

107TH CONGRESS  
1ST SESSION

# S. 426

To amend the Internal Revenue Code of 1986 to provide an income tax credit to holders of bonds financing new communications technologies, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MARCH 1, 2001

Mrs. CLINTON (for herself, Mr. BAUCUS, Mr. CORZINE, Mr. DAYTON, Mr. DODD, Mr. LEAHY, Mr. LIEBERMAN, Ms. MIKULSKI, Mr. ROCKEFELLER, and Mr. SCHUMER) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide an income tax credit to holders of bonds financing new communications technologies, 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 “Technology Bond Ini-  
5       tiative of 2001”.

6       **SEC. 2. FINDINGS**

7       Congress finds the following:

1           (1) Access to high-speed Internet is as impor-  
2           tant to 21st Century businesses as access to the rail-  
3           roads and interstate highways was to businesses of  
4           the last century.

5           (2) Up to one-third of the United States popu-  
6           lation lacks access to high-speed Internet.

7           (3) Companies without access to high-speed  
8           Internet are unable to meet their market potential,  
9           just as a community cannot prosper if it doesn't  
10          have high quality roads and bridges.

11          (4) Technology bonds would provide incentives  
12          to State and local governments to partner with the  
13          private sector to expand broadband deployment in  
14          their communities, especially underserved urban and  
15          rural areas.

16 **SEC. 3. CREDIT TO HOLDERS OF QUALIFIED TECHNOLOGY**  
17 **BONDS.**

18          (a) IN GENERAL.—Part IV of subchapter A of chap-  
19          ter 1 of the Internal Revenue Code of 1986 (relating to  
20          credits against tax) is amended by adding at the end the  
21          following new subpart:

22          **“Subpart H—Nonrefundable Credit for Holders of**  
23          **Qualified Technology Bonds**

“Sec. 54. Credit to holders of qualified technology bonds.

1 **“SEC. 54. CREDIT TO HOLDERS OF QUALIFIED TECH-**  
2 **NOLOGY BONDS.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-  
4 payer who holds a qualified technology bond on a credit  
5 allowance date of such bond which occurs during the tax-  
6 able year, there shall be allowed as a credit against the  
7 tax imposed by this chapter for such taxable year the  
8 amount determined under subsection (b).

9 “(b) AMOUNT OF CREDIT.—

10 “(1) IN GENERAL.—The amount of the credit  
11 determined under this subsection with respect to any  
12 qualified technology bond is the amount equal to the  
13 product of—

14 “(A) the credit rate determined by the Sec-  
15 retary under paragraph (2) for the month in  
16 which such bond was issued, multiplied by

17 “(B) the face amount of the bond held by  
18 the taxpayer on the credit allowance date.

19 “(2) DETERMINATION.—During each calendar  
20 month, the Secretary shall determine a credit rate  
21 which shall apply to bonds issued during the fol-  
22 lowing calendar month. The credit rate for any  
23 month is the percentage which the Secretary esti-  
24 mates will permit the issuance of qualified tech-  
25 nology bonds without discount and without interest  
26 cost to the issuer.

1       “(c) LIMITATION BASED ON AMOUNT OF TAX.—The  
2 credit allowed under subsection (a) for any taxable year  
3 shall not exceed the excess of—

4           “(1) the sum of the regular tax liability (as de-  
5 fined in section 26(b)) plus the tax imposed by sec-  
6 tion 55, over

7           “(2) the sum of the credits allowable under this  
8 part (other than this subpart and subpart C).

9       “(d) QUALIFIED TECHNOLOGY BOND.—For pur-  
10 poses of this part—

11           “(1) IN GENERAL.—The term ‘qualified tech-  
12 nology bond’ means any bond issued as part of an  
13 issue if—

14           “(A) 95 percent or more of the proceeds of  
15 such issue are to be used for any or a series of  
16 qualified projects,

17           “(B) the bond is issued by a State or local  
18 government within the jurisdiction of which  
19 such project is located,

20           “(C) the issuer designates such bond for  
21 purposes of this section,

22           “(D) certifies that it has obtained the writ-  
23 ten approval of the Secretary of Commerce for  
24 such project, and

1           “(E) the term of each bond which is part  
2 of such issue does not exceed 15 years.

3           “(2) QUALIFIED PROJECT.—

4           “(A) IN GENERAL.—The term ‘qualified  
5 project’ means a project—

6           “(i) to expand broadband tele-  
7 communications services in an area within  
8 the jurisdiction of a State or local govern-  
9 ment,

10           “(ii) which is nominated by such State  
11 or local government for a designation as a  
12 qualified project, and

13           “(iii) which the Secretary of Com-  
14 merce, after consultation with the Sec-  
15 retary of Housing and Urban Development  
16 designates as a qualified project or a series  
17 of qualified projects.

18           “(B) DESIGNATION PREFERENCES.—With  
19 respect to designations under this section, pref-  
20 erences shall be given to—

21           “(i) nominations of projects involving  
22 underserved urban or rural areas lacking  
23 access to high-speed Internet connections,  
24 and

1                   “(ii) nominations reflecting partner-  
2                   ships and comprehensive planning between  
3                   State and local governments and the pri-  
4                   vate sector.

5           “(e) LIMITATION ON AMOUNT OF BONDS DES-  
6   IGNATED.—

7           “(1) NATIONAL LIMITATION.—There is a na-  
8           tional technology bond limitation for each calendar  
9           year. Such limitation is \$100,000,000 for 2002,  
10          2003, 2004, 2005, and 2006, and, except as pro-  
11          vided in paragraph (4), zero thereafter.

12          “(2) ALLOCATION OF LIMITATION.—The na-  
13          tional technology bond limitation for a calendar year  
14          shall be allocated by the Secretary among the quali-  
15          fied projects designated for such year.

16          “(3) DESIGNATION SUBJECT TO LIMITATION  
17          AMOUNT.—The maximum aggregate face amount of  
18          bonds issued during any calendar year which may be  
19          designated under subsection (d)(1) with respect to  
20          any qualified project shall not exceed the limitation  
21          amount allocated to such project under paragraph  
22          (2) for such calendar year.

23          “(4) CARRYOVER OF UNUSED LIMITATION.—If  
24          for any calendar year—

1           “(A) the national technology limitation  
2 amount, exceeds

3           “(B) the amount of bonds issued during  
4 such year which are designated under sub-  
5 section (d)(1) with respect to qualified projects,  
6 the national technology limitation amount for the  
7 following calendar year shall be increased by the  
8 amount of such excess.

9           “(f) OTHER DEFINITIONS.—For purposes of this  
10 subpart—

11           “(1) BOND.—The term ‘bond’ includes any ob-  
12 ligation.

13           “(2) CREDIT ALLOWANCE DATE.—The term  
14 ‘credit allowance date’ means, with respect to any  
15 issue, the last day of the 1-year period beginning on  
16 the date of issuance of such issue and the last day  
17 of each successive 1-year period thereafter.

18           “(3) STATE.—The term ‘State’ means the sev-  
19 eral States and the District of Columbia.

20           “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross  
21 income includes the amount of the credit allowed to the  
22 taxpayer under this section (determined without regard to  
23 subsection (c)) and the amount so included shall be treat-  
24 ed as interest income.

25           “(h) OTHER SPECIAL RULES.—

1           “(1) PARTNERSHIP; S CORPORATION; AND  
2 OTHER PASS-THRU ENTITIES.—Under regulations  
3 prescribed by the Secretary, in the case of a partner-  
4 ship, trust, S corporation, or other pass-thru entity,  
5 rules similar to the rules of section 41(g) shall apply  
6 with respect to the credit allowable under subsection  
7 (a).

8           “(2) BONDS HELD BY REGULATED INVEST-  
9 MENT COMPANIES.—If any qualified technology bond  
10 is held by a regulated investment company, the cred-  
11 it determined under subsection (a) shall be allowed  
12 to shareholders of such company under procedures  
13 prescribed by the Secretary.

14           “(3) TREATMENT FOR ESTIMATED TAX PUR-  
15 POSES.—Solely for purposes of sections 6654 and  
16 6655, the credit allowed by this section to a tax-  
17 payer by reason of holding a qualified technology  
18 bond on a credit allowance date shall be treated as  
19 if it were a payment of estimated tax made by the  
20 taxpayer on such date.

21           “(4) REPORTING.—Issuers of qualified tech-  
22 nology bonds shall submit reports similar to the re-  
23 ports required under section 149(e).”.

24           (b) REPORTING.—Subsection (d) of section 6049 of  
25 the Internal Revenue Code of 1986 (relating to returns

1 regarding payments of interest) is amended by adding at  
2 the end the following new paragraph:

3           “(8) REPORTING OF CREDIT ON QUALIFIED  
4           TECHNOLOGY BONDS.—

5                   “(A) IN GENERAL.—For purposes of sub-  
6                   section (a), the term ‘interest’ includes amounts  
7                   includible in gross income under section 54(g)  
8                   and such amounts shall be treated as paid on  
9                   the credit allowance date (as defined in section  
10                  54(f)(2)).

11                  “(B) REPORTING TO CORPORATIONS,  
12                  ETC.—Except as otherwise provided in regula-  
13                  tions, in the case of any interest described in  
14                  subparagraph (A) of this paragraph, subsection  
15                  (b)(4) of this section shall be applied without  
16                  regard to subparagraphs (A), (H), (I), (J), (K),  
17                  and (L)(i).

18                  “(C) REGULATORY AUTHORITY.—The Sec-  
19                  retary may prescribe such regulations as are  
20                  necessary or appropriate to carry out the pur-  
21                  poses of this paragraph, including regulations  
22                  which require more frequent or more detailed  
23                  reporting.”.

24           (c) CLERICAL AMENDMENTS.—

1           (1) The table of subparts for part IV of sub-  
2           chapter A of chapter 1 of the Internal Revenue Code  
3           of 1986 is amended by adding at the end the fol-  
4           lowing new item:

          “Subpart H. Nonrefundable Credit for Holders of Qualified Technology  
          Bonds.”.

5           (2) Section 6401(b)(1) of such Code is amend-  
6           ed by striking “and G” and inserting “G, and H”.

7           (d) EFFECTIVE DATE.—The amendments made by  
8           this section shall apply to obligations issued after Decem-  
9           ber 31, 2001.

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