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2D SESSION

H. R. 4337

IN THE SENATE OF THE UNITED STATES

NOVEMBER 17, 2005

Received

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Read twice and referred to the Committee on Finance

AN ACT

To amend the Internal Revenue Code of 1986 to provide for Gulf tax credit bonds and advance refundings of certain tax-exempt bonds, and to provide a Federal guarantee of certain State bonds.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Gulf Opportunity Zone
3 Public Finance Relief Act of 2005”.

4 **SEC. 2. GULF TAX CREDIT BONDS.**

5 (a) IN GENERAL.—Subpart H of part IV of sub-
6 chapter A of chapter 1 of the Internal Revenue Code of
7 1986 is amended by adding at the end the following new
8 section:

9 **“SEC. 54A. CREDIT TO HOLDERS OF GULF TAX CREDIT**
10 **BONDS.**

11 “(a) ALLOWANCE OF CREDIT.—If a taxpayer holds
12 a Gulf tax credit bond on one or more credit allowance
13 dates of the bond occurring during any taxable year, there
14 shall be allowed as a credit against the tax imposed by
15 this chapter for the taxable year an amount equal to the
16 sum of the credits determined under subsection (b) with
17 respect to such dates.

18 “(b) AMOUNT OF CREDIT.—

19 “(1) IN GENERAL.—The amount of the credit
20 determined under this subsection with respect to any
21 credit allowance date for a Gulf tax credit bond is
22 25 percent of the annual credit determined with re-
23 spect to such bond.

24 “(2) ANNUAL CREDIT.—The annual credit de-
25 termined with respect to any Gulf tax credit bond is
26 the product of—

1 “(A) the credit rate determined by the Sec-
2 retary under paragraph (3) for the day on
3 which such bond was sold, multiplied by

4 “(B) the outstanding face amount of the
5 bond.

6 “(3) DETERMINATION.—For purposes of para-
7 graph (2), with respect to any Gulf tax credit bond,
8 the Secretary shall determine daily or cause to be
9 determined daily a credit rate which shall apply to
10 the first day on which there is a binding, written
11 contract for the sale or exchange of the bond. The
12 credit rate for any day is the credit rate which the
13 Secretary or the Secretary’s designee estimates will
14 permit the issuance of Gulf tax credit bonds with a
15 specified maturity or redemption date without dis-
16 count and without interest cost to the issuer.

17 “(4) CREDIT ALLOWANCE DATE.—For purposes
18 of this section, the term ‘credit allowance date’
19 means March 15, June 15, September 15, and De-
20 cember 15. Such term also includes the last day on
21 which the bond is outstanding.

22 “(5) SPECIAL RULE FOR ISSUANCE AND RE-
23 DEMPTION.—In the case of a bond which is issued
24 during the 3-month period ending on a credit allow-
25 ance date, the amount of the credit determined

1 under this subsection with respect to such credit al-
 2 lowance date shall be a ratable portion of the credit
 3 otherwise determined based on the portion of the 3-
 4 month period during which the bond is outstanding.
 5 A similar rule shall apply when the bond is redeemed
 6 or matures.

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

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

13 “(2) the sum of the credits allowable under this
 14 part (other than subpart C and this section).

15 “(d) GULF TAX CREDIT BOND.—For purposes of
 16 this section—

17 “(1) IN GENERAL.—The term ‘Gulf tax credit
 18 bond’ means any bond issued as part of an issue
 19 if—

20 “(A) the bond is issued by the State of
 21 Alabama, Louisiana, or Mississippi,

22 “(B) 95 percent or more of the proceeds of
 23 such issue are to be used to—

24 “(i) pay principal, interest, or pre-
 25 miums on qualified bonds issued by such

1 State or any political subdivision of such
2 State, or

3 “(ii) make a loan to any political sub-
4 division of such State to pay principal, in-
5 terest, or premiums on qualified bonds
6 issued by such political subdivision,

7 “(C) the Governor of such State designates
8 such bond for purposes of this section,

9 “(D) the bond is a general obligation of
10 such State and is in registered form (within the
11 meaning of section 149(a)),

12 “(E) the maturity of such bond does not
13 exceed 2 years, and

14 “(F) the bond is issued after December 31,
15 2005, and before January 1, 2007.

16 “(2) STATE MATCHING REQUIREMENT.—A
17 bond shall not be treated as a Gulf tax credit bond
18 unless—

19 “(A) the issuer of such bond pledges as of
20 the date of the issuance of the issue an amount
21 equal to the face amount of such bond to be
22 used for payments described in clause (i) of
23 paragraph (1)(B), or loans described in clause
24 (ii) of such paragraph, as the case may be, with

1 respect to the issue of which such bond is a
2 part, and

3 “(B) any such payment or loan is made in
4 equal amounts from the proceeds of such issue
5 and from the amount pledged under subpara-
6 graph (A).

7 The requirement of subparagraph (B) shall be treat-
8 ed as met with respect to any such payment or loan
9 made during the 1-year period beginning on the date
10 of the issuance (or any successor 1-year period) if
11 such requirement is met when applied with respect
12 to the aggregate amount of such payments and loans
13 made during such period.

14 “(3) AGGREGATE LIMIT ON BOND DESIGNA-
15 TIONS.—The maximum aggregate face amount of
16 bonds which may be designated under this section by
17 the Governor of a State shall not exceed—

18 “(A) \$200,000,000 in the case of the State
19 of Louisiana,

20 “(B) \$100,000,000 in the case of the State
21 of Mississippi, and

22 “(C) \$50,000,000 in the case of the State
23 of Alabama.

24 “(4) SPECIAL RULES RELATING TO ARBI-
25 TRAGE.—A bond which is part of an issue shall not

1 be treated as a Gulf tax credit bond unless, with re-
2 spect to the issue of which the bond is a part, the
3 issuer satisfies the arbitrage requirements of section
4 148 with respect to proceeds of the issue and any
5 loans made with such proceeds.

6 “(e) QUALIFIED BOND.—For purposes of this sec-
7 tion—

8 “(1) IN GENERAL.—The term ‘qualified bond’
9 means any obligation of a State or political subdivi-
10 sion thereof which was outstanding on August 28,
11 2005.

12 “(2) EXCEPTION FOR PRIVATE ACTIVITY
13 BONDS.—Such term shall not include any private ac-
14 tivity bond.

15 “(3) EXCEPTION FOR ADVANCE
16 REFUNDINGS.—Such term shall not include any
17 bond—

18 “(A) which is designated as an advance re-
19 funding bond under section 149(d)(7), or

20 “(B) with respect to which there is any
21 outstanding bond to refund such bond.

22 “(f) CREDIT INCLUDED IN GROSS INCOME.—Gross
23 income includes the amount of the credit allowed to the
24 taxpayer under this section (determined without regard to

1 subsection (c)) and the amount so included shall be treat-
 2 ed as interest income.

3 “(g) OTHER DEFINITIONS AND SPECIAL RULES.—

4 For purposes of this section—

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

7 “(2) PARTNERSHIP; S CORPORATION; AND
 8 OTHER PASS-THRU ENTITIES.—

9 “(A) IN GENERAL.—Under regulations
 10 prescribed by the Secretary, in the case of a
 11 partnership, trust, S corporation, or other pass-
 12 thru entity, rules similar to the rules of section
 13 41(g) shall apply with respect to the credit al-
 14 lowable under subsection (a).

15 “(B) NO BASIS ADJUSTMENT.—In the case
 16 of a bond held by a partnership or an S cor-
 17 poration, rules similar to the rules under sec-
 18 tion 1397E(i) shall apply.

19 “(3) BONDS HELD BY REGULATED INVEST-
 20 MENT COMPANIES.—If any Gulf tax credit bond is
 21 held by a regulated investment company, the credit
 22 determined under subsection (a) shall be allowed to
 23 shareholders of such company under procedures pre-
 24 scribed by the Secretary.

1 “(4) REPORTING.—Issuers of Gulf tax credit
2 bonds shall submit reports similar to the reports re-
3 quired under section 149(e).”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Paragraph (2) of section 54(c) of such Code
6 is amended by inserting “, section 54A,” after “sub-
7 part C”.

8 (2) Subparagraph (A) of section 6049(d)(8) of
9 such Code is amended—

10 (A) by inserting “or 54A(f)” after “section
11 54(g)”, and

12 (B) by inserting “or 54A(b)(4), as the case
13 may be” after “section 54(b)(4)”.

14 (3) The table of sections for subpart H of part
15 IV of subchapter A of chapter 1 of such Code is
16 amended by adding at the end the following new
17 item:

“Sec. 54A. Credit to holders of Gulf tax credit bonds.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years ending after De-
20 cember 31, 2005.

21 **SEC. 3. ADVANCE REFUNDINGS OF CERTAIN TAX-EXEMPT**
22 **BONDS.**

23 (a) IN GENERAL.—Subsection (d) of section 149 of
24 the Internal Revenue Code of 1986 (relating to advance
25 refundings) is amended by redesignating paragraph (7) as

1 paragraph (8) and by inserting after paragraph (6) the
2 following new paragraph:

3 “(7) ADVANCE REFUNDINGS OF CERTAIN GULF
4 COAST BONDS.—

5 “(A) IN GENERAL.—With respect to a
6 bond described in subparagraph (C) which is
7 not a qualified 501(c)(3) bond, one additional
8 advance refunding after the date of the enact-
9 ment of this paragraph and before January 1,
10 2011, shall be allowed under the applicable
11 rules of this subsection if—

12 “(i) the Governor of the State des-
13 ignates the advance refunding bond for
14 purposes of this paragraph, and

15 “(ii) the requirements of subpara-
16 graph (E) are met.

17 “(B) CERTAIN PRIVATE ACTIVITY
18 BONDS.—With respect to a bond described in
19 subparagraph (C) which is an exempt facility
20 bond described in paragraph (1) or (2) of sec-
21 tion 142(a), one advance refunding after the
22 date of the enactment of this paragraph and be-
23 fore January 1, 2011, shall be allowed under
24 the applicable rules of this subsection (notwith-
25 standing paragraph (2)) if the requirements of

1 clauses (i) and (ii) of subparagraph (A) are
2 met.

3 “(C) BONDS DESCRIBED.—A bond is de-
4 scribed in this subparagraph if such bond was
5 outstanding on August 28, 2005, and is issued
6 by the State of Alabama, Louisiana, or Mis-
7 sissippi, or a political subdivision thereof.

8 “(D) AGGREGATE LIMIT.—The maximum
9 aggregate face amount of bonds which may be
10 designated under this paragraph by the Gov-
11 ernor of a State shall not exceed—

12 “(i) \$4,500,000,000 in the case of the
13 State of Louisiana,

14 “(ii) \$2,250,000,000 in the case of
15 the State of Mississippi, and

16 “(iii) \$1,125,000,000 in the case of
17 the State of Alabama.

18 “(E) ADDITIONAL REQUIREMENTS.—The
19 requirements of this subparagraph are met with
20 respect to any advance refunding of a bond de-
21 scribed in subparagraph (C) if—

22 “(i) no advance refundings of such
23 bond would be allowed under this title on
24 or after August 28, 2005,

1 “(ii) the advance refunding bond is
2 the only other outstanding bond with re-
3 spect to the refunded bond, and

4 “(iii) the requirements of section 148
5 are met with respect to all bonds issued
6 under this paragraph.”.

7 (b) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to advance refundings after the
9 date of the enactment of this Act.

10 **SEC. 4. FEDERAL GUARANTEE OF CERTAIN STATE BONDS.**

11 (a) STATE BONDS DESCRIBED.—This section shall
12 apply to a bond issued as part of an issue if—

13 (1) the issue of which such bond is part is an
14 issue of the State of Alabama, Louisiana, or Mis-
15 sissippi,

16 (2) the bond is a general obligation of the
17 issuing State and is in registered form,

18 (3) the proceeds of the bond are distributed to
19 one or more political subdivisions of the issuing
20 State,

21 (4) the maturity of such bond does not exceed
22 5 years,

23 (5) the bond is issued after the date of the en-
24 actment of this Act and before January 1, 2008,
25 and

1 (6) the bond is designated by the Secretary of
2 the Treasury for purposes of this section.

3 (b) APPLICATION.—

4 (1) IN GENERAL.—The Secretary of the Treas-
5 ury may only designate a bond for purposes of this
6 section pursuant to an application submitted to the
7 Secretary by the State which demonstrates the need
8 for such designation on the basis of the criteria
9 specified in paragraph (2).

10 (2) CRITERIA.—For purposes of paragraph (1),
11 the criteria specified in this paragraph are—

12 (A) the loss of revenue base of one or more
13 political subdivisions of the State by reason of
14 Hurricane Katrina,

15 (B) the need for resources to fund infra-
16 structure within, or operating expenses of, any
17 such political subdivision,

18 (C) the lack of access of such political sub-
19 division to capital, and

20 (D) any other criteria as may be deter-
21 mined by the Secretary.

22 (3) GUIDANCE FOR SUBMISSION AND CONSID-
23 ERATION OF APPLICATIONS.—The Secretary of the
24 Treasury shall prescribe regulations or other guid-
25 ance which provide for the time and manner for the

1 submission and consideration of applications under
2 this subsection.

3 (c) FEDERAL GUARANTEE.—A bond described in
4 subsection (a) is guaranteed by the United States in an
5 amount equal to 50 percent of the outstanding principal
6 with respect to such bond.

7 (d) AGGREGATE LIMIT ON BOND DESIGNATIONS.—
8 The maximum aggregate face amount of bonds which may
9 be issued under this section shall not exceed
10 \$3,000,000,000.

 Passed the House of Representatives November 16,
2005.

Attest:

JEFF TRANDAHL,
Clerk.