

109TH CONGRESS  
2D SESSION

# H. R. 4854

To amend the Internal Revenue Code of 1986 to exclude from gross income interest received on loans secured by agricultural real estate and rural housing.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 2006

Mr. LEWIS of Kentucky (for himself and Mr. OSBORNE) 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 exclude from gross income interest received on loans secured by agricultural real estate and rural housing.

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 “Rural Communities  
5 Investment Act of 2006”.

1 **SEC. 2. EXCLUSION FOR INTEREST ON LOANS SECURED BY**  
 2 **AGRICULTURAL REAL ESTATE AND RURAL**  
 3 **HOUSING .**

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

8 **“SEC. 139B. INTEREST ON LOANS SECURED BY AGRICUL-**  
 9 **TURAL REAL ESTATE AND RURAL HOUSING.**

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

13 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-  
 14 poses of this section—

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

19 “(2) QUALIFIED REAL ESTATE LOAN.—The  
 20 term ‘qualified real estate loan’ means—

21 “(A) any indebtedness (including the refi-  
 22 nancing of indebtedness) secured by agricul-  
 23 tural real estate or by a leasehold mortgage  
 24 (with a status as a lien) on agricultural real es-  
 25 tate, or

26 “(B) any indebtedness—

1 “(i) acquired for the purpose of pur-  
2 chasing or improving rural housing, and

3 “(ii) secured by such rural housing or  
4 by a leasehold mortgage (with a status as  
5 a lien) on such rural housing.

6 “(3) AGRICULTURAL REAL ESTATE.—

7 “(A) IN GENERAL.—The term ‘agricultural  
8 real estate’ means real property used or avail-  
9 able for the production of 1 or more agricul-  
10 tural products.

11 “(B) WHEN DETERMINATION MADE.—For  
12 purposes of subparagraph (A), the determina-  
13 tion of whether property securing any indebted-  
14 ness is agricultural real estate shall be made as  
15 of the time the interest income on such indebt-  
16 edness accrues.

17 “(4) RURAL HOUSING.—

18 “(A) IN GENERAL.—The term ‘rural hous-  
19 ing’ means any single family residence which is  
20 located in a rural area and which is the prin-  
21 cipal residence (within the meaning of section  
22 121) of the borrower.

23 “(B) WHEN DETERMINATION MADE.—The  
24 determination of whether property qualifies as  
25 rural housing with respect to any indebtedness

1           shall be made as of the date such indebtedness  
2           originates.

3           “(5) RURAL AREA.—The term ‘rural area’  
4           means an area (as determined by the Secretary of  
5           Agriculture) which is not within a metropolitan sta-  
6           tistical area (as defined by the Office of Manage-  
7           ment and Budget) and which has a population (de-  
8           termined on the basis of the most recent decennial  
9           census for which data are available) of 2,500 or less.

10          “(c) COORDINATION WITH SECTION 265.—For pur-  
11         poses of this section, the rules of section 265 shall apply,  
12         as follows:

13                 “(1) IN GENERAL.—Qualified real estate loans  
14                 shall be treated as an obligation described in section  
15                 265(a)(2).

16                 “(2) PRO RATA ALLOCATION OF INTEREST EX-  
17                 PENSE OF FINANCIAL INSTITUTIONS TO TAX-EX-  
18                 EMPT INTEREST.—In applying section 265(b)—

19                         “(A) the term ‘tax-exempt obligation’, as  
20                         defined in paragraph (4)(B) thereof, shall in-  
21                         clude a qualified real estate loan,

22                         “(B) the term ‘financial institution’, as de-  
23                         fined in paragraph (5) thereof, shall include a  
24                         qualified lender, and

1           “(C) the term ‘qualified tax-exempt obliga-  
2           tion’, as defined in paragraph (3)(B) thereof,  
3           shall include a qualified real estate loan made  
4           after December 31, 2005, to a qualified small  
5           borrower.

6           For purposes of subparagraph (C), the term ‘quali-  
7           fied small borrower’ means, with respect to qualified  
8           real estate loans received during any calendar year,  
9           any borrower if the reasonably anticipated amount  
10          of qualified real estate loans which will be received  
11          by such borrower during such calendar year does not  
12          exceed \$10,000,000.”.

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

          “Sec. 139B. Interest on loans secured by agricultural real estate and rural  
  housing.”.

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

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