

105TH CONGRESS  
2D SESSION

# H. R. 4069

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

JUNE 17, 1998

Mr. CAMP (for himself, Mr. LEVIN, Mr. EHLERS, Mr. BONIOR, Mr. UPTON, Mr. DINGELL, Mr. KNOLLENBERG, Ms. STABENOW, Mr. KILDEE, Mr. HOEKSTRA, Mr. STUPAK, Mr. BARCIA, Ms. RIVERS, Ms. KILPATRICK, and Mr. CONYERS) 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 Reve-  
7 nue 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,

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

22 “(C)(i) the amount of the sale proceeds so  
23 transferred does not exceed the amount of de-  
24 linquent real property taxes for the year (or the

1 preceding year) certified by such units to the  
2 issuer of the bond as uncollected, and

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

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

9 “(E) the last maturity date of the issue of  
10 which the bond is a part (including the last ma-  
11 turity date of any bonds issued to refund that  
12 issue or to refund other bonds issued to refund  
13 that issue) is not later than 26 months after  
14 the date of issuance of the original bond, and

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

1 interest, and redemption price, in the aggre-  
2 gate).”

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

6 “(D) EXCEPTION FOR DELINQUENT TAX  
7 BOND.—For purposes of this subsection, the  
8 term ‘hedge bond’ shall not include any bond  
9 that meets the requirements of section  
10 148(i)(2).”

11 (c) COORDINATION WITH POOLED FINANCIAL BOND  
12 RULES.—Section 149(f)(4)(B) of such Code is amended—

13 (1) by striking “or” at the end of clause (i),  
14 (2) by striking the period at the end of clause  
15 (ii) and inserting “, or”, and  
16 (3) by adding at the end the following new  
17 clause:

18 “(iii) section 148(i) applies to such  
19 bond.”

20 (d) COORDINATION WITH PRIVATE ACTIVITY BOND  
21 RULES.—Paragraph (2) of section 141(c) of such Code  
22 (relating to private activity bond; qualified bond) is  
23 amended by striking “or” at the end of subparagraph (A),  
24 by striking the period at the end of subparagraph (B) and

1 inserting “, or”, and by adding at the end the following  
2 new subparagraph:

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

6           (e) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to bonds issued after December  
8 31, 1996. For purposes of the preceding sentence, a bond  
9 (or series of bonds) issued to refund a bond shall be treat-  
10 ed as being issued on the date of issuance of the refunded  
11 bond, if the refunding bond meets the requirements of  
12 subclauses (I), (II), and (III) of section 144(a)(12)(A)(ii)  
13 of the Internal Revenue Code of 1986.

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