue are used to pro-
19 vide such facilities, but shall not include a
20 facility solely for research and development
21 activities.”.

22 (2) EFFECTIVE DATE.—The amendment made
23 by this subsection shall apply to obligations issued
24 after the date of the enactment of this Act.

1 **SEC. 3. ACQUISITION INTEREST EXPENSES OF FINANCIAL**
 2 **INSTITUTIONS FOR SMALL ISSUE BONDS**
 3 **MADE DEDUCTIBLE.**

4 (a) IN GENERAL.—Clause (ii) of section
 5 265(b)(3)(B) of the Internal Revenue Code of 1986 (relat-
 6 ing to certain bonds not treated as private activity bonds)
 7 is amended by striking “or” at the end of subclause (I),
 8 by striking the period at the end of subclause (II) and
 9 inserting “, or”, and by inserting after subclause (II) the
 10 following new subclause:

11 “(III) any obligation which is a
 12 qualified small issue bond described in
 13 section 144(a)(12)(B) if such obliga-
 14 tion is part of an issue the aggregate
 15 authorized face amount of which is
 16 less than \$2,000,000.”.

17 (b) EFFECTIVE DATE.—The amendment made by
 18 this section shall apply to obligations issued after the date
 19 of the enactment of this Act.

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