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112TH CONGRESS
2D SESSION

H. R. 6560

To amend the Internal Revenue Code of 1986 to allow an additional advance refunding for certain tax-exempt bonds.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 25, 2012

Mr. COFFMAN of Colorado 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 allow an additional advance refunding for certain tax-exempt bonds.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Local Schools and Infrastructure Improvement Act of 2012''.

SEC. 2. ADDITIONAL ADVANCE REFUNDING OF CERTAIN TAX-EXEMPT BONDS.

(a) IN GENERAL.—Clause (i) of section 149(d)(3)(A) of the Internal Revenue Code of 1986 is amended to read as follows:

"(i) the refunding bond is only the 1st or 2nd advance refunding of the original bond,".

(b) ADVANCE REFUNDING BOND REQUIREMENTS.—

(1) IN GENERAL.—Subparagraph (A) of section 149(d)(3) of such Code is amended by striking "and" at the end of clause (iv), by striking the period at the end of clause (v), and by adding at the end the following new clause:

"(vi) in the case of the 2nd advance refunding of the original bond—

"(I) the issuer is projected to realize present value debt service savings (determined without regard to administrative expenses) in connection with the issue of which the refunding bond is a part,

"(II) the average maturity date of the issue of which the refunding bond is a part is not later than the average maturity date of the bonds to be refunded by such issue, and

"(III) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond.

For purposes of clause (vi)(II), average maturity dates shall be determined under rules similar to the rules of section 172(b)(2).''.

(2) EXCEPTIONS.—Paragraph (3) of section 149(d) of such Code is amended by adding after subparagraph (B) the following new subparagraph:

``(C) SPECIAL RULE FOR 2ND ADVANCE REFUNDINGS.—Clause (vi) of subparagraph (A) shall not apply in the case of a 2nd advance refunding if—

``(i) the original bond has been redeemed, or

``(ii) the issuer determines that the 2nd advance refunding is necessary to avoid or terminate a default in the payment of debt service on the refunded bond.''.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to refunding bonds issued on or after the date of the enactment of this Act.

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