

107TH CONGRESS  
1ST SESSION

# H. R. 3381

To amend the Internal Revenue Code of 1986 to provide that certain bonds issued by local governments in connection with delinquent real property taxes may be treated as tax exempt.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 29, 2001

Mr. LEVIN (for himself, Mr. CAMP, Mr. HOEKSTRA, Mr. DINGELL, Mr. KILDEE, Mr. BONIOR, Ms. RIVERS, Mr. EHLERS, Mr. ROGERS of Michigan, Mr. KNOLLENBERG, and Mr. STUPAK) 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 provide that certain bonds issued by local governments in connection with delinquent real property taxes may be treated as tax exempt.

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. TAX EXEMPT TREATMENT OF CERTAIN BONDS**  
4                               **ISSUED IN CONNECTION WITH DELINQUENT**  
5                               **REAL PROPERTY TAXES.**

6       (a) IN GENERAL.—Section 148 of the Internal Rev-  
7       enue Code of 1986 is amended by redesignating subsection

1 (i) as subsection (j) and by inserting after subsection (h)  
2 the following new subsection:

3 “(i) SPECIAL RULE FOR DELINQUENT TAX  
4 BONDS.—

5 “(1) IN GENERAL.—For purposes of this sec-  
6 tion, a bond which meets the requirements of para-  
7 graph (2) shall not be treated as an arbitrage bond.

8 “(2) DELINQUENT TAX BOND REQUIRE-  
9 MENTS.—A bond meets the requirements of this  
10 paragraph if—

11 “(A) the bond is issued primarily to facili-  
12 tate the collection or receipt of delinquent real  
13 property taxes levied for school districts that  
14 provide education primarily below the post-sec-  
15 ondary level,

16 “(B) all sale proceeds of the issue of which  
17 the bond is a part (other than sale proceeds, if  
18 any, to be used for costs of issuance and the es-  
19 tablishment of a reasonably required reserve or  
20 replacement fund) are transferred, within 30  
21 days after the date of issue of the bond, to gov-  
22 ernmental units that levy, collect, or receive real  
23 property taxes,

24 “(C)(i) the amount of the sale proceeds so  
25 transferred does not exceed the amount of de-

1           delinquent real property taxes for the year (or the  
2           preceding year) certified by such units to the  
3           issuer of the bond as uncollected, and

4                   “(ii) such certification is made as of a spe-  
5           cific date which occurs during the 5-month pe-  
6           riod preceding the date of the issuance of the  
7           bond,

8                   “(D) the maturity date of the bond is not  
9           later than 3 months after the date of the issue,  
10          and

11                   “(E) all delinquent real property taxes  
12          (and interest, fees, and penalties attributable to  
13          such taxes) received by such governmental units  
14          after the specific date referred to in subpara-  
15          graph (C) and before any maturity date of such  
16          issue are used, within 3 months of receipt, for  
17          the payment of principal, interest, or redemp-  
18          tion price of the issue of which the bond is a  
19          part (to the extent that such taxes, interest,  
20          fees, and penalties do not exceed such principal,  
21          interest, and redemption price, in the aggre-  
22          gate).

23          For purposes of this part, proceeds of the issue  
24          which are transferred in accordance with subpara-

1 graph (B) shall be treated as spent on the date so  
2 transferred.

3 “(3) REFUNDING BONDS.—A bond (or series of  
4 bonds) issued to refund a bond meeting the require-  
5 ments of paragraph (2) shall be treated as meeting  
6 such requirements only if, in addition to meeting  
7 such requirements—

8 “(A) the maturity date of the refunding  
9 bond is not later than 26 months after the date  
10 of issuance of the original bond, and

11 “(B) the requirements of subclauses (II)  
12 and (III) of section 144(a)(12)(A)(ii) are met.”

13 (b) COORDINATION WITH HEDGE BOND RULES.—  
14 Section 149(g)(3) of such Code is amended by adding at  
15 the end the following new subparagraph:

16 “(D) EXCEPTION FOR DELINQUENT TAX  
17 BOND.—For purposes of this subsection, the  
18 term ‘hedge bond’ shall not include any bond  
19 that meets the requirements of section  
20 148(i)(2).”

21 (c) COORDINATION WITH POOLED FINANCIAL BOND  
22 RULES.—Section 149(f)(4)(B) of such Code is amended—  
23 (1) by striking “or” at the end of clause (i),  
24 (2) by striking the period at the end of clause  
25 (ii) and inserting “, or”, and

1           (3) by adding at the end the following new  
2       clause:

3                       “(iii) section 148(i) applies to such  
4                       bond.”

5       (d) COORDINATION WITH PRIVATE ACTIVITY BOND  
6       RULES.—Paragraph (2) of section 141(c) of such Code  
7       (relating to private activity bond; qualified bond) is  
8       amended by striking “or” at the end of subparagraph (A),  
9       by striking the period at the end of subparagraph (B) and  
10      inserting “, or”, and by adding at the end the following  
11      new subparagraph:

12                      “(C) is with respect to a bond which meets  
13                      the requirements of section 148(i)(2) (relating  
14                      to delinquent tax bonds).”

15      (e) EFFECTIVE DATE.—The amendments made by  
16      this section shall apply to bonds issued after the date of  
17      the enactment of this Act. For purposes of the preceding  
18      sentence, a bond (or series of bonds) issued to refund a  
19      bond shall be treated as being issued on the date of  
20      issuance of the refunded bond, if the refunding bond meets  
21      the requirements of subclauses (I), (II), and (III) of sec-  
22      tion 144(a)(12)(A)(ii) of the Internal Revenue Code of  
23      1986.

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