

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1473

To amend the Internal Revenue Code of 1986 to provide for a deferral of tax on gain from the sale of telecommunications businesses in specific circumstances or a tax credit and other incentives to promote diversity of ownership in telecommunications businesses.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 5, 2005

Mr. RUSH 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 provide for a deferral of tax on gain from the sale of telecommunications businesses in specific circumstances or a tax credit and other incentives to promote diversity of ownership in telecommunications businesses.

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 “Telecommunications  
5 Ownership Diversification Act of 2005”.

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) FINDINGS.—Congress makes the following find-  
3 ings:

4 (1) Current trends in the telecommunications  
5 industry show that there is increasing convergence  
6 among various media, including broadcasting, cable  
7 television, and Internet-based businesses, that pro-  
8 vide news, information, and entertainment.

9 (2) This convergence will continue, and there-  
10 fore, diversifying the ownership of telecommuni-  
11 cations facilities remains a preeminent public inter-  
12 est concern that should be reflected in both tele-  
13 communications and tax policy.

14 (3) A market-based, voluntary system of invest-  
15 ment incentives is an effective, lawful, and economi-  
16 cally sound means of facilitating entry and diver-  
17 sification of ownership in the telecommunications in-  
18 dustry.

19 (4) Opportunities for new entrants to partici-  
20 pate and grow in the telecommunications industry  
21 have substantially decreased since the end of the  
22 Federal Communications Commission's tax certifi-  
23 cate policy in 1995, particularly in light of the avail-  
24 ability of tax-free like-kind exchanges, despite the  
25 most robust period of transfers of radio and tele-  
26 vision stations in history. During this time, busi-

1 nesses owned or controlled by socially disadvantaged  
2 individuals, including, but not limited to, members of  
3 minority groups and women, have continued to be  
4 underrepresented as owners of telecommunications  
5 facilities.

6 (5) Businesses owned or controlled by socially  
7 disadvantaged individuals are, and historically have  
8 been, economically disadvantaged in the tele-  
9 communications industry. For these businesses, ac-  
10 cess to and cost of capital are and have been sub-  
11 stantial obstacles to new entry and growth. Con-  
12 sequently, diversification of ownership in the tele-  
13 communications industry has been limited.

14 (6) Telecommunications facilities owned by new  
15 entrants may not be attractive to investors because  
16 their start-up costs are often high, their revenue  
17 streams are uncertain, and their profit margins are  
18 unknown.

19 (7) It is consistent with the public interest and  
20 with the pro-competition policies of the Tele-  
21 communications Act of 1996 to provide incentives  
22 that will facilitate investments in, and acquisition of,  
23 telecommunications facilities by economically and so-  
24 cially disadvantaged businesses, thereby diversifying  
25 the ownership of telecommunications facilities.

1           (8) Increased participation by economically and  
2           socially disadvantaged businesses in the ownership of  
3           telecommunications facilities will enhance competi-  
4           tion in the telecommunications industry. Permitting  
5           sellers of telecommunications facilities to defer tax-  
6           ation of gains from transactions involving economi-  
7           cally and socially disadvantaged businesses, or cer-  
8           tain small businesses supported by investments from  
9           the Telecommunications Development Fund that  
10          provides capital for such businesses, will further the  
11          development of a competitive and diverse United  
12          States telecommunications industry without govern-  
13          mental intrusion in private investment decisions.

14          (9) The public interest would not be served by  
15          attempts to diversify the ownership of telecommuni-  
16          cations businesses through any approach that would  
17          involve the use of mandated set-asides or quotas.

18          (10) Today, the telecommunications industry is  
19          struggling to survive one of its most troubling times.  
20          Therefore, facilitating voluntary, pro-competitive  
21          transactions that will promote ownership of tele-  
22          communications facilities by economically and so-  
23          cially disadvantaged businesses and certain small  
24          businesses will aid in providing the investment and  
25          capital that is crucial to this sector.

1 (b) PURPOSE.—The purpose of this Act is to facili-  
2 tate voluntary, pro-competitive transactions that will pro-  
3 mote ownership of telecommunications facilities by eco-  
4 nomically and socially disadvantaged businesses and cer-  
5 tain small businesses.

6 **SEC. 3. NONRECOGNITION OF GAIN ON CERTAIN QUALI-**  
7 **FIED SALES OF TELECOMMUNICATIONS BUSI-**  
8 **NESSES.**

9 (a) IN GENERAL.—Subchapter O of chapter 1 of the  
10 Internal Revenue Code of 1986 (relating to gain or loss  
11 on disposition of property) is amended by inserting after  
12 part IV the following new part:

13 **“PART V—CERTAIN SALES OF**  
14 **TELECOMMUNICATIONS BUSINESSES**

“Sec. 1071. Nonrecognition of gain on certain sales of telecommunications busi-  
nesses.

15 **“SEC. 1071. NONRECOGNITION OF GAIN ON CERTAIN SALES**  
16 **OF TELECOMMUNICATIONS BUSINESSES.**

17 “(a) IN GENERAL.—For purposes of this subtitle, if  
18 a taxpayer elects the application of this section to a quali-  
19 fied telecommunications sale, such sale shall be treated as  
20 an involuntary conversion of property within the meaning  
21 of section 1033.

22 “(b) LIMITATION ON AMOUNT OF GAIN ON WHICH  
23 TAX MAY BE DEFERRED.—

1           “(1) IN GENERAL.—The amount of gain on any  
2 qualified telecommunications sale which is not recog-  
3 nized by reason of this section—

4                   “(A) shall not exceed \$250,000,000 per  
5 sale, and

6                   “(B) shall not exceed  $\frac{1}{3}$  of such dollar  
7 amount per taxable year.

8           “(2) CARRYFORWARDS OF UNUSED  
9 AMOUNTS.—If the amount of gain on any qualified  
10 telecommunications sale which is not recognized by  
11 reason of this section exceeds the limitation imposed  
12 by paragraph (1)(B) for the taxable year, such ex-  
13 cess shall be carried to the succeeding taxable year  
14 and added to the amount allowable under this sec-  
15 tion for such taxable year.

16           “(c) QUALIFIED TELECOMMUNICATIONS SALE.—For  
17 purposes of this section, the term ‘qualified telecommuni-  
18 cations sale’ means any sale to an eligible purchaser of—

19                   “(1) the assets of a telecommunications busi-  
20 ness, or

21                   “(2) stock in a corporation if, immediately after  
22 such sale—

23                           “(A) the eligible purchaser controls (within  
24 the meaning of section 368(c)) such corpora-  
25 tion, and

1           “(B) substantially all of the assets of such  
2           corporation are assets of 1 or more tele-  
3           communications businesses, or

4           “(3) an interest in a partnership if, immediately  
5           after such sale—

6           “(A) the eligible purchaser owns a partner-  
7           ship interest possessing—

8           “(i) at least 80 percent of the total  
9           combined voting power of all classes of  
10          partnership interests entitled to vote,

11          “(ii) control over the management of  
12          the partnership,

13          “(iii) at least 80 percent of the capital  
14          interests of the partnership, and

15          “(iv) a distributive share of at least  
16          80 percent of each item of the partner-  
17          ship’s income, gain, loss, deduction or  
18          credit, and

19          “(B) substantially all of the assets of such  
20          partnership are assets of 1 or more tele-  
21          communications businesses.

22          “(d) SPECIAL RULES.—

23          “(1) IN GENERAL.—In applying section 1033  
24          for purposes of subsection (a), stock of a corporation  
25          or an interest in a partnership operating a tele-

1       communications business, whether or not rep-  
2       resenting control of such corporation or partnership,  
3       shall be treated as property similar or related in  
4       service or use to the property sold in the qualified  
5       telecommunications sale.

6               “(2) ELECTION TO REDUCE BASIS RATHER  
7       THAN RECOGNIZE REMAINDER OF GAIN.—If—

8               “(A) a taxpayer elects the treatment under  
9       subsection (a) with respect to any qualified tele-  
10       communications sale, and

11              “(B) an amount of gain would (but for  
12       this paragraph) be recognized on such sale  
13       under section 1033(a)(2)(A) in excess of the  
14       amount required to be recognized by reason of  
15       subsection (b),

16       then the amount of gain described in this subpara-  
17       graph shall not be recognized to the extent that the  
18       taxpayer elects to reduce the basis of depreciable  
19       property (within the meaning of section 1017(b)(3))  
20       held by the taxpayer immediately after the sale or  
21       acquired in the same taxable year. The manner and  
22       amount of such reduction shall be determined under  
23       regulations prescribed by the Secretary.

1           “(3) BASIS.—For basis of property acquired on  
2 a sale or exchange treated as an involuntary conver-  
3 sion under subsection (a), see section 1033(b).

4           “(e) RECAPTURE OF TAX BENEFIT IF TELE-  
5 COMMUNICATIONS BUSINESS RESOLD WITHIN 3 YEARS,  
6 ETC.—

7           “(1) IN GENERAL.—If, within 3 years after the  
8 date of any qualified telecommunications sale, there  
9 is a recapture event with respect to the property in-  
10 volved in such sale, then the purchaser’s tax imposed  
11 by this chapter for the taxable year in which such  
12 event occurs shall be increased by an amount equal  
13 to the product of—

14                   “(A) the highest marginal rate of income  
15 tax imposed on corporations under section 11,  
16 and

17                   “(B) the lesser of—

18                           “(i) the consideration furnished by the  
19 purchaser in such sale, or

20                           “(ii) the dollar amount specified in  
21 subsection (b)(1)(A).

22           “(2) EXCEPTION FOR REINVESTED AMOUNTS.—  
23 Paragraph (1) shall not apply to any recapture event  
24 which is a sale if—

1           “(A) the sale is a qualified telecommuni-  
2           cations sale, or

3           “(B) during the 60-day period beginning  
4           on the date of such sale, the taxpayer is the  
5           purchaser in another qualified telecommuni-  
6           cations sale in which the consideration fur-  
7           nished by the taxpayer is not less than the  
8           amount realized on the recapture event sale.

9           “(3) RECAPTURE EVENT.—For purposes of this  
10          subsection, the term ‘recapture event’ means, with  
11          respect to any qualified telecommunications sale—

12           “(A) any sale or other disposition of the  
13           assets, stock, or partnership interest referred to  
14           in subsection (c) which were acquired by the  
15           taxpayer in such sale, and

16           “(B) in the case of a qualified tele-  
17           communications sale described in paragraph (2)  
18           or (3) of subsection (c)—

19           “(i) any sale or other disposition of a  
20           telecommunications business by the cor-  
21           poration or partnership referred to in such  
22           subsection, or

23           “(ii) any other transaction which re-  
24           sults in the eligible purchaser ceasing to be  
25           an eligible purchaser, or ceasing to have

1 control (as defined in subsection (c)(2)(A))  
2 of such corporation or ownership of an in-  
3 terest in such partnership sufficient to sat-  
4 isfy the requirements of subsection  
5 (c)(3)(A).

6 “(f) DEFINITIONS AND SPECIAL RULES.—For pur-  
7 poses of this section—

8 “(1) ELIGIBLE PURCHASER.—The term ‘eligible  
9 purchaser’ means—

10 “(A) any economically and socially dis-  
11 advantaged business, or

12 “(B) any corporation or partnership if im-  
13 mediately following the purchase—

14 “(i) substantially all the assets of  
15 such corporation or partnership are assets  
16 of 1 or more telecommunications busi-  
17 nesses, and

18 “(ii) the Telecommunications Develop-  
19 ment Fund established under section 714  
20 of the Communications Act of 1934 (47  
21 U.S.C. 614) or any wholly-owned affiliate  
22 of such Fund owns at least 5 percent of—

23 “(I) the stock in such corpora-  
24 tion,

1                   “(II) the partnership interest in  
2                   such partnership, or

3                   “(III) the indebtedness convert-  
4                   ible into such stock or partnership in-  
5                   terest.

6                   “(2) ECONOMICALLY AND SOCIALLY DISADVAN-  
7                   TAGED BUSINESS.—The term ‘economically and so-  
8                   cially disadvantaged business’ means a person which  
9                   is designated by the Secretary as an economically  
10                  and socially disadvantaged business based on a de-  
11                  termination that such person—

12                   “(A) meets the control requirements of  
13                   paragraph (6),

14                   “(B) will be a telecommunications business  
15                   after the purchase for which the eligibility de-  
16                   termination is sought, and

17                   “(C) before the purchase for which the eli-  
18                   gibility determination is sought does not have—

19                   “(i) attributable ownership interest in  
20                   television broadcast stations having an ag-  
21                   gregate national audience reach of more  
22                   than 5 percent as defined by the Federal  
23                   Communications Commission under section  
24                   73.3555(e)(2)(i) of title 47 of the Code of

1 Federal Regulations as in effect on Janu-  
2 ary 1, 2001,

3 “(ii) attributable ownership interest  
4 in—

5 “(I) more than 50 radio stations  
6 nationally, and

7 “(II) radio stations with a com-  
8 bined market share exceeding 10 per-  
9 cent of radio advertising revenues in  
10 the relevant market as defined by the  
11 Federal Communications Commission,  
12 or

13 “(iii) attributable ownership interest  
14 in any other telecommunications business  
15 having more than 5 percent of national  
16 subscribers of their respective service.

17 “(3) RELEVANT MARKET.—The term ‘relevant  
18 market’ means the local radio market served by the  
19 radio station or stations being purchased.

20 “(4) TELECOMMUNICATIONS BUSINESS.—The  
21 term ‘telecommunications business’ means a busi-  
22 ness which, as its primary purpose, engages in elec-  
23 tronic communications and is regulated by the Fed-  
24 eral Communications Commission pursuant to the  
25 Communications Act of 1934, including a cable sys-

1 tem (as defined in section 602(7) of such Act (47  
2 U.S.C. 522(7))), a radio station (as defined in sec-  
3 tion 3(35) of such Act (47 U.S.C. 153(35))), a  
4 broadcasting station providing television service (as  
5 defined in section 3(49) of such Act (47 U.S.C.  
6 153(49))), a provider of direct broadcast satellite  
7 service (as defined in section 335(b)(5)(A) of such  
8 Act (47 U.S.C. 335(b)(5)(A))), a provider of video  
9 programming (as defined in section 602(20) of such  
10 Act (47 U.S.C. 522(20))), a provider of commercial  
11 mobile services (as defined in section 332(d)(1) of  
12 such Act (47 U.S.C. 332(d)(1))), a telecommuni-  
13 cations carrier (as defined in section 3(44) of such  
14 Act (47 U.S.C. 153(44))), a provider of fixed sat-  
15 ellite service, a reseller of the communications serv-  
16 ice or commercial mobile service, or a provider of  
17 multichannel multipoint distribution service.

18 “(5) PURCHASE.—A taxpayer shall be consid-  
19 ered to have purchased a property if, but for sub-  
20 section (d)(2) and the application of section 1033(b),  
21 the basis of the property would be its cost within the  
22 meaning of section 1012.

23 “(6) CONTROL.—

24 “(A) INDIVIDUALS.—For purposes of para-  
25 graph (2)(A), an individual who meets the re-

1 requirements of paragraph (7) also meets the re-  
2 quirements of this paragraph.

3 “(B) ENTITIES.—For purposes of para-  
4 graph (2)(A), an entity meets the requirement  
5 of this paragraph if the requirements of sub-  
6 paragraphs (C), (D), or (E) are satisfied.

7 “(C) 30-PERCENT TEST.—The require-  
8 ments of this subparagraph are satisfied if—

9 “(i) with respect to any entity which  
10 is a corporation, individuals who meet the  
11 requirements of paragraph (7) collectively  
12 own at least 30 percent in value of the out-  
13 standing stock of the corporation, and  
14 more than 50 percent of the total com-  
15 bined voting power of all classes of stock  
16 entitled to vote of the corporation, and

17 “(ii) with respect to any entity which  
18 is a partnership, individuals who meet the  
19 requirements of paragraph (7) collectively  
20 own at least 30 percent of the capital in-  
21 terests in the partnership, a distributive  
22 share of at least 30 percent of each item  
23 of the partnership’s income, gain, loss, de-  
24 duction, or credit, more than 50 percent of  
25 the total combined voting power of all

1 partnership interests entitled to vote, and  
2 control over the management of the part-  
3 nership.

4 “(D) 15-PERCENT TEST.—The require-  
5 ments of this subparagraph are satisfied if—

6 “(i) with respect to any entity which  
7 is a corporation—

8 “(I) individuals who meet the re-  
9 quirements of paragraph (7) collec-  
10 tively own at least 15 percent in value  
11 of the outstanding stock of the cor-  
12 poration, and more than 50 percent of  
13 the total combined voting power of all  
14 classes of stock entitled to vote of the  
15 corporation, and

16 “(II) no other person owns more  
17 than 25 percent in value of the out-  
18 standing stock of the corporation, and

19 “(ii) with respect to any entity which  
20 is a partnership—

21 “(I) individuals who meet the re-  
22 quirements of paragraph (7) collec-  
23 tively own at least 15 percent of the  
24 capital interests in the partnership, a  
25 distributive share of at least 15 per-

1 cent of each item of the partnership's  
2 income, gain, loss, deduction, or cred-  
3 it, more than 50 percent of the total  
4 combined voting power of all classes  
5 of partnership interests entitled to  
6 vote, and control over the manage-  
7 ment of the partnership, and

8 “(II) no other person owns more  
9 than 25 percent of the capital inter-  
10 ests and profits interests in the part-  
11 nership or a distributive share of more  
12 than 25 percent of any item of the  
13 partnership's income, gain, loss, de-  
14 duction, or credit.

15 “(E) PUBLICLY-TRADED CORPORATION  
16 TEST.—The requirements of this subparagraph  
17 are satisfied if, with respect to a corporation  
18 the securities of which are traded on an estab-  
19 lished securities market, individuals who meet  
20 the requirements of paragraph (7) collectively  
21 own more than 50 percent of the total combined  
22 voting power of all classes of stock entitled to  
23 vote of the corporation.

24 “(F) RESTRICTIONS ON AGREEMENTS CON-  
25 CERNING VOTING OF STOCK OR PARTNERSHIP

1 INTERESTS.—For purposes of satisfying the re-  
2 quirements of subparagraph (C), (D), or (E),  
3 the stock or partnership interest relied upon to  
4 establish compliance shall not be subject to any  
5 agreement, arrangement, or understanding  
6 which provides for, or relates to, the voting of  
7 the stock or partnership interest in any manner  
8 by, or at the direction of, any person other than  
9 an eligible individual who meets the require-  
10 ments of paragraph (7), or the right of any per-  
11 son other than 1 of those individuals to acquire  
12 the voting power through purchase of shares,  
13 partnership interests, or otherwise.

14 “(G) CONSTRUCTIVE OWNERSHIP.—In ap-  
15 plying subparagraphs (C), (D), (E), and (F),  
16 the constructive ownership rules of section 318  
17 shall apply, but only if the interests for which  
18 constructive ownership is claimed are not  
19 owned, directly or indirectly, by individuals who  
20 do not meet the requirements of paragraph (7).

21 “(7) INDIVIDUALS.—An individual meets the  
22 requirements of this paragraph if such individual  
23 is—

24 “(A) a United States citizen, and

1           “(B) a member of an economically or so-  
2           cially disadvantaged class determined by the  
3           Secretary to be underrepresented in the owner-  
4           ship of the relevant telecommunications busi-  
5           ness.”.

6           (b) CONFORMING AMENDMENTS.—

7           (1) Sections 1245(b)(5) and 1250(d)(5) of the  
8           Internal Revenue Code of 1986 are each amended—

9                   (A) by inserting “section 1071 (relating to  
10                   certain sales of telecommunications businesses)  
11                   or” before section 1081”, and

12                   (B) by inserting “1071 and” before  
13                   “1081” in the heading thereof.

14           (2) The table of parts for subchapter O of  
15           chapter 1 of such Code is amended by inserting  
16           after the item relating to part IV the following new  
17           item:

          “PART V. CERTAIN SALES OF TELECOMMUNICATIONS BUSINESSES”.

18           (c) EFFECTIVE DATE.—The amendments made by  
19           this section shall apply to elections made with respect to  
20           any sale on or after the date of the enactment of this Act.

21           **SEC. 4. TELECOMMUNICATIONS BUSINESS CREDIT.**

22           (a) IN GENERAL.—Subpart E of part IV of sub-  
23           chapter A of chapter 1 of the Internal Revenue Code of  
24           1986 (relating to rules for computing investment credit)

1 is amended by inserting after section 48 the following new  
2 section:

3 **“SEC. 48A. TELECOMMUNICATIONS BUSINESS CREDIT.**

4 “For purposes of section 46, there is allowed as a  
5 credit against the tax imposed by this chapter for any tax-  
6 able year an amount equal to 10 percent of the taxable  
7 income of any taxpayer which at all times during such tax-  
8 able year—

9 “(1) is a local exchange carrier (as defined in  
10 section 3(26) of the Communications Act of 1934  
11 (47 U.S.C. 153(26))),

12 “(2) is not a Bell operating company (as de-  
13 fined in section 3(4) of such Act (47 U.S.C.  
14 153(4))), and

15 “(3) is headquartered in an area designated as  
16 an empowerment zone by the Secretary of Housing  
17 and Urban Development.”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Section 46 of the Internal Revenue Code of  
20 1986 (relating to amount of credit) is amended by  
21 striking “and” at the end of paragraph (1), by strik-  
22 ing the period at the end of paragraph (2) and in-  
23 serting “, and”, and by adding at the end the fol-  
24 lowing new paragraph:

25 “(3) the telecommunications business credit.”.

1           (2) The table of sections for subpart E of part  
2           IV of subchapter A of chapter 1 of such Code is  
3           amended by inserting after the item relating to sec-  
4           tion 48 the following new item:

“Sec. 48A. Telecommunications business credit.”.

5           (c) EFFECTIVE DATE.—The amendments made by  
6           this section shall apply to taxable years ending after the  
7           date of the enactment of this Act.

8           **SEC. 5. EXCLUSION OF 50 PERCENT OF GAIN.**

9           (a) IN GENERAL.—Section 1202 of the Internal Rev-  
10          enue Code of 1986 (relating to partial exclusion for gain  
11          from certain small business stock) is amended—

12           (1) by adding at the end of subsection (a) the  
13          following new paragraph:

14           “(3) CERTAIN TELECOMMUNICATIONS INVEST-  
15          MENTS BY CORPORATIONS AND INVESTMENT COMPA-  
16          NIES.—Gross income shall not include 50 percent of  
17          any gain from the sale or exchange of stock in an  
18          eligible purchaser (as defined in section 1071(f)(1)),  
19          engaged in a telecommunications business (as de-  
20          fined in section 1071(f)(4)) held for more than 5  
21          years.”,

22           (2) by striking subparagraphs (A) and (B) of  
23          subsection (b)(1) and inserting the following new  
24          subparagraphs:

1           “(A) in the case of gain from the sale or  
2 exchange of qualified small business stock held  
3 for more than 5 years—

4           “(i) \$10,000,000 reduced by the ag-  
5 gregate amount of eligible gain taken into  
6 account by the taxpayer under subsection  
7 (a) for prior taxable years attributable to  
8 dispositions of stock issued by such cor-  
9 poration, or

10           “(ii) 10 times the aggregate adjusted  
11 bases of qualified small business stock  
12 issued by such corporation and disposed of  
13 by the taxpayer during the taxable year,  
14 and

15           “(B) in the case of gain from the sale or  
16 exchange of stock in an eligible purchaser en-  
17 gaged in a telecommunications business for  
18 more than 5 years—

19           “(i) \$20,000,000 reduced by the ag-  
20 gregate amount of eligible gain taken into  
21 account by the taxpayer under subsection  
22 (a) for prior taxable years attributable to  
23 dispositions of stock issued by an eligible  
24 purchaser engaged in a telecommunications  
25 business, or

1                   “(ii) 15 times the aggregate adjusted  
2                   bases of stock of an eligible purchaser en-  
3                   gaged in a telecommunications business  
4                   issued by such eligible purchaser and dis-  
5                   posed of by the taxpayer during the tax-  
6                   able year.”,

7                   (3) by striking “subparagraph (B)” in the last  
8                   sentence of subsection (b)(1) and inserting “sub-  
9                   paragraphs (A)(ii) and (B)(ii)”,

10                   (4) by striking “years.” in subsection (b)(2)  
11                   and inserting “years or any gain from the sale or ex-  
12                   change of stock in an eligible purchaser engaged in  
13                   a telecommunications business held for more than 5  
14                   years.”, and

15                   (5) by striking the period at the end of sub-  
16                   section (b)(3)(A) and inserting “, and paragraph  
17                   (1)(B) shall be applied by substituting ‘\$10,000,000’  
18                   for ‘\$20,000,000’.”.

19                   (b) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to sales on or after the date of  
21 the enactment of this Act.

22 **SEC. 6. TECHNICAL AND CONFORMING AMENDMENTS; REG-**  
23 **ULATIONS.**

24                   (a) TECHNICAL AND CONFORMING AMENDMENTS.—  
25 The Secretary of the Treasury shall, not later than 150

1 days after the date of the enactment of this Act, submit  
2 to the Committee on Ways and Means of the House of  
3 Representatives and the Committee on Finance of the  
4 Senate, a draft of any technical and conforming amend-  
5 ments of the Internal Revenue Code of 1986 which are  
6 necessary to reflect throughout such Code the amend-  
7 ments made by this Act.

8 (b) REGULATIONS.—The Secretary of the Treasury,  
9 in consultation with the Federal Communications Com-  
10 mission, shall promulgate regulations to implement the  
11 amendments made by this Act not later than 90 days after  
12 the date of the enactment of this Act. The regulations  
13 shall provide for the determination by the Secretary of the  
14 Treasury as to whether an applicant is an “eligible pur-  
15 chaser” as defined in section 1071(f) of the Internal Rev-  
16 enue Code of 1986 (as added by section 3(a)). The regula-  
17 tions shall further provide that such determinations of eli-  
18 gibility shall be made not later than 45 calendar days after  
19 an application is filed with the Secretary of the Treasury.  
20 The regulations implementing section 1071(f)(7) of such  
21 Code (as added by section 3) shall be updated on an ongo-  
22 ing basis not less frequently than every 5 years.

23 **SEC. 7. BIENNIAL PROGRAM AUDITS BY GAO.**

24 Not later than January 1, 2007, and not later than  
25 2 years thereafter, the Comptroller General of the United

1 States shall audit the administration of the sections of the  
2 Internal Revenue Code of 1986 added or amended by this  
3 Act, and issue a report on the results of that audit. The  
4 Comptroller General shall include in the report, notwith-  
5 standing any provision of section 6103 of the Internal  
6 Revenue Code of 1986 to the contrary—

7           (1) a list of eligible purchasers (as defined in  
8           section 1071(f)(1) of such Code) and any other tax-  
9           payer receiving a benefit from the operation of sec-  
10          tion 48A or 1202 of such Code as such section was  
11          added or amended by this Act, and

12          (2) an assessment of the effect the amendments  
13          made by this Act have on increasing new entry and  
14          growth in the telecommunications industry by eco-  
15          nomically and socially disadvantaged businesses, and  
16          the effect of this Act on enhancing the competitive-  
17          ness of the telecommunications industry.

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