

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—

1 (1) by striking “rehabilitating or repairing” in
 2 subparagraph (A) and inserting “constructing, reha-
 3 bilitating, or repairing”, and

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 quali-
 8 fied 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.—

“(A) ALLOCATION AMONG STATES.—

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

“(ii) LIMITATION AFTER 2003.—

“(I) IN GENERAL.—The national zone academy bond limitation for any calendar year after 2003 shall be allocated by the Secretary among the States in proportion to the respective amounts each such State received for basic grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

“(II) MINIMUM ALLOCATION.—

The allocation under subclause (I) to 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.

9 “(B) ALLOCATION TO ACADEMIES.—The
10 limitation amount allocated to a State under
11 subparagraph (A) shall be allocated by the
12 State to qualified zone academies within such
13 State.

14 “(C) DESIGNATION SUBJECT TO LIMITA-
15 TION AMOUNT.—The maximum aggregate face
16 amount of bonds issued during any calendar
17 year which may be designated under subsection
18 (a) with respect to any qualified zone academy
19 shall not exceed the limitation amount allocated
20 to such academy under subparagraph (B) for
21 such calendar year.”

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.—

10 (1) IN GENERAL.—Except as otherwise pro-
 11 vided in this subsection, the amendments made by
 12 this section shall apply to obligations issued after
 13 December 31, 2003.

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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