

106TH CONGRESS  
1ST SESSION

# H. R. 1760

To amend the Internal Revenue Code of 1986 to expand the incentives for the construction, repair, rehabilitation, and renovation of public schools.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 11, 1999

Mrs. JOHNSON of Connecticut introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to expand the incentives for the construction, repair, rehabilitation, and renovation of public schools.

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 “America’s Better  
5 Classrooms Act of 1999”.

6 **SEC. 2. FINDINGS.**

7 The Congress hereby finds:

1           (1) Public school buildings in urban, suburban,  
2           and rural school districts across the United States  
3           need extensive repair, rehabilitation, and renovation.

4           (2) New buildings will be needed in many  
5           school districts as a result of a surge in student en-  
6           rollments.

7           (3) The General Accounting Office has found  
8           that more than 14 million children attend schools in  
9           need of extensive repair or replacement, 7 million  
10          children attend schools with safety code violations,  
11          and 12 million children attend schools with leaky  
12          roofs.

13          (4) Many public schools do not have the appro-  
14          priate infrastructure to be able to use computers  
15          and other technology needed to adequately prepare  
16          students to meet the challenges of the 21st Century.

17          (5) The Federal Government can support public  
18          school repair, modernization, and construction with-  
19          out interfering with local control.

20 **SEC. 3. CREDIT TO HOLDERS OF QUALIFIED PUBLIC**  
21 **SCHOOL CONSTRUCTION BONDS.**

22          (a) IN GENERAL.—Subpart B of part IV of sub-  
23 chapter A of chapter 1 of the Internal Revenue Code of  
24 1986 is amended by adding at the end the following new  
25 section:

1 **“SEC. 30B. CREDIT TO HOLDERS OF QUALIFIED PUBLIC**  
2 **SCHOOL CONSTRUCTION BONDS.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-  
4 payer who holds a qualified school construction bond on  
5 a credit allowance date of such bond which occurs during  
6 the taxable year, there shall be allowed as a credit against  
7 the tax imposed by this chapter for such taxable year an  
8 amount equal to the sum of the credits determined under  
9 subsection (b) with respect to credit allowance dates dur-  
10 ing such year on which the taxpayer holds such bond.

11 “(b) AMOUNT OF CREDIT.—

12 “(1) IN GENERAL.—The amount of the credit  
13 determined under this subsection with respect to any  
14 credit allowance date for a qualified school construc-  
15 tion bond is 25 percent of the annual credit deter-  
16 mined with respect to such bond.

17 “(2) ANNUAL CREDIT.—The annual credit de-  
18 termined with respect to any qualified school con-  
19 struction bond is the product of—

20 “(A) the applicable credit rate, multiplied  
21 by

22 “(B) the outstanding face amount of the  
23 bond.

24 “(3) APPLICABLE CREDIT RATE.—For purposes  
25 of paragraph (1), the applicable credit rate with re-  
26 spect to an issue is the rate equal to an average

1 market yield (as of the day before the date of  
2 issuance of the issue) on outstanding long-term cor-  
3 porate debt obligations (determined under regula-  
4 tions prescribed by the Secretary).

5 “(4) SPECIAL RULE FOR ISSUANCE AND RE-  
6 DEMPTION.—In the case of a bond which is issued  
7 during the 3-month period ending on a credit allow-  
8 ance date, the amount of the credit determined  
9 under this subsection with respect to such credit al-  
10 lowance date shall be a ratable portion of the credit  
11 otherwise determined based on the portion of the 3-  
12 month period during which the bond is outstanding.  
13 A similar rule shall apply when the bond is re-  
14 deemed.

15 “(c) QUALIFIED SCHOOL CONSTRUCTION BOND.—  
16 For purposes of this section—

17 “(1) IN GENERAL.—The term ‘qualified school  
18 construction bond’ means any bond issued as part of  
19 an issue if—

20 “(A) 95 percent or more of the proceeds of  
21 such issue are to be used for the construction,  
22 rehabilitation, or repair of a public school facil-  
23 ity or for the acquisition of land on which such  
24 a facility is to be constructed with part of the  
25 proceeds of such issue,

1           “(B) the bond is issued by a State or local  
2           government within the jurisdiction of which  
3           such school is located,

4           “(C) the issuer designates such bond for  
5           purposes of this section, and

6           “(D) the term of each bond which is part  
7           of such issue does not exceed 15 years.

8           “(2) LIMITATION ON AMOUNT OF BONDS DES-  
9           IGNATED.—The maximum aggregate face amount of  
10          bonds issued during any calendar year which may be  
11          designated under paragraph (1) by any issuer shall  
12          not exceed the limitation amount allocated under  
13          paragraph (3) for such calendar year to such issuer.

14          “(3) NATIONAL LIMITATION ON AMOUNT OF  
15          BONDS DESIGNATED.—There is a national qualified  
16          school construction bond limitation for each calendar  
17          year. Such limitation is—

18                 “(A) \$12,500,000,000 for 2000,

19                 “(B) \$12,500,000,000 for 2001, and

20                 “(C) except as provided in paragraph (5),  
21                 zero after 2001.

22          “(4) ALLOCATION OF LIMITATION AMONG  
23          STATES.—

24                 “(A) IN GENERAL.—The limitation appli-  
25                 cable under paragraph (3) for any calendar

1 year shall be allocated among the States by the  
2 Secretary. The amount allocated to a State for  
3 a calendar year shall be equal to the sum of—

4 “(i) the amount allocated to the State  
5 for such year under subparagraph (B), and

6 “(ii) the amount allocated to the State  
7 for such year under subparagraph (C).

8 The limitation amount allocated to a State  
9 under the preceding sentence shall be allocated  
10 by the State education agency to issuers within  
11 such State and such allocations may be made  
12 only if there is an approved State application.

13 “(B) ALLOCATION ON BASIS OF BASIC  
14 GRANTS UNDER TITLE I OF THE ELEMENTARY  
15 AND SECONDARY EDUCATION ACT OF 1965.—

16 One-half of the limitation applicable under  
17 paragraph (3) for any calendar year shall be al-  
18 located among the States in proportion to the  
19 respective amounts each such State received for  
20 basic grants under subpart 2 of part A of title  
21 I of the Elementary and Secondary Education  
22 Act of 1965 (20 U.S.C. 6331 et seq.) for the  
23 most recent fiscal year ending before such cal-  
24 endar year.

1           “(C) ALLOCATION ON BASIS OF TOTAL EL-  
2           EMENTARY AND SECONDARY SCHOOL AGE POP-  
3           ULATION.—One-half of the limitation applicable  
4           under paragraph (3) for any calendar year shall  
5           be allocated among the States in proportion to  
6           the respective numbers of children in each State  
7           who have attained age 5 but not age 18 for the  
8           most recent fiscal year ending before such cal-  
9           endar year.

10           “(D)     MINIMUM     ALLOCATIONS     TO  
11           STATES.—

12           “(i) IN GENERAL.—The Secretary  
13           shall adjust the allocations under this  
14           paragraph for any calendar year for each  
15           State to the extent necessary to ensure  
16           that the amount allocated to such State  
17           under this paragraph for such year is not  
18           less than an amount equal to such State’s  
19           minimum percentage of one-half of the  
20           amount to be allocated under subpara-  
21           graph (A) for the calendar year.

22           “(ii) MINIMUM PERCENTAGE.—A  
23           State’s minimum percentage for any cal-  
24           endar year is the minimum percentage de-  
25           scribed in section 1124(d) of the Elemen-

1            tary and Secondary Education Act of 1965  
2            (20 U.S.C. 6334(d)) for such State for the  
3            most recent fiscal year ending before such  
4            calendar year.

5            “(E) ALLOCATIONS TO CERTAIN POSSES-  
6            SIONS.—The amount to be allocated under sub-  
7            paragraph (A) to any possession of the United  
8            States other than Puerto Rico shall be the  
9            amount which would have been allocated if all  
10           allocations under subparagraph (A) were made  
11           on the basis of respective populations of individ-  
12           uals below the poverty line (as defined by the  
13           Office of Management and Budget). In making  
14           other allocations, the amount to be allocated  
15           under subparagraph (A) shall be reduced by the  
16           aggregate amount allocated under this subpara-  
17           graph to possessions of the United States.

18           “(F) APPROVED STATE APPLICATION.—  
19           For purposes of subparagraph (A), the term  
20           ‘approved State application’ means an applica-  
21           tion which is approved by the Secretary of Edu-  
22           cation and which includes—

23           “(i) the results of a recent publicly-  
24           available survey (undertaken by the State  
25           with the involvement of local education of-

1 officials, members of the public, and experts  
2 in school construction and management) of  
3 such State’s needs for public school facili-  
4 ties, including descriptions of—

5 “(I) health and safety problems  
6 at such facilities,

7 “(II) the capacity of public  
8 schools in the State to house projected  
9 enrollments, and

10 “(III) the extent to which the  
11 public schools in the State offer the  
12 physical infrastructure needed to pro-  
13 vide a high-quality education to all  
14 students, and

15 “(ii) a description of how the State  
16 will allocate to local educational agencies,  
17 or otherwise use, its allocation under this  
18 subsection to address the needs identified  
19 under subparagraph (A), including a de-  
20 scription of how it will—

21 “(I) give high priority to local-  
22 ities with the greatest needs, as dem-  
23 onstrated by inadequate school facili-  
24 ties coupled with a low level of re-  
25 sources to meet those needs,

1                   “(II) use its allocation under this  
2 subsection to assist localities that lack  
3 the fiscal capacity to issue bonds on  
4 their own,

5                   “(III) ensure that its allocation  
6 under this subsection is used only to  
7 supplement, and not supplant, the  
8 amount of school construction, reha-  
9 bilitation, and repair in the State that  
10 would have occurred in the absence of  
11 such allocation, and

12                   “(IV) ensure that the needs of  
13 both rural and urban areas are recog-  
14 nized.

15                   Any allocation under subparagraph (A) by a  
16 State education agency shall be binding if such  
17 agency reasonably determined that the alloca-  
18 tion was in accordance with the plan approved  
19 under this subparagraph.

20                   “(5) CARRYOVER OF UNUSED LIMITATION.—If  
21 for any calendar year—

22                   “(A) the amount allocated under para-  
23 graph (4) to any State, exceeds

1           “(B) the amount of bonds issued during  
2           such year which are designated under para-  
3           graph (1) pursuant to such allocation,  
4           the limitation amount under paragraph (4) for such  
5           State for the following calendar year shall be in-  
6           creased by the amount of such excess.

7           “(d) LIMITATION BASED ON AMOUNT OF TAX.—

8           “(1) IN GENERAL.—The credit allowed under  
9           subsection (a) for any taxable year shall not exceed  
10          the excess of—

11           “(A) the sum of the regular tax liability  
12           (as defined in section 26(b)) plus the tax im-  
13           posed by section 55, over

14           “(B) the sum of the credits allowable  
15           under part IV of subchapter A (other than sub-  
16           part C thereof, relating to refundable credits).

17           “(2) CARRYOVER OF UNUSED CREDIT.—If the  
18           credit allowable under subsection (a) exceeds the  
19           limitation imposed by paragraph (1) for such taxable  
20           year, such excess shall be carried to the succeeding  
21           taxable year and added to the credit allowable under  
22           subsection (a) for such taxable year.

23           “(e) OTHER DEFINITIONS.—For purposes of this  
24          section—

1           “(1) CREDIT ALLOWANCE DATE.—The term  
2           ‘credit allowance date’ means—

3                   “(A) March 15,

4                   “(B) June 15,

5                   “(C) September 15, and

6                   “(D) December 15.

7           Such term includes the last day on which the bond  
8           is outstanding.

9           “(2) LOCAL EDUCATIONAL AGENCY.—The term  
10          ‘local educational agency’ has the meaning given to  
11          such term by section 14101 of the Elementary and  
12          Secondary Education Act of 1965. Such term in-  
13          cludes the local educational agency that serves the  
14          District of Columbia but does not include any other  
15          State agency.

16          “(3) BOND.—The term ‘bond’ includes any ob-  
17          ligation.

18          “(4) STATE.—The term ‘State’ includes the  
19          District of Columbia and any possession of the  
20          United States.

21          “(5) PUBLIC SCHOOL FACILITY.—The term  
22          ‘public school facility’ shall not include—

23                   “(A) any stadium or other facility pri-  
24                   marily used for athletic contests or exhibitions

1 or other events for which admission is charged  
2 to the general public, or

3 “(B) any facility which is not owned by a  
4 State or local government or any agency or in-  
5 strumentality of a State or local government.

6 “(f) CREDIT INCLUDED IN GROSS INCOME.—Gross  
7 income includes the amount of the credit allowed to the  
8 taxpayer under this section (determined without regard to  
9 subsection (d)) and the amount so included shall be treat-  
10 ed as interest income.

11 “(g) BONDS HELD BY REGULATED INVESTMENT  
12 COMPANIES.—If any qualified school construction bond is  
13 held by a regulated investment company, the credit deter-  
14 mined under subsection (a) shall be allowed to share-  
15 holders of such company under procedures prescribed by  
16 the Secretary.

17 “(h) CREDITS MAY BE STRIPPED.—Under regula-  
18 tions prescribed by the Secretary—

19 “(1) IN GENERAL.—There may be a separation  
20 (including at issuance) of the ownership of a quali-  
21 fied school construction bond and the entitlement to  
22 the credit under this section with respect to such  
23 bond. In case of any such separation, the credit  
24 under this section shall be allowed to the person who  
25 on the credit allowance date holds the instrument ev-

1 identifying the entitlement to the credit and not to the  
2 holder of the bond.

3 “(2) CERTAIN RULES TO APPLY.—In the case  
4 of a separation described in paragraph (1), the rules  
5 of section 1286 shall apply to the qualified school  
6 construction bond as if it were a stripped bond and  
7 to the credit under this section as if it were a  
8 stripped coupon.

9 “(i) TREATMENT FOR ESTIMATED TAX PURPOSES.—  
10 Solely for purposes of sections 6654 and 6655, the credit  
11 allowed by this section to a taxpayer by reason of holding  
12 a qualified school construction bond on a credit allowance  
13 date shall be treated as if it were a payment of estimated  
14 tax made by the taxpayer on such date.

15 “(j) CREDIT MAY BE TRANSFERRED.—Nothing in  
16 any law or rule of law shall be construed to limit the trans-  
17 ferability of the credit allowed by this section through sale  
18 and repurchase agreements.

19 “(k) REPORTING.—Issuers of qualified school con-  
20 struction bonds shall submit reports similar to the reports  
21 required under section 149(e).

22 “(l) TERMINATION.—This section shall not apply to  
23 any bond issued after December 31, 2004.”

24 (b) REPORTING.—Subsection (d) of section 6049 of  
25 such Code (relating to returns regarding payments of in-

1 terest) is amended by adding at the end the following new  
2 paragraph:

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

5 “(A) IN GENERAL.—For purposes of sub-  
6 section (a), the term ‘interest’ includes amounts  
7 includible in gross income under section 30B(f)  
8 and such amounts shall be treated as paid on  
9 the credit allowance date (as defined in section  
10 30B(e)(1)).

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) CONFORMING AMENDMENTS.—

1           (1) Subchapter U of chapter 1 of such Code is  
 2 amended by striking part IV, by redesignating part  
 3 V as part IV, and by redesignating section 1397F  
 4 as section 1397E.

5           (2) The table of parts of subchapter U of chap-  
 6 ter 1 of such Code is amended by striking the last  
 7 2 items and inserting the following item:

“Part IV. Regulations.”

8           (3) The table of sections for subpart B of part  
 9 IV of subchapter A of chapter 1 of such Code is  
 10 amended by adding at the end the following new  
 11 item:

“Sec. 30B. Credit to holders of qualified public school construc-  
 tion bonds.”

12           (d) EFFECTIVE DATE.—The amendments made by  
 13 this section shall apply to obligations issued after Decem-  
 14 ber 31, 1999.

15 **SEC. 4. APPLICATION OF CERTAIN LABOR STANDARDS ON**  
 16 **CONSTRUCTION PROJECTS FINANCED**  
 17 **UNDER PUBLIC SCHOOL CONSTRUCTION**  
 18 **PROGRAM.**

19           Section 439 of the General Education Provisions Act  
 20 (relating to labor standards) is amended—

21           (1) by inserting “(a)” before “All laborers and  
 22 mechanics”, and

23           (2) by adding at the end the following:

1       “(b)(1) For purposes of this section, the term ‘appli-  
2 cable program’ also includes the qualified zone academy  
3 bond provisions enacted by section 226 of the Taxpayer  
4 Relief Act of 1997 and the program established by section  
5 3 of the America’s Better Classrooms Act of 1999.

6       “(2) A State or local government participating in a  
7 program described in paragraph (1) shall—

8               “(A) in the awarding of contracts, give priority  
9 to contractors with substantial numbers of employ-  
10 ees residing in the local education area to be served  
11 by the school being constructed; and

12               “(B) include in the construction contract for  
13 such school a requirement that the contractor give  
14 priority in hiring new workers to individuals residing  
15 in such local education area.

16       “(3) In the case of a program described in paragraph  
17 (1), nothing in this subsection or subsection (a) shall be  
18 construed to deny any tax credit allowed under such pro-  
19 gram. If amounts are required to be withheld from con-  
20 tractors to pay wages to which workers are entitled, such  
21 amounts shall be treated as expended for construction pur-  
22 poses in determining whether the requirements of such  
23 program are met.”.

1 **SEC. 5. EMPLOYMENT AND TRAINING ACTIVITIES RELAT-**  
2 **ING TO CONSTRUCTION OR RECONSTRUC-**  
3 **TION OF PUBLIC SCHOOL FACILITIES.**

4 (a) IN GENERAL.—Section 134 of the Workforce In-  
5 vestment Act of 1998 (29 U.S.C. 2864) is amended by  
6 adding at the end the following:

7 “(f) LOCAL EMPLOYMENT AND TRAINING ACTIVI-  
8 TIES RELATING TO CONSTRUCTION OR RECONSTRUCTION  
9 OF PUBLIC SCHOOL FACILITIES.—

10 “(1) IN GENERAL.—In order to provide training  
11 services related to construction or reconstruction of  
12 public school facilities receiving funding assistance  
13 under an applicable program, each State shall estab-  
14 lish a specialized program of training meeting the  
15 following requirements:

16 “(A) The specialized program provides  
17 training for jobs in the construction industry.

18 “(B) The program is designed to provide  
19 trained workers for projects for the construction  
20 or reconstruction of public school facilities re-  
21 ceiving funding assistance under an applicable  
22 program.

23 “(C) The program is designed to ensure  
24 that skilled workers (residing in the area to be  
25 served by the school facilities) will be available  
26 for the construction or reconstruction work.

1           “(2) COORDINATION.—The specialized program  
2           established under paragraph (1) shall be integrated  
3           with other activities under this Act, with the activi-  
4           ties carried out under the National Apprenticeship  
5           Act of 1937 by the State Apprenticeship Council or  
6           through the Bureau of Apprenticeship and Training  
7           in the Department of Labor, as appropriate, and  
8           with activities carried out under the Carl D. Perkins  
9           Vocational and Technical Education Act of 1998.  
10          Nothing in this subsection shall be construed to re-  
11          quire services duplicative of those referred to in the  
12          preceding sentence.

13           “(3) APPLICABLE PROGRAM.—In this sub-  
14          section, the term ‘applicable program’ has the mean-  
15          ing given the term in section 439(b) of the General  
16          Education Provisions Act (relating to labor stand-  
17          ards).”.

18          (b) STATE PLAN.—Section 112(b)(17)(A) of the  
19          Workforce Investment Act of 1998 (29 U.S.C.  
20          2822(b)(17)(A)) is amended—

21                 (1) in clause (iii), by striking “and” at the end;

22                 (2) by redesignating clause (iv) as clause (v);

23                 and

24                 (3) by inserting after clause (iii) the following:

1                   “(iv) how the State will establish and  
2                   carry out a specialized program of training  
3                   under section 134(f); and”.

○