

110TH CONGRESS
1ST SESSION

H. R. 640

To amend the Internal Revenue Code of 1986 to permit financial institutions to determine their interest expense deduction without regard to tax-exempt bonds issued to provide certain small loans for health care or educational purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 23, 2007

Mr. JINDAL 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 permit financial institutions to determine their interest expense deduction without regard to tax-exempt bonds issued to provide certain small loans for health care or educational 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 “Health and Higher
5 Education Facilities Improvement Act of 2007”.

1 **SEC. 2. BANK DEDUCTIBILITY OF SMALL, TAX-EXEMPT**
2 **DEBTS.**

3 (a) IN GENERAL.—Section 265(b)(3) of the Internal
4 Revenue Code of 1986 (relating to exception for certain
5 tax-exempt obligations) is amended by adding at the end
6 the following:

7 “(G) ELECTION TO APPLY LIMITATION ON
8 AMOUNT OF OBLIGATIONS AT BORROWER
9 LEVEL.—

10 “(i) IN GENERAL.—An issuer, the
11 proceeds of the obligations of which are to
12 be used to make or finance eligible loans,
13 may elect to apply subparagraphs (C) and
14 (D) by treating each borrower as the issuer
15 of a separate issue.

16 “(ii) ELIGIBLE LOAN.—For purposes
17 of this subparagraph—

18 “(I) IN GENERAL.—The term ‘el-
19 igible loan’ means one or more loans
20 to a qualified borrower the proceeds of
21 which are used by the borrower for
22 health care or educational purposes
23 and the outstanding balance of which
24 in the aggregate does not exceed
25 \$10,000,000.

1 “(II) QUALIFIED BORROWER.—

2 The term ‘qualified borrower’ means a
3 borrower which is an organization de-
4 scribed in section 501(c)(3) and ex-
5 empt from taxation under section
6 501(a).

7 “(iii) MANNER OF ELECTION.—The
8 election described in clause (i) may be
9 made by an issuer for any calendar year at
10 any time prior to its first issuance during
11 such year of obligations the proceeds of
12 which will be used to make or finance one
13 or more eligible loans.

14 “(iv) MODIFICATION OF RULE FOR
15 COMPOSITE ISSUES.—In the case of an ob-
16 ligation which is issued by any issuer
17 which has made the election described in
18 clause (i), subparagraph (F) shall be ap-
19 plied without regard to clause (i) of such
20 subparagraph.”

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall apply to taxable years beginning after
23 December 31, 2007.

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