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To establish the American Infrastructure Fund, to provide bond guarantees and make loans to States, local governments, and infrastructure providers for investments in certain infrastructure projects, and to provide equity investments in such projects, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 16, 2014

Mr. BENNET (for himself, Mr. BLUNT, Mr. WARNER, Ms. AYOTTE, Ms. LANDRIEU, Mr. KING, Mr. GRAHAM, Mr. COATS, Mr. HOEVEN, Mr. BEGICH, and Mr. KIRK) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To establish the American Infrastructure Fund, to provide bond guarantees and make loans to States, local governments, and infrastructure providers for investments in certain infrastructure projects, and to provide equity investments in such projects, 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 “Partnership to Build
5 America Act of 2014”.

1 **SEC. 2. AMERICAN INFRASTRUCTURE FUND.**

2 (a) AMERICAN INFRASTRUCTURE FUND.—

3 (1) IN GENERAL.—There is established a wholly
4 owned Government corporation—

5 (A) which shall be called the American In-
6 frastructure Fund (referred to in this Act as
7 the “AIF”);

8 (B) which shall be headed by the Board of
9 Trustees established under subsection (b);

10 (C) which may have separate subaccounts
11 or subsidiaries for funds used to make loans,
12 bond guarantees, and equity investments under
13 this section;

14 (D) which shall be available to the AIF to
15 pay for the costs of carrying out this section,
16 including the compensation of the Board and
17 other employees of the AIF; and

18 (E) the funds of which may be invested by
19 the Board in such manner as the Board deter-
20 mines appropriate.

21 (2) DEPOSITS TO AIF.—All funds received from
22 bond issuances, loan payments, bond guarantee fees,
23 and any other funds received in carrying out this
24 section shall be held by AIF.

1 (3) LIMITATIONS.—The charter of the AIF
2 shall limit its activities to those activities described
3 as the mission of the Board under subsection (b)(2).

4 (4) OVERSIGHT.—The AIF shall register with
5 the Securities and Exchange Commission and the
6 Chairman shall report to Congress annually as to
7 whether the AIF is fulfilling the mission of the
8 Board under subsection (b)(2).

9 (5) TREATMENT OF AIF.—

10 (A) ACCOUNTS.—Title 31, United States
11 Code, is amended in each of sections 9107(c)(3)
12 and 9108(d)(2)—

13 (i) by inserting “the American Infra-
14 structure Fund,” after “the Regional
15 Banks for Cooperatives,”; and

16 (ii) by striking “those banks” and in-
17 serting “those entities”.

18 (B) BONDS.—Section 149(b)(3)(A)(i) of
19 the Internal Revenue Code of 1986 is amended
20 by inserting “American Infrastructure Fund,”
21 after “Federal Home Loan Mortgage Corpora-
22 tion,”.

23 (b) BOARD OF TRUSTEES.—

24 (1) IN GENERAL.—There is established a Board
25 of Trustees of the AIF (referred to in this sub-

section as the “Board”), which shall be composed of
9 members who—

(A) have substantial experience in bond
guarantees or municipal credit; and

(B) to the greatest extent practicable, have
extensive experience working with municipal
credit, risk management, and infrastructure fi-
nance.

(2) MISSION.—The mission of the Board is—

(A) to operate the AIF and its subsidiaries
to be a low cost provider of bond guarantees,
loans, and equity investments to State and local
governments and infrastructure providers for
urban and rural infrastructure projects that—

(i) provide a positive economic impact;

and

(ii) meet such other standards as the
Board may develop;

(B) to operate the AIF in a self-sustaining
manner so as to allow the AIF to repay its in-
frastructure bonds when such bonds are due;

(C) to not have a profit motive, but to seek
at all times to pursue its mission of providing
low cost bond guarantees and loans while—

(i) covering its costs;

1 (ii) maintaining such reserves as may
2 be needed; and

3 (iii) applying prudent underwriting
4 standards;

5 (D) to only consider projects put forth by
6 State and local governments and not to seek
7 projects directly;

8 (E) to always make clear that no taxpayer
9 money supports the AIF or ever will support
10 the AIF; and

11 (F) to engage in no other activities other
12 than those permitted under this section.

13 (3) MEMBERSHIP.—

14 (A) INITIAL MEMBERS.—

15 (i) APPOINTMENT.—Not later than
16 150 days after the date on which bonds
17 are first issued under subsection (d), the
18 President shall appoint, with the advice
19 and consent of the Senate, as members of
20 the Board—

21 (I) 2 individuals from a list of at
22 least 5 individuals selected by the
23 Speaker of the House of Representa-
24 tives;

1 (II) 2 individuals from a list of
 2 at least 5 individuals selected by the
 3 Minority Leader of the House of Rep-
 4 resentatives;

5 (III) 2 individuals from a list of
 6 at least 5 individuals selected by the
 7 Majority Leader of the Senate;

8 (IV) 2 individuals from a list of
 9 at least 5 individuals selected by the
 10 Minority Leader of the Senate; and

11 (V) 1 individual selected at will
 12 by the President.

13 (ii) SUBMISSION OF LISTS.—Each of
 14 the lists described in clause (i) shall be
 15 submitted to the President not later than
 16 90 days after the date on which bonds are
 17 first issued under subsection (d). If any of
 18 such lists are submitted after the date re-
 19 quired under this clause, the President
 20 may appoint the 2 members of the Board
 21 who were to be selected from such list at
 22 will.

23 (B) STAGGERED TERMS.—The members of
 24 the Board appointed pursuant to subparagraph
 25 (A)(i) shall serve staggered terms, with 2 each

1 of the initial members of the Board serving for
 2 terms of 5, 6, 7, and 8 years, respectively, and
 3 the initial Chair selected under subparagraph
 4 (D) serving for 9 years. The decision of which
 5 Board members, other than the Chair, serve for
 6 which initial terms shall be made by the mem-
 7 bers of the Board drawing lots.

8 (C) ADDITIONAL MEMBERS.—

9 (i) IN GENERAL.—Except as provided
 10 in subparagraph (A), if the term of a
 11 member of the Board expires or otherwise
 12 becomes vacant, the President shall ap-
 13 point a replacement for such member, with
 14 the advice and consent of the Senate, from
 15 among a list of at least 5 individuals sub-
 16 mitted by the Board.

17 (ii) TERM OF SERVICE.—

18 (I) IN GENERAL.—Each member
 19 of the Board appointed to replace a
 20 member whose term is expiring shall
 21 serve for a 7-year term.

22 (II) VACANCIES.—Any member
 23 of the Board appointed to fill a va-
 24 cancy occurring before the expiration
 25 of the term to which that member's

1 predecessor was appointed shall be ap-
2 pointed only for the remainder of the
3 term.

4 (D) CHAIR.—The members of the Board
5 shall choose 1 member to serve as the Chair of
6 the Board for a term of 7 years, except that the
7 initial Chair shall serve for a term of 9 years,
8 pursuant to subsection (B).

9 (E) CONTINUATION OF SERVICE.—Each
10 member of the Board may continue to serve
11 after the expiration of the term of office to
12 which that member was appointed until a suc-
13 cessor has been appointed.

14 (F) CONFLICTS OF INTEREST.—No mem-
15 ber of the Board may have a financial interest
16 in, or be employed by, a Qualified Infrastruc-
17 ture Project (“QIP”) related to assistance pro-
18 vided under this section or any entity that has
19 purchased bonds under subsection (d). Owning
20 municipal credit of any State or local govern-
21 ment or owning the securities of a diversified
22 company that engages in infrastructure activi-
23 ties, provided those activities constitute less
24 than 20 percent of the company’s revenues, or
25 investing in broadly held investment funds shall

1 not be deemed to create a conflict of interest.

2 The Board may issue regulations to define
3 terms used under this subparagraph.

4 (4) COMPENSATION.—The members of the
5 Board shall be compensated at an amount to be set
6 by the Board, but under no circumstances may such
7 compensation be higher than the rate prescribed for
8 level IV of the Executive Schedule under section
9 5315 of title 5, United States Code.

10 (5) STAFF.—The Board shall employ and set
11 compensation for such staff as the Board determines
12 as is necessary to carry out the activities and mis-
13 sion of the AIF, and such staff may be paid without
14 regard to the provisions of chapter 51 and sub-
15 chapter III of chapter 53, United States Code, relat-
16 ing to classification and General Schedule pay rates.

17 (6) PROCEDURES.—The Board shall establish
18 such procedures as are necessary to carry out this
19 section.

20 (7) CORPORATE GOVERNANCE STANDARDS.—

21 (A) BOARD COMMITTEES GENERALLY.—

22 The Board shall maintain all of the committees
23 required to be maintained by the board of direc-
24 tors of an issuer listed on the New York Stock

1 Exchange as of the date of the enactment of
2 this section.

3 (B) RISK MANAGEMENT COMMITTEE.—The
4 Board shall maintain a risk management com-
5 mittee, which shall—

6 (i) employ additional staff who are
7 certified by the Board as having significant
8 and relevant experience in insurance un-
9 derwriting and credit risk management;
10 and

11 (ii) establish the risk management
12 policies used by the Board.

13 (C) STANDARDS.—The Board shall, to the
14 extent practicable, follow all standards with re-
15 spect to corporate governance that are required
16 to be followed by the board of directors of an
17 issuer listed on the New York Stock Exchange
18 as of the date of the enactment of this section.

19 (8) BIENNIAL REPORTS.—Not less frequently
20 than once every 2 years, the Board shall produce a
21 report that describes, of the materials, goods, and
22 products that were used to construct, or to support
23 the construction of, qualified infrastructure projects
24 (as described in subsection (c)) and received financ-
25 ing from the American Infrastructure Fund within

the most recent 2 calendar years, the percentage of such materials, goods, and products that were created, sourced, or manufactured in the United States.

(c) INFRASTRUCTURE INVESTMENT.—

(1) ENTITIES ELIGIBLE FOR ASSISTANCE.—The AIF may provide assistance to State and local government entities, nonprofit infrastructure providers, private parties, and public-private partnerships (referred to in this section as “eligible entities”) to help finance qualified infrastructure projects (referred to in this subsection as “QIPs”).

(2) FORMS OF ASSISTANCE.—The AIF may—

(A) provide bond guarantees to debt issued by eligible entities;

(B) make loans, including subordinated loans, to eligible entities; and

(C) make equity investments in QIPs.

(3) QUALIFIED INFRASTRUCTURE PROJECTS.—

A project qualifies as a QIP under this section if—

(A) the project is sponsored by a State or local government;

(B) the infrastructure is, or will be, owned by a State or local government;

(C) the project involves the construction, maintenance, improvement, or repair of a trans-

1 portation, energy, water, communications, or
2 educational facility; and

3 (D) the recipient of bond guarantees,
4 loans, equity investments, or any other financ-
5 ing technique authorized under this Act pro-
6 vides written assurances prescribed by the AIF
7 that the project will be performed in compliance
8 with the requirements of all Federal laws that
9 would otherwise apply to similar projects to
10 which the United States is a party.

11 (4) APPLICATION FOR ASSISTANCE.—

12 (A) IN GENERAL.—A State or local gov-
13 ernment that wishes to receive a loan or bond
14 guarantee under this section shall submit an
15 application to the Board in such form and man-
16 ner and containing such information as the
17 Board may require.

18 (B) REQUIREMENT FOR PUBLIC SPONSOR-
19 SHIP OF PRIVATE ENTITIES.—A private entity
20 may only receive a bond guarantee, loan, or eq-
21 uity investment under this section if the State
22 or local government for the jurisdiction in which
23 the nonprofit infrastructure provider or private
24 partner is located submits an application pursu-
25 ant to subparagraph (A) on behalf of such non-

1 profit infrastructure provider or private part-
2 ner.

3 (5) LIMITATIONS ON SINGLE STATE AWARDS.—

4 (A) ANNUAL LIMITATION.—The Board
5 shall set an annual limit, as a percentage of
6 total assistance provided under this section dur-
7 ing a year, on the amount of assistance a single
8 State (including local governments and other
9 infrastructure providers within such State) may
10 receive in assistance provided under this sec-
11 tion.

12 (B) CUMULATIVE LIMITATION.—The
13 Board shall set a limit, as a percentage of total
14 assistance provided under this section out-
15 standing at any one time, on the amount of as-
16 sistance a single State (including local govern-
17 ments and other infrastructure providers within
18 such State) may receive in assistance provided
19 under this section.

20 (6) LOAN SPECIFICATIONS.—Loans made under
21 this section shall have such maturity and carry such
22 interest rate as the Board determines appropriate.

23 (7) BOND GUARANTEE.—The Board shall
24 charge such fees for Bond guarantees made under
25 this section as the Board determines appropriate.

1 (8) EQUITY INVESTMENTS.—With respect to a
2 QIP, the amount of an equity investment made by
3 the AIF in such QIP may not exceed 20 percent of
4 the total cost of the QIP.

5 (9) PUBLIC-PRIVATE PARTNERSHIP REQUIRE-
6 MENTS.—At least 35 percent of the assistance pro-
7 vided under this section shall be provided to QIPs
8 for which at least 10 percent of the financing for
9 such QIPs comes from private debt or equity.

10 (10) PROHIBITION ON PRINCIPAL FORGIVE-
11 NESS.—With respect to a loan made under this sec-
12 tion, the Board may not forgive any amount of prin-
13 cipal on such loan.

14 (d) AMERICAN INFRASTRUCTURE BONDS.—

15 (1) IN GENERAL.—Not later than 90 days after
16 the date of the enactment of this Act, the Secretary,
17 acting through the AIF, shall issue bonds, which
18 shall be called “American Infrastructure Bonds”.
19 The proceeds from the American Infrastructure
20 Bonds shall be deposited into the AIF.

21 (2) FORMS AND DENOMINATIONS; INTEREST.—
22 American Infrastructure Bonds shall—

23 (A) be in such forms and denominations as
24 determined by the Secretary, and shall have a
25 50-year maturity; and

1 (B) bear interest of 1 percent.

2 (3) NO FULL FAITH AND CREDIT.—Interest
3 and principal payments paid to holders of American
4 Infrastructure Bonds shall be paid from the AIF, to
5 the extent funds are available, and shall not be
6 backed by the full faith and credit of the United
7 States.

8 (4) AMOUNT OF BONDS.—The aggregate face
9 amount of the bonds issued under this subsection
10 shall be \$50,000,000,000.

11 (5) SALE OF AMERICAN INFRASTRUCTURE
12 BONDS.—

13 (A) COMPETITIVE BIDDING PROCESS.—
14 The Secretary shall sell \$50,000,000,000 of
15 American Infrastructure Bonds—

16 (i) through a competitive bidding
17 process that encourages aggressive bidding;

18 (ii) with prospective purchasers bid-
19 ding on how low of a multiplier they will
20 accept (for purposes of subsection (b)(1) of
21 section 966 of the Internal Revenue Code
22 of 1986) when purchasing the American
23 Infrastructure Bonds, for purposes of ap-
24 plying the foreign earnings exclusion de-
25 scribed under that section; and

1 (iii) in a manner that ensures no enti-
 2 ties participating in the bidding may
 3 collude or coordinate their bids.

4 (B) LIMITATION.—The multiplier de-
 5 scribed in subparagraph (A)(ii) may not be
 6 greater than 6.

7 (6) REIMBURSEMENT OF COSTS.—The Board
 8 shall repay the Secretary, from funds in the AIF, for
 9 the costs to the Secretary in carrying out this sub-
 10 section.

11 (e) ADDITIONAL BONDS.—

12 (1) IN GENERAL.—The Board may issue such
 13 other bonds as the Board determines appropriate,
 14 the proceeds from which shall be deposited into the
 15 AIF.

16 (2) NO FULL FAITH AND CREDIT.—Interest
 17 and principal payments paid to holders of bonds
 18 issued pursuant to paragraph (1) shall be paid from
 19 the AIF, to the extent funds are available, and shall
 20 not be backed by the full faith and credit of the
 21 United States.

22 (f) DEFINITIONS.—For purposes of this section:

23 (1) INFRASTRUCTURE PROVIDER.—The term
 24 “infrastructure provider” means an entity that seeks
 25 to finance a QIP.

1 (2) SECRETARY.—The term “Secretary” means
2 the Secretary of the Treasury.

3 (3) STATE.—The term “State” means each of
4 the several States, the District of Columbia, any ter-
5 ritory or possession of the United States, and each
6 Federally recognized Indian tribe.

7 **SEC. 3. FOREIGN EARNINGS EXCLUSION FOR PURCHASE OF**
8 **INFRASTRUCTURE BONDS.**

9 (a) IN GENERAL.—Subpart F of part III of sub-
10 chapter N of chapter 1 of the Internal Revenue Code of
11 1986 is amended by adding at the end the following new
12 section:

13 **“SEC. 966. FOREIGN EARNINGS EXCLUSION FOR PURCHASE**
14 **OF INFRASTRUCTURE BONDS.**

15 “(a) EXCLUSION.—In the case of a corporation which
16 is a United States shareholder and for which the election
17 under this section is in effect for the taxable year, gross
18 income does not include an amount equal to the qualified
19 cash dividend amount.

20 “(b) QUALIFIED CASH DIVIDEND AMOUNT.—For
21 purposes of this section, the term ‘qualified cash dividend
22 amount’ means an amount of the cash dividends which
23 are received during a taxable year by such shareholder
24 from controlled foreign corporations equal to—

1 “(1) the multiplier determined under section
 2 2(d)(5) of the Partnership to Build America Act of
 3 2014 for such shareholder, multiplied by

4 “(2) the face amount of qualified infrastructure
 5 bonds acquired at its original issue (directly or
 6 through an underwriter) by such shareholder.

7 “(c) LIMITATIONS.—

8 “(1) IN GENERAL.—The amount of dividends
 9 taken into account under subsection (a) for a tax-
 10 able year shall not exceed the lesser of—

11 “(A) the cash dividends received by the
 12 taxpayer for such taxable year, or

13 “(B) the amount shown on the applicable
 14 financial statement as earnings permanently re-
 15 invested outside the United States.

16 “(2) DIVIDENDS MUST BE EXTRAORDINARY.—
 17 The amount of dividends taken into account under
 18 subsection (a) shall not exceed the excess (if any)
 19 of—

20 “(A) the cash dividends received during
 21 the taxable year by such shareholder from con-
 22 trolled foreign corporations, over

23 “(B) the annual average for the base pe-
 24 riod years of the cash dividends received during

1 each base period year by such shareholder from
2 controlled foreign corporations.

3 “(3) REDUCTION OF BENEFIT IF INCREASE IN
4 RELATED PARTY INDEBTEDNESS.—The amount of
5 dividends which would (but for this paragraph) be
6 taken into account under subsection (a) shall be re-
7 duced by the excess (if any) of—

8 “(A) the amount of indebtedness of the
9 controlled foreign corporation to any related
10 person (as defined in section 954(d)(3)) as of
11 the close of the taxable year for which the elec-
12 tion under this section is in effect, over

13 “(B) the amount of indebtedness of the
14 controlled foreign corporation to any related
15 person (as so defined) as of the close of the pre-
16 ceding taxable year.

17 “(4) TREATMENT OF CONTROLLED FOREIGN
18 CORPORATIONS.—All controlled foreign corporations
19 with respect to which the taxpayer is a United
20 States shareholder shall be treated as 1 controlled
21 foreign corporation for purposes of this subsection.
22 The Secretary may prescribe such regulations as
23 may be necessary or appropriate to prevent the
24 avoidance of the purposes of this subsection, includ-
25 ing regulations providing that cash dividends shall

1 not be taken into account under subsection (a) to
 2 the extent such dividends are attributable to the di-
 3 rect or indirect transfer (including through the use
 4 of intervening entities or capital contributions) of
 5 cash or other property from a related person (as so
 6 defined) to a controlled foreign corporation.

7 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
 8 poses of this section—

9 “(1) QUALIFIED INFRASTRUCTURE BONDS.—
 10 The term ‘qualified infrastructure bond’ means a
 11 bond issued under section 2(d) of the Partnership to
 12 Build America Act of 2014.

13 “(2) APPLICABLE FINANCIAL STATEMENT.—
 14 The term ‘applicable financial statement’ means,
 15 with respect to a taxable year—

16 “(A) with respect to a United States
 17 shareholder which is required to file a financial
 18 statement with the Securities and Exchange
 19 Commission (or which is included in such a
 20 statement so filed by another person), the most
 21 recent audited annual financial statement (in-
 22 cluding the notes which form an integral part
 23 of such statement) of such shareholder (or
 24 which includes such shareholder)—

1 “(i) which was so filed for such tax-
2 able year, and

3 “(ii) which is certified as being pre-
4 pared in accordance with generally accept-
5 ed accounting principles, and

6 “(B) with respect to any other United
7 States shareholder, the most recent audited fi-
8 nancial statement (including the notes which
9 form an integral part of such statement) of
10 such shareholder (or which includes such share-
11 holder)—

12 “(i) which is certified as being pre-
13 pared in accordance with generally accept-
14 ed accounting principles, and

15 “(ii) which is used for the purposes of
16 a statement or report—

17 “(I) to creditors,

18 “(II) to shareholders, or

19 “(III) for any other substantial
20 nontax purpose.

21 “(3) BASE PERIOD YEARS.—

22 “(A) IN GENERAL.—The base period years
23 are the 3 taxable years—

1 “(i) which are among the 5 most re-
 2 cent preceding taxable years ending before
 3 the taxable year, and

4 “(ii) which are determined by dis-
 5 regarding—

6 “(I) 1 taxable year for which the
 7 amount described in subsection
 8 (c)(2)(B) is the largest, and

9 “(II) 1 taxable year for which
 10 such amount is the smallest.

11 “(B) SHORTER PERIOD.—If the taxpayer
 12 has fewer than 5 taxable years ending before
 13 the taxable year, then in lieu of applying sub-
 14 paragraph (A), the base period years shall in-
 15 clude all the taxable years of the taxpayer end-
 16 ing before such taxable year.

17 “(C) MERGERS, ACQUISITIONS, ETC.—

18 “(i) IN GENERAL.—Rules similar to
 19 the rules of subparagraphs (A) and (B) of
 20 section 41(f)(3) shall apply for purposes of
 21 this paragraph.

22 “(ii) SPIN-OFFS, ETC.—If there is a
 23 distribution to which section 355 (or so
 24 much of section 356 as relates to section
 25 355) applies during the 5-year period re-

1 ferred to in subparagraph (A)(i) and the
2 controlled corporation (within the meaning
3 of section 355) is a United States share-
4 holder—

5 “(I) the controlled corporation
6 shall be treated as being in existence
7 during the period that the distributing
8 corporation (within the meaning of
9 section 355) is in existence, and

10 “(II) for purposes of applying
11 subsection (c)(2) to the controlled cor-
12 poration and the distributing corpora-
13 tion, amounts described in subsection
14 (c)(2)(B) which are received or includ-
15 able by the distributing corporation or
16 controlled corporation (as the case
17 may be) before the distribution re-
18 ferred to in subclause (I) from a con-
19 trolled foreign corporation shall be al-
20 located between such corporations in
21 proportion to their respective interests
22 as United States shareholders of such
23 controlled foreign corporation imme-
24 diately after such distribution.

1 “(iii) EXCEPTION.—Subclause (II) of
2 clause (ii) shall not apply if neither the
3 controlled corporation nor the distributing
4 corporation is a United States shareholder
5 of such controlled foreign corporation im-
6 mediately after such distribution.

7 “(4) DIVIDEND.—The term ‘dividend’ shall not
8 include amounts includable in gross income as a div-
9 idend under section 78, 367, or 1248. In the case
10 of a liquidation under section 332 to which section
11 367(b) applies, the preceding sentence shall not
12 apply to the extent the United States shareholder
13 actually receives cash as part of the liquidation.

14 “(5) COORDINATION WITH DIVIDEND RECEIVED
15 DEDUCTION.—No deduction shall be allowed under
16 section 243 or 245 for any dividend which is ex-
17 cluded from income by subsection (a).

18 “(6) CONTROLLED GROUPS.—All United States
19 shareholders which are members of an affiliated
20 group filing a consolidated return under section
21 1501 shall be treated as one United States share-
22 holder.

23 “(7) REPORTING.—The Secretary shall require
24 by regulation or other guidance the reporting of

1 such information as the Secretary may require to
2 carry out this section.

3 “(e) DENIAL OF FOREIGN TAX CREDIT; DENIAL OF
4 CERTAIN EXPENSES.—

5 “(1) FOREIGN TAX CREDIT.—

6 “(A) IN GENERAL.—No credit shall be al-
7 lowed under section 901 for any taxes paid or
8 accrued (or treated as paid or accrued) with re-
9 spect to the excluded portion of any dividend.

10 “(B) DENIAL OF DEDUCTION OF RELATED
11 TAX.—No deduction shall be allowed under this
12 chapter for any tax for which credit is not al-
13 lowable by reason of the preceding sentence.

14 “(2) EXPENSES.—No deduction shall be al-
15 lowed for expenses directly allocable to the exclud-
16 able portion described in paragraph (1).

17 “(3) EXCLUDABLE PORTION.—For purposes of
18 paragraph (1), unless the taxpayer otherwise speci-
19 fies, the excludable portion of any dividend or other
20 amount is the amount which bears the same ratio to
21 the amount of such dividend or other amount as the
22 amount excluded from income under subsection (a)
23 for the taxable year bears to the amount described
24 in subsection (c)(2)(A) for such year.

1 “(4) COORDINATION WITH SECTION 78.—Sec-
 2 tion 78 shall not apply to any tax which is not allow-
 3 able as a credit under section 901 by reason of this
 4 subsection.

5 “(f) ELECTION TO HAVE SECTION APPLY.—A tax-
 6 payer may elect to have this section apply for any taxable
 7 year.”.

8 (b) CLERICAL AMENDMENT.—The table of sections
 9 for subpart F of part III of subchapter N of chapter 1
 10 of such Code is amended by adding at the end the fol-
 11 lowing new item:

“966. Foreign earnings exclusion for purchase of infrastructure bonds.”.

12 (c) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to dividends received for taxable
 14 years ending after the date of the enactment of this Act.

○