

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2102

To amend the Internal Revenue Code of 1986 to enable small, zero-coupon municipal bonds to be issued and later redeemed at an accreted value less an early redemption penalty.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 12, 1993

Mr. LEWIS of Georgia 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 enable small, zero-coupon municipal bonds to be issued and later redeemed at an accreted value less an early redemption penalty.

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 “Tax-Exempt Municipal  
5 Savings Bond Act of 1993”.

1 **SEC. 2. CHANGES IN RULES RELATING TO TAX-EXEMPT**  
2 **BONDS.**

3 (a) TEMPORARY PERIOD EXCEPTION FOR SMALL  
4 DENOMINATION ORIGINAL ISSUE DISCOUNT BONDS IN-  
5 CREASED TO 12 MONTHS.—Subsection (c) of section 148  
6 of the Internal Revenue Code of 1986 is amended by add-  
7 ing at the end thereof the following new paragraph:

8 “(3) LONGER TEMPORARY PERIOD FOR SMALL  
9 DENOMINATION ORIGINAL ISSUE DISCOUNT  
10 BONDS.—The temporary period referred to in para-  
11 graph (1) shall not exceed 12 months with respect  
12 to bonds that are issued as original issue discount  
13 bonds in denominations of \$1,000 or less and are  
14 sold to individuals within the State of the issuing  
15 jurisdiction.”

16 (b) CHANGE IN RULES FOR REASONABLY REQUIRED  
17 RESERVE FUND FOR SMALL DENOMINATION ORIGINAL  
18 ISSUE DISCOUNT BONDS.—Subsection (d) of section 148  
19 is amended as follows:

20 (1) Paragraph (1) of subsection (d) is amended  
21 by adding at the end thereof the following new sen-  
22 tence: “However, in the case of original issue dis-  
23 count bonds that are issued in denominations of  
24 \$1,000 or less and are sold to individuals within the  
25 State of the issuing jurisdiction a higher amount is  
26 permitted for reasonably expected redemptions that

1 are exercised at the option of the holder of the bond  
2 at predetermined rates established at the time of  
3 issuance.”

4 (2) Paragraph (2) of subsection (d) is amended  
5 by striking the paragraph and inserting in its place  
6 the following:

7 “(2) LIMITATION ON AMOUNT IN RESERVE OR  
8 REPLACEMENT FUND WHICH MAY BE FINANCED BY  
9 ISSUE.—A bond issue as part of an issue shall be  
10 treated as an arbitrage bond if the amount of the  
11 proceeds from the sale of such issue which is part  
12 of any reserve or replacement fund exceeds 10 per-  
13 cent of the proceeds of the issue (or such higher  
14 amount which the issuer establishes is necessary to  
15 the satisfaction of the Secretary or for the early re-  
16 demption of such small denomination original issue  
17 discount bonds).”

18 (3) Paragraph (3) of subsection (d) is amended  
19 by adding at the end of the words in the last phrase  
20 “on the issue for the bond year” in (B)(i) the follow-  
21 ing:

22 “unless an additional amount is required to  
23 meet reasonably anticipated early redemptions  
24 of such small denomination original issue dis-  
25 count bonds”.

1           (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to obligations issued after the date  
3 of enactment.

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