II

106TH CONGRESS
1ST SESSION

S. 1976

To amend the Internal Revenue Code of 1986 to provide that certain uses of a facility owned by a tax-exempt organization shall not be treated as private business use for purposes of determining whether bonds issued to provide the facility are tax-exempt bonds.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 19, 1999

Mr. THOMPSON 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 provide that certain uses of a facility owned by a tax-exempt organization shall not be treated as private business use for purposes of determining whether bonds issued to provide the facility are tax-exempt bonds.

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

SECTION 1. CERTAIN USES OF FACILITY OF TAX-EXEMPT ORGANIZATION NOT TREATED AS PRIVATE BUSINESS USE.

(a) IN GENERAL.—Section 145 of the Internal Revenue Code of 1986 (relating to qualified 501(c)(3) bonds) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) CERTAIN USE NOT TREATED AS PRIVATE BUSINESS USE.—In the case of a facility owned by a 501(c)(3) organization, use of such facility by a nongovernmental person solely resulting from the purchase of a franchise or similar-type asset by such 501(c)(3) organization shall not be treated as a private business use if—

"(1) the nongovernmental person is not entitled to control the economic operations of the facility,

"(2) the nongovernmental person does not have an interest in revenues derived with respect to the facility,

"(3) such 501(c)(3) organization is not obligated by contract or otherwise to compensate the nongovernmental person with respect to activities or services performed by such nongovernmental person at the facility, and

"(4) the nongovernmental person does not have any leasehold interest in the facility.

Paragraphs (2) and (3) shall be applied by disregarding any annual payment (other than a payment representing a share of net profits) by the 501(c)(3) organization of less than 5 percent of the annual revenues generated by the facility if such payment is required pursuant to standard agreements relating to the purchase of such franchise or similar-type asset.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to uses after the date of the enactment of this Act.

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