

108TH CONGRESS
1ST SESSION

S. 1500

To amend the Internal Revenue Code of 1986 to modify the tax credit
for holders of qualified zone academy bonds.

IN THE SENATE OF THE UNITED STATES

JULY 30 (legislative day, JULY 21), 2003

Mr. CONRAD (for himself, Mr. ROCKEFELLER, and Mr. DASCHLE) introduced
the following bill; which was read twice and referred to the Committee
on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify
the tax credit for holders of qualified zone academy bonds.

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. MODIFICATIONS OF TREATMENT OF QUALI-**
4 **FIED ZONE ACADEMY BONDS.**

5 (a) PROCEEDS OF BONDS MAY BE USED FOR CON-
6 STRUCTION.—Paragraph (5) of section 1397E(d) of the
7 Internal Revenue Code of 1986 (defining qualified pur-
8 pose) is amended—

4 (2) by redesignating subparagraphs (B), (C),
5 and (D) as subparagraphs (C), (D), and (E), respec-
6 tively, and by inserting after subparagraph (A) the
7 following:

8 “(B) acquiring the land on which the facil-
9 ity is to be constructed.”.

10 (b) REPEAL OF LIMITATION ON TAXPAYERS ELIGI-
11 BLE FOR CREDIT.—

12 (1) IN GENERAL.—Section 1397E(a) of such
13 Code (relating to allowance of credit) is amended by
14 striking “an eligible taxpayer” and inserting “a tax-
15 payer”.

16 (2) CONFORMING AMENDMENT.—Section
17 1397E(d)(6) of such Code is amended to read as fol-
18 lows:

19 “(6) BONDS HELD BY REGULATED INVEST-
20 MENT COMPANIES.—If any qualified zone academy
21 bond is held by a regulated investment company, the
22 credit determined under subsection (a) shall be al-
23 lowed to shareholders of such company under proce-
24 dures prescribed by the Secretary.”

1 (c) CREDITS MAY BE STRIPPED.—Section 1397E of
2 such Code is amended by adding at the end the following
3 new subsection:

4 “(i) CREDITS MAY BE STRIPPED.—Under regula-
5 tions prescribed by the Secretary—

6 “(1) IN GENERAL.—There may be a separation
7 (including at issuance) of the ownership of a qual-
8 ified zone academy bond and the entitlement to the
9 credit under this section with respect to such bond.

10 In case of any such separation, the credit under this
11 section shall be allowed to the person who on the
12 credit allowance date holds the instrument evidenc-
13 ing the entitlement to the credit and not to the hold-
14 er of the bond.

15 “(2) CERTAIN RULES TO APPLY.—In the case
16 of a separation described in paragraph (1), the rules
17 of section 1286 shall apply to the qualified zone
18 academy bond as if it were a stripped bond and to
19 the credit under this section as if it were a stripped
20 coupon.”

21 (d) ALLOCATION OF CREDIT AUTHORITY.—

22 (1) ALLOCATION OF LIMITATION.—Section
23 1397E(e)(2) of the Internal Revenue Code of 1986
24 is amended to read as follows:

25 “(2) ALLOCATION OF LIMITATION.—

1 “(A) ALLOCATION AMONG STATES.—

2 “(i) LIMITATION BEFORE 2004.—The
3 national zone academy bond limitations for
4 calendar years 1998, 1999, 2000, 2001,
5 2002, and 2003 shall be allocated by the
6 Secretary among the States on the basis of
7 their respective populations of individuals
8 below the poverty line (as defined by the
9 Office of Management and Budget).

10 “(ii) LIMITATION AFTER 2003.—

11 “(I) IN GENERAL.—The national
12 zone academy bond limitation for any
13 calendar year after 2003 shall be allo-
14 cated by the Secretary among the
15 States in proportion to the respective
16 amounts each such State received for
17 basic grants under subpart 2 of part
18 A of title I of the Elementary and
19 Secondary Education Act of 1965 (20
20 U.S.C. 6331 et seq.) for the most re-
21 cent fiscal year ending before such
22 calendar year.

23 “(II) MINIMUM ALLOCATION.—

24 The allocation under subclause (I) to
25 any State shall in no event be less

1 than 1 percent of the national zone
2 academy bond limitation. The Sec-
3 retary shall ratably reduce the alloca-
4 tions of States to which this subclause
5 does not apply by the amount re-
6 quired to offset increases in alloca-
7 tions of other States under this sub-
8 clause.

22 (2) UNUSED AUTHORITY.—Section 1397E(e) of
23 such Code (relating to limitation on amount of
24 bonds designated) is amended—

1 (A) by striking “If” in paragraph (4) and
2 inserting “Except as provided in paragraph (5),
3 if”, and

4 (B) by adding at the end the following:

5 “(5) REALLOCATION FOR AMOUNTS UNUSED
6 FOR TWO YEARS.—Notwithstanding paragraph (4),
7 rules similar to the rules of section 42(h)(3)(D) shall
8 apply for purposes of this section.”

9 (e) EFFECTIVE DATES.—

14 (2) REPEAL OF RESTRICTION ON ZONE ACAD-
15 EMY BOND HOLDERS.—In the case of bonds to
16 which section 1397E of the Internal Revenue Code
17 of 1986 (as in effect before the date of the enact-
18 ment of this Act) applies, the limitation of such sec-
19 tion to eligible taxpayers (as defined in subsection
20 (d)(6) of such section) shall not apply after the date
21 of the enactment of this Act.

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