

109TH CONGRESS
1ST SESSION

H. R. 2061

To enhance the ability of community banks to foster economic growth and serve their communities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 3, 2005

Mr. RYUN of Kansas (for himself and Mr. CANNON) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To enhance the ability of community banks to foster economic growth and serve their communities, 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 “Community Banks
5 Serving Their Communities First Act” or the “Commu-
6 nities First Act”.

1 **TITLE I—TARGETED REGU-**
2 **LATORY RELIEF FOR COMMU-**
3 **NITY BANKS**

4 **SEC. 101. INCREASE EXEMPTION LEVELS UNDER THE**
5 **HOME MORTGAGE DISCLOSURE ACT OF 1975.**

6 (a) DEPOSITORY INSTITUTION AND MORTGAGE
7 LENDER DISCLOSURE EXEMPTIONS.—Section 304(i) of
8 the Home Mortgage Disclosure Act (12 U.S.C. 2803(i))
9 is amended by striking “\$30,000,000” and inserting
10 “\$250,000,000”.

11 (b) DEPOSITORY INSTITUTION EXEMPTIONS FROM
12 ACT.—Section 309 of the Home Mortgage Disclosure Act
13 (12 U.S.C. 2808(a)) is amended—

14 (1) in subsection (a), by striking
15 “\$10,000,000” and inserting “\$250,000,000”; and

16 (2) in subsection (b), by adding at the end the
17 following new paragraph:

18 “(4) INDEXING OF DEPOSITORY INSTITUTION
19 DISCLOSURE EXEMPTION AMOUNT.—By December
20 31 of each year beginning after the date of the en-
21 actment of the Community Banks Serving Their
22 Communities First Act, the amount applicable under
23 section 304(i) with respect to institutions described
24 in section 303(2) shall be adjusted in accordance
25 with the procedure described in paragraphs (1) and

1 (3) and the adjusted amount shall apply during the
2 subsequent year.”.

3 **SEC. 102. SHORT FORM REPORTS OF CONDITION FOR CER-**
4 **TAIN COMMUNITY BANKS.**

5 Section 7(a) of the Federal Deposit Insurance Act
6 (12 U.S.C. 1817(a)) is amended by adding at the end the
7 following new paragraph:

8 “(11) SHORT FORM REPORTS OF CONDITION
9 FOR COMMUNITY BANKS.—An insured depository in-
10 stitution described in subparagraphs (A), (B), (C),
11 and (D) of section 10(d)(4) may submit a short
12 form report of condition under paragraph (3) in 2
13 nonsequential quarters of any calendar year.”.

14 **SEC. 103. COMMUNITY BANK EXEMPTION FROM ANNUAL**
15 **MANAGEMENT ASSESSMENT OF INTERNAL**
16 **CONTROLS REQUIREMENT OF THE SAR-**
17 **BANES-OXLEY ACT OF 2002.**

18 Section 404 of the Sarbanes-Oxley Act of 2002 (15
19 U.S.C. 7262) is amended by adding the following new sub-
20 section:

21 “(c) COMMUNITY BANK EXEMPTION.—

22 “(1) IN GENERAL.—This section shall not apply
23 in any year to any insured depository institution
24 which, as of the close of the preceding year, had

1 total assets, as determined on a consolidated basis,
2 of \$1,000,000,000 or less.

3 “(2) ADJUSTMENT OF AMOUNT.—The Commis-
4 sion shall annually adjust the dollar amount in para-
5 graph (1) by an amount equal to the percentage in-
6 crease, for the most recent year, in total assets held
7 by all depository institutions, as reported by the
8 Federal Deposit Insurance Corporation.”.

9 **SEC. 104. CHANGES REQUIRED TO SMALL BANK HOLDING**
10 **COMPANY POLICY STATEMENT ON ASSESS-**
11 **MENT OF FINANCIAL AND MANAGERIAL FAC-**
12 **TORS.**

13 (a) SMALL BANK HOLDING COMPANY POLICY
14 STATEMENT ON ASSESSMENT OF FINANCIAL AND MANA-
15 GERIAL FACTORS.—

16 (1) IN GENERAL.—Before the end of the 6-
17 month period beginning on the date of the enact-
18 ment of this Act, the Board of Governors of the
19 Federal Reserve System shall publish in the Federal
20 Register proposed revisions to the Small Bank Hold-
21 ing Company Policy Statement on Assessment of Fi-
22 nancial and Managerial Factors (12 C.F.R. part
23 225—appendix C) that provide that the policy shall
24 apply to a bank holding company which has pro

1 forma consolidated assets of less than
2 \$1,000,000,000 and that—

3 (A) is not engaged in any nonbanking ac-
4 tivities involving significant leverage; and

5 (B) does not have a significant amount of
6 outstanding debt that is held by the general
7 public.

8 (2) ADJUSTMENT OF AMOUNT.—The Board of
9 Governors of the Federal Reserve System shall an-
10 nually adjust the dollar amount referred to in para-
11 graph (1) in the Small Bank Holding Company Pol-
12 icy Statement on Assessment of Financial and Man-
13 agerial Factors by an amount equal to the percent-
14 age increase, for the most recent year, in total assets
15 held by all bank holding companies, on a consoli-
16 dated basis, as determined by the Board.

17 (b) INCREASE IN DEBT-TO-EQUITY RATIO OF SMALL
18 BANK HOLDING COMPANY.—Before the end of the 6-
19 month period beginning on the date of the enactment of
20 this Act, the Board of Governors of the Federal Reserve
21 System shall publish in the Federal Register proposed re-
22 visions to the Small Bank Holding Company Policy State-
23 ment on Assessment of Financial and Managerial Factors
24 (12 C.F.R. part 225—appendix C) such that the debt-to-
25 equity ratio allowable for a small bank holding company

1 in order to remain eligible to pay a corporate dividend and
2 to remain eligible for expedited processing procedures
3 under Regulation Y of the Board of Governors of the Fed-
4 eral Reserve System would increase from 1:1 to 3:1.

5 **SEC. 105. INCREASE IN SIZE OF A SMALL DEPOSITORY IN-**
6 **STITUTION EXCEPTION UNDER THE DEPOSI-**
7 **TORY INSTITUTION MANAGEMENT INTER-**
8 **LOCKS ACT.**

9 Section 203(1) of the Depository Institution Manage-
10 ment Interlocks Act (12 U.S.C. 3202(1)) is amended by
11 striking “\$20,000,000” and inserting “\$500,000,000”.

12 **SEC. 106. COMMUNITY BANK PROTECTION UNDER THE SE-**
13 **CURITIES INVESTOR PROTECTION ACT OF**
14 **1970.**

15 Section 9 of the Securities Investor Protection Act
16 of 1970 (15 U.S.C. 78fff-3) is amended by adding the
17 following new subsection:

18 “(d) COMMUNITY BANK PROTECTION.—

19 “(1) IN GENERAL.—The prohibition on ad-
20 vances in subsection (a)(5) of this section shall not
21 apply to a bank with total assets, on a consolidated
22 basis, of less than \$1,000,000,000.

23 “(2) ADJUSTMENT OF AMOUNT.—The Commis-
24 sion shall annually adjust the dollar amount in para-
25 graph (1) by an amount equal to the percentage in-

1 crease, for the most recent year, in total assets held
2 by all depository institutions, as reported by the
3 Federal Deposit Insurance Corporation.”.

4 **SEC. 107. FLEXIBLE EXAMINATION SCHEDULE FOR COMMU-**
5 **NITY BANKS.**

6 (a) IN GENERAL.—Paragraph (4) of section 10(d) of
7 the Federal Deposit Insurance Act (12 U.S.C. 1820(d))
8 is amended—

9 (1) by striking the matter preceding subpara-
10 graph (A) and inserting “In lieu of the 12-month pe-
11 riod referred to in paragraphs (1), (2), and (3), the
12 examination required under paragraph (1) of an in-
13 sured depository institution may be conducted at
14 such intervals as the appropriate Federal banking
15 agency may determine to be appropriate, on the
16 basis of factors the Financial Institutions Examina-
17 tion Council shall establish, if—”; and

18 (2) in subparagraph (A), by striking
19 “\$250,000,000” and inserting “\$1,000,000,000”.

20 (b) CLERICAL AMENDMENT.—The heading for para-
21 graph (4) of section 10(d) of the Federal Deposit Insur-
22 ance Act (12 U.S.C. 1820(d)) is amended by striking “18-
23 MONTH RULE” and inserting “FLEXIBLE ON-SITE EXAM-
24 INATION SCHEDULE”.

1 **SEC. 108. INCREASE IN AMOUNT OF SMALL BANK EXCEP-**
2 **TION FOR CAP ON AGGREGATE LOANS TO EX-**
3 **ECUTIVE OFFICERS.**

4 Subparagraph (C) of section 22(h)(5) of the Federal
5 Reserve Act (12 U.S.C. 375b(5)(C)) is amended—

6 (1) by striking “\$100,000,000 of deposits” and
7 inserting “\$1,000,000,000 of total assets (on a con-
8 solidated basis)”; and

9 (2) by adding at the end the following new sen-
10 tence: “The Board shall annually adjust the dollar
11 amount in the 1st sentence of this subparagraph by
12 an amount equal to the percentage increase, for the
13 most recent year, in total assets held by all deposi-
14 tory institutions, as reported by the Federal Deposit
15 Insurance Corporation.”.

16 **SEC. 109. CONSIDERATION OF COMMUNITY BANK IMPACT.**

17 Before establishing or making any revision in any
18 regulation, requirement, or guideline applicable to insured
19 depository institutions (as defined in section 3 of the Fed-
20 eral Deposit Insurance Act), the appropriate Federal
21 banking agency (as defined in such section) shall take into
22 account the effect of the establishment of the regulation,
23 requirement, or guideline on community banks and sav-
24 ings associations.

1 **SEC. 110. INCREASE IN CRA EXAM INTERVALS FOR COMMU-**
 2 **NITY BANKS.**

3 Section 809(a) of the Community Reinvestment Act
 4 of 1977 (12 U.S.C. 2908(a)) is amended by striking
 5 “\$250,000,000” and inserting “\$1,000,000,000”.

6 **TITLE II—ADDITIONAL REGU-**
 7 **LATORY RELIEF FOR COMMU-**
 8 **NITY BANKS AND THEIR CUS-**
 9 **TOMERS**

10 **SEC. 201. PROVISIONS RELATING TO 3-DAY RIGHT OF RE-**
 11 **SCISSION UNDER THE TRUTH IN LENDING**
 12 **ACT.**

13 (a) **OPTIONAL CONSUMER WAIVERS OF RIGHT OF**
 14 **RESCISSION.**—Section 125(d) of the Truth in Lending Act
 15 (15 U.S.C. 1635(d)) is amended—

16 (1) by striking “The Board may” and inserting
 17 “**WAIVERS OF RESCISSION RIGHTS.**—

18 “(1) **PERSONAL FINANCIAL EMERGENCIES.**—
 19 The board may”; and

20 (2) by adding at the end the following new
 21 paragraph:

22 “(2) **WAIVERS WHEN CREDITOR IS INSURED**
 23 **DEPOSITORY INSTITUTION.**—The Board shall pre-
 24 scribe regulations authorizing a consumer to waive
 25 the rights provided under this section when the cred-
 26 itor is an insured depository institution (as that

1 term is defined in section 3(e)(2) of the Federal De-
2 posit Insurance Act) in such manner and after such
3 notice as the Board may prescribe.”.

4 (b) EXEMPTION IN CASE OF REFINANCING WITH NO
5 NEW MONEY REGARDLESS OF CREDITOR.—Section
6 125(e)(2) of the Truth in Lending Act (15 U.S.C.
7 1635(e)(2)) is amended by striking “by the same cred-
8 itor”.

9 (c) EXEMPT HOME EQUITY LINES OF CREDIT.—Sec-
10 tion 125(e)(4) of the Truth in Lending Act (15 U.S.C.
11 1635(e)(4)) is amended to read as follows:

12 “(4) advances under an open end consumer
13 credit plan which provides for any extension of cred-
14 it which is secured by the consumer’s principal
15 dwelling.”.

16 **SEC. 202. ADDITIONAL EXEMPTIONS UNDER HOME MORT-**
17 **GAGE DISCLOSURE ACT OF 1975; STREAM-**
18 **LINING REPORTING.**

19 (a) SMALL REPORTER EXEMPTION.—Section 304 of
20 the Home Mortgage Disclosure Act (12 U.S.C. 2803) is
21 amended by adding the following new subsection:

22 “(n) SMALL REPORTER EXEMPTION.—If, in any
23 year, a depository institution makes fewer than 100 re-
24 portable loans described in any paragraph of subsection
25 (b), the depository institution shall be exempt from the

1 disclosure requirements of this section with respect to the
2 loans described in that paragraph for such year.”.

3 (b) MSA MODIFICATIONS.—Section 304(a) of the
4 Home Mortgage Disclosure Act (12 U.S.C. 2803(a)) is
5 amended——

6 (1) in paragraph (1), by inserting “or as modi-
7 fied by the Board under paragraph (3),” after “as
8 defined by the Department of Commerce”; and

9 (2) by adding at the end the following new
10 paragraph:

11 “(3) MODIFICATION OF MSAS.—The Board may
12 modify the description of any primary metropolitan
13 statistical area, metropolitan statistical area, and
14 consolidated metropolitan statistical area, as defined
15 by the Secretary of Commerce, for purposes of this
16 subsection.”.

17 (c) REGULAR STREAMLINING.—The Home Mortgage
18 Disclosure Act (12 U.S.C. 2801 et seq.) is amended by
19 adding the following new section:

20 **“SEC. 312. REGULAR STREAMLINING.**

21 “Before the end of the 1-year period beginning on
22 the date of the enactment of the Community Banks Serv-
23 ing Their Communities First Act and before the end of
24 each 5-year period thereafter, the Board shall—

1 “(1) review the data collection and reporting re-
2 quirements of this title;

3 “(2) streamline, reduce, or eliminate such re-
4 quirements by regulation to the extent consistent
5 with the purposes of this title;

6 “(3) revise the data collection and reporting re-
7 quirements under this title to ensure that they are
8 consistent with those imposed under the Equal Cred-
9 it Opportunity Act; and

10 “(4) report to the Committee on Banking,
11 Housing, and Urban Affairs of the Senate and the
12 Committee on Financial Services of the House of
13 Representatives such legislative recommendations as
14 the Board determines to be necessary to streamline,
15 reduce, or eliminate such requirements to the extent
16 consistent with the purposes of this title and to en-
17 sure that they are consistent with those imposed
18 under the Equal Credit Opportunity Act.”.

19 **SEC. 203. EXCEPTION TO ANNUAL PRIVACY NOTICE RE-**
20 **QUIREMENT UNDER THE GRAMM-LEACH-BLI-**
21 **LEY ACT.**

22 Section 503 of the Gramm-Leach-Bliley Act (15
23 U.S.C. 6803) is amended by adding the following new sub-
24 section:

1 “(c) EXCEPTION TO ANNUAL NOTICE REQUIRE-
2 MENT.—A financial institution that—

3 “(1) provides nonpublic personal information
4 only in accordance with the provisions of section
5 502(b)(2) (relating to the consumer ‘opt out’ excep-
6 tion) and subsection 502(e) (relating to general ex-
7 ceptions); and

8 “(2) has not changed its policies and practices
9 with regard to disclosing nonpublic personal infor-
10 mation,

11 shall be exempt from the annual disclosure requirement
12 under subsection (a).”.

13 **SEC. 204. STREAMLINING REPORTS OF CONDITION.**

14 Section 7(a) of the Federal Deposit Insurance Act
15 (12 U.S.C. 1817(a)) is amended by inserting after para-
16 graph (11) (as added by section 102 of this Act) the fol-
17 lowing new paragraph:

18 “(12) STREAMLINING REPORTS OF CONDI-
19 TION.—

20 “(A) REVIEW OF INFORMATION AND
21 SCHEDULES.—Before the end of the 1-year pe-
22 riod beginning on the date of the enactment of
23 the Community Banks Serving Their Commu-
24 nities First Act and before the end of each 5-
25 year period thereafter, the Corporation shall, in

1 conjunction with the Board of Governors of the
2 Federal Reserve System, the Comptroller of the
3 Currency, and the Director of the Office of
4 Thrift Supervision, review the information and
5 schedules that are required to be filed by any
6 insured depository institution with a report of
7 condition under paragraph (3).

8 “(B) REDUCTION OR ELIMINATION OF FIL-
9 INGS WHICH ARE MORE BURDENSOME THAN
10 BENEFICIAL.—Within 9 months of completing
11 any review under subparagraph (A), the Cor-
12 poration, the Board of Governors of the Federal
13 Reserve System, the Comptroller of the Cur-
14 rency, and the Director of the Office of Thrift
15 Supervision shall reduce or eliminate any re-
16 quirement to file information or schedules
17 under paragraph (3) if such agencies find that
18 the burdens of such filings are not outweighed
19 by the benefits to safety and soundness of the
20 financial system or the ability of the Corpora-
21 tion to accurately determine the financial condi-
22 tion and the results of operations of each in-
23 sured depository institution.

24 “(C) REPORT TO THE CONGRESS.—Before
25 the end of the 6-month period beginning on the

1 date of completion of any review under subpara-
2 graph (A), the Corporation, the Board of Gov-
3 ernors of the Federal Reserve System, the
4 Comptroller of the Currency, and the Director
5 of the Office of Thrift Supervision shall submit
6 a report to the Committee on Financial Services
7 of the House of Representatives and the Com-
8 mittee on Banking, Housing, and Urban Affairs
9 of the Senate containing the findings of the
10 agencies with respect to such review and any
11 recommendation of such agencies for legislative
12 action to implement any such finding.”.

13 **SEC. 205. INCREASE IN THE SPECIAL REGULATORY LEND-**
14 **ING LIMIT ON LOANS TO EXECUTIVE OFFI-**
15 **CERS.**

16 Section 22(g) of the Federal Reserve Act (12 U.S.C.
17 375b(g)) is amended by adding at the end the following
18 new paragraph:

19 “(11) LIMIT APPLICABLE ON AGGREGATE
20 AMOUNT OF CERTAIN LOANS TO EXECUTIVE OFFI-
21 CERS OF COMMUNITY BANKS.—Notwithstanding any
22 regulation prescribed by the Board under paragraph
23 (4) and subject to other conditions imposed under
24 this subsection and subsection (h), the aggregate
25 amount of extensions of credit that a member bank

1 may make to an executive officer of the bank under
 2 paragraph (4) shall not exceed \$250,000.”.

3 **TITLE III—TAX RELIEF FOR**
 4 **BANK DEPOSITORS, RURAL**
 5 **BANKS, MUNICIPALITIES, AND**
 6 **BANKS ORGANIZED AS LIM-**
 7 **ITED LIABILITY COMPANIES**

8 **SEC. 301. REDUCED RATE AND DEFERRAL OF INCOME REC-**
 9 **OGNITION ON LONG-TERM CERTIFICATES OF**
 10 **DEPOSIT.**

11 (a) DEFERRAL OF INCOME RECOGNITION.—Section
 12 451 of the Internal Revenue Code of 1986 (relating to
 13 general rule for taxable year of inclusion) is amended by
 14 adding at the end the following new subsection:

15 “(j) CERTIFICATES OF DEPOSITS HELD BY CASH
 16 BASIS INDIVIDUALS.—In the case of an individual on the
 17 cash receipts and disbursements method of accounting
 18 who holds a nonnegotiable certificate of deposit, interest
 19 income which is not made available for withdrawal before
 20 maturity of the certificate without penalty shall not be in-
 21 cludible in gross income before the certificate is redeemed
 22 or matures.”.

23 (b) INTEREST INCOME ON LONG-TERM CERTIFI-
 24 CATES OF DEPOSIT.—Subparagraph (A) of section

1 1(h)(11) of such Code is amended by striking “increased
2 by” and all that follows and inserting:

3 “increased by—

4 “(i) qualified dividend income, and

5 “(ii) interest income on any nonnego-
6 tiable certificate of deposit—

7 “(I) with a fixed maturity date
8 which is 1 year or more from the date
9 of issue, and

10 “(II) the interest on which is not
11 made available for withdrawal before
12 maturity without penalty.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 the date of the enactment of this Act.

16 **SEC. 302. EXCLUSION FOR INTEREST ON LOANS SECURED**
17 **BY AGRICULTURAL REAL PROPERTY.**

18 (a) IN GENERAL.—Part III of subchapter B of chap-
19 ter 1 of the Internal Revenue Code of 1986 (relating to
20 items specifically excluded from gross income) is amended
21 by inserting after section 139A the following new section:

1 **“SEC. 139B. INTEREST ON LOANS SECURED BY AGRICUL-**
2 **TURAL REAL PROPERTY.**

3 “(a) EXCLUSION.—Gross income shall not include in-
4 terest received by a qualified lender on any qualified real
5 estate loan.

6 “(b) DEFINITIONS.—For purposes of this section—

7 “(1) QUALIFIED LENDER.—The term ‘qualified
8 lender’ means any bank or savings association the
9 deposits of which are insured under the Federal De-
10 posit Insurance Act (12 U.S.C. 1811 et seq.).

11 “(2) QUALIFIED REAL ESTATE LOAN.—The
12 term ‘qualified real estate loan’ means any loan se-
13 cured by agricultural real estate or by a leasehold
14 mortgage (with a status as a lien) on agricultural
15 real estate. For purposes of the preceding sentence,
16 the determination of whether property securing such
17 loan is agricultural real estate shall be made as of
18 the time the interest income on such loan is accrued.

19 “(3) AGRICULTURAL REAL ESTATE.—The term
20 ‘agricultural real estate’ means—

21 “(A) real property used for the production
22 of 1 or more agricultural products, and

23 “(B) any single family residence—

24 “(i) which is the principal residence
25 (within the meaning of section 121) of its
26 occupant,

1 “(ii) which is located in a rural area
2 (as determined by the Secretary of Agri-
3 culture), which is not within a Metropoli-
4 tan Statistical Area (as defined by the Of-
5 fice of Management and Budget) and
6 which has a population (determined on the
7 basis of the most recent decennial census
8 for which data are available) of 2,500 or
9 less, and

10 “(iii) which is purchased or improved
11 with the proceeds of the qualified real es-
12 tate loan.

13 “(c) COORDINATION WITH SECTION 265.—Qualified
14 real estate loans shall be treated as obligations described
15 in section 265(a)(2) the interest on which is wholly exempt
16 from the taxes imposed by this subtitle.”.

17 (b) CLERICAL AMENDMENT.—The table of sections
18 for such part III is amended by inserting after the item
19 relating to section 139A the following new item:

 “Sec. 139B. Interest on loans secured by agricultural real property.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 the date of the enactment of this Act.

1 **SEC. 303. INCREASE IN CAP ON QUALIFIED SMALL ISSUE**
2 **BONDS.**

3 (a) **IN GENERAL.**—Clause (i) of section 144(a)(4)(A)
4 of the Internal Revenue Code of 1986 (relating to general
5 rule for \$10,000,000 limit in certain cases) is amended
6 by striking “\$10,000,000” and inserting “\$30,000,000”.

7 (b) **ADJUSTMENT OF CAP FOR INFLATION.**—Sub-
8 section (a) of section 144 of such Code (relating to quali-
9 fied small issue bond) is amended by redesignating para-
10 graph (12) as paragraph (13) and by inserting after para-
11 graph (11) the following new paragraph:

12 “(12) **INFLATION ADJUSTMENT.**—In the case of
13 a calendar year after 2006, the \$30,000,000 amount
14 contained in paragraph (4)(A)(i) shall be increased
15 by an amount equal to—

16 “(A) such dollar amount, multiplied by

17 “(B) the cost-of-living adjustment deter-
18 mined under section 1(f)(3) for such calendar
19 year by substituting ‘calendar year 2005’ for
20 ‘calendar year 1992’ in subparagraph (B)
21 thereof.

22 Any increase under the preceding sentence which is
23 not a multiple of \$100,000 shall be rounded to the
24 next lowest multiple of \$100,000.”.

25 (c) **EFFECTIVE DATE.**—The amendments made by
26 this section shall apply to—

1 (1) obligations issued after the date of the en-
2 actment of this Act, and

3 (2) capital expenditures made after such date
4 with respect to obligations issued on or before such
5 date.

6 **SEC. 304. LIMITED LIABILITY COMPANY TAX TREATMENT**
7 **FOR FDIC-INSURED LIMITED LIABILITY COM-**
8 **PANIES.**

9 (a) IN GENERAL.—Paragraph (2) of section 7701(a)
10 of the Internal Revenue Code of 1986 (defining partner-
11 ship and partner) is amended to read as follows:

12 “(2) PARTNER AND PARTNERSHIP.—

13 “(A) IN GENERAL.—The term ‘partner-
14 ship’ includes a syndicate, group, pool, joint
15 venture, or other unincorporated organization,
16 through or by means of which any business, fi-
17 nancial operation, or venture is carried on, and
18 which is not, within the meaning of this title,
19 a trust or estate or a corporation; and the term
20 ‘partner’ includes a member in such a syn-
21 dicate, group, pool, joint venture, or organiza-
22 tion.

23 “(B) ELECTION BY CERTAIN BANKS TO BE
24 TAXED AS PARTNERSHIPS.—

1 “(i) IN GENERAL.—An eligible cor-
2 poration may elect to be treated as a part-
3 nership for purposes of this title.

4 “(ii) TAX TREATMENT.—In the case
5 of an eligible corporation making an elec-
6 tion under clause (i)—

7 “(I) no gain or loss shall be rec-
8 ognized to the corporation or the
9 shareholders by reason of an election
10 under clause (i), and

11 “(II) section 1374 shall apply to
12 the entity after such election.

13 “(iii) ELIGIBLE CORPORATION.—The
14 term ‘eligible corporation’ means any of
15 the following entities which would (but for
16 this subparagraph) be treated as a C cor-
17 poration for purposes of this title:

18 “(I) Any bank (as defined in sec-
19 tion 581).

20 “(II) Any bank holding company
21 (as defined in section 2(a) of the
22 Bank Holding Company Act of 1956
23 (12 U.S.C. 1841(a))).

24 “(III) Any savings association
25 (as defined in section 3(b) of the Fed-

1 eral Deposit Insurance Act (12 U.S.C.
2 1813)).

3 “(IV) Any savings and loan hold-
4 ing company (as defined in section
5 10(a)(1)(D) of the Home Owners
6 Loan Act).”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to taxable years beginning after
9 the date of the enactment of this Act.

10 **TITLE IV—TAX RELIEF FOR COM-**
11 **MUNITY BANKS AND HOLD-**
12 **ING COMPANIES**

13 **SEC. 401. REDUCTION IN TAX.**

14 (a) C CORPORATIONS.—Section 11 of the Internal
15 Revenue Code of 1986 (relating to tax imposed) is amend-
16 ed by adding at the end the following new subsection:

17 “(e) REDUCTION OF TAX ON COMMUNITY BANKS.—

18 “(1) IN GENERAL.—In the case of a C corpora-
19 tion which is a community bank, the aggregate tax
20 imposed by this section, section 55, and section
21 1201 shall be 80 percent of the aggregate tax which
22 would (but for this subsection) be imposed by such
23 sections.

24 “(2) MAXIMUM REDUCTION.—The reduction in
25 tax by reason of this subsection shall not exceed

1 \$250,000. Corporations treated as 1 corporation
2 under section 1202(d)(3) shall be so treated under
3 this subsection, and the limitation under the pre-
4 ceding sentence shall be allocated among such cor-
5 porations in such manner as the Secretary shall pre-
6 scribe.

7 “(3) INCREASED BENEFIT FOR BANKS OPER-
8 ATING IN DISTRESSED AREAS, ETC.—

9 “(A) IN GENERAL.—In the case of a bank
10 operating in an area referred to in subpara-
11 graph (B)—

12 “(i) paragraph (1) shall be applied by
13 substituting ‘50 percent’ for ‘80 percent’,
14 and

15 “(ii) paragraph (2) shall be applied by
16 substituting ‘\$500,000’ for ‘\$250,000’.

17 “(B) AREAS DESCRIBED.—The areas re-
18 ferred to in this subparagraph are—

19 “(i) empowerment zones and enter-
20 prise communities designated under section
21 1391,

22 “(ii) renewal communities designated
23 under section 1400E,

24 “(iii) low-income communities (as de-
25 fined in section 45D(e)), and

1 “(iv) distressed communities (within
2 the meaning of section 233 of the Bank
3 Enterprise Act of 1991 (12 U.S.C.
4 1834a(b)).

5 “(4) COMMUNITY BANK.—For purposes of this
6 section, the term ‘community bank’ means any of
7 the following entities the gross assets of which (de-
8 termined under the rules of section 1202(d)) are
9 \$5,000,000,000 or less:

10 “(A) Any bank (as defined in section 581).

11 “(B) Any bank holding company (as de-
12 fined in section 2(a) of the Bank Holding Com-
13 pany Act of 1956 (12 U.S.C. 1841(a))).

14 “(C) Any savings association (as defined in
15 section 3(b) of the Federal Deposit Insurance
16 Act (12 U.S.C. 1813)).

17 “(D) Any savings and loan holding com-
18 pany (as defined in section 10(a)(1)(D) of the
19 Home Owners Loan Act).”.

20 (b) S CORPORATIONS.—Subsection (a) of section
21 1366 of such Code is amended by adding at the end the
22 following new paragraph:

23 “(3) REDUCTION OF TAX ON COMMUNITY
24 BANKS.—

1 “(A) IN GENERAL.—In the case of an S
2 corporation which is a community bank (as de-
3 fined in section 11(e)(4)), the net amount re-
4 quired to be taken into account by shareholders
5 (without regard to this paragraph) shall be re-
6 duced by the lesser of—

7 “(i) 20 percent of such net amount, or

8 “(ii) \$1,250,000.

9 “(B) INCREASED BENEFIT FOR BANKS OP-
10 ERATING IN DISTRESSED AREAS, ETC.—In the
11 case of a bank operating in an area referred to
12 in section 11(e)(3)(B)—

13 “(i) subparagraph (A)(i) shall be ap-
14 plied by substituting ‘50 percent’ for ‘20
15 percent’, and

16 “(ii) subparagraph (A)(ii) shall be ap-
17 plied by substituting ‘\$2,500,000’ for
18 ‘\$1,250,000.’”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 the date of the enactment of this Act.

22 **SEC. 402. COMMUNITY BANKS EXEMPT FROM MINIMUM**
23 **TAX.**

24 (a) IN GENERAL.—Section 55 of the Internal Rev-
25 enue Code of 1986 (relating to alternative minimum tax

1 imposed) is amended by adding at the end the following
2 new subsection:

3 “(f) EXEMPTION FOR COMMUNITY BANKS.—

4 “(1) IN GENERAL.—The tentative minimum tax
5 of a community bank (as defined in section 11(e)(4))
6 shall be zero.

7 “(2) CERTAIN RULES TO APPLY.—Rules similar
8 to the rules of paragraphs (2) through (5) of sub-
9 section (e) shall apply for purposes of this sub-
10 section.”.

11 (b) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 the date of the enactment of this Act.

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