

106TH CONGRESS
2D SESSION

H. R. 3700

To amend the Internal Revenue Code of 1986 to allow a credit to holders of qualified bonds issued by an intercity passenger rail carrier, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 29, 2000

Mr. HOUGHTON (for himself, Mr. OBERSTAR, Mr. MATSUI, Mr. BOEHLERT, Mr. ENGLISH, Mr. RAHALL, Mr. CONYERS, Mr. BACHUS, Mr. LEWIS of Georgia, Mr. BORSKI, Mr. JEFFERSON, Mr. LATOURETTE, Mr. CLEMENT, Mr. SMITH of New Jersey, Mr. FILNER, Ms. MILLENDER-MCDONALD, and Mr. BLUMENAUER) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a credit to holders of qualified bonds issued by an intercity passenger rail carrier, 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 “High-Speed Rail In-
5 vestment Act of 2000”.

1 **SEC. 2. CREDIT TO HOLDERS OF QUALIFIED INTERCITY**
 2 **PASSENGER RAIL CARRIER BONDS.**

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

7 **“Subpart H—Nonrefundable Credit for Holders of**
 8 **Qualified Intercity Passenger Rail Carrier Bonds**

“Sec. 54. Credit to holders of qualified intercity passenger rail
 carrier bonds.

9 **“SEC. 54. CREDIT TO HOLDERS OF QUALIFIED INTERCITY**
 10 **PASSENGER RAIL CARRIER BONDS.**

11 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
 12 payer who holds a qualified intercity passenger rail carrier
 13 bond on a credit allowance date of such bond which occurs
 14 during the taxable year, there shall be allowed as a credit
 15 against the tax imposed by this chapter for such taxable
 16 year an amount equal to the sum of the credits determined
 17 under subsection (b) with respect to credit allowance dates
 18 during such year on which the taxpayer holds such bond.

19 “(b) AMOUNT OF CREDIT.—

20 “(1) IN GENERAL.—The amount of the credit
 21 determined under this subsection with respect to any
 22 credit allowance date for a qualified intercity pas-
 23 senger rail carrier bond is 25 percent of the annual
 24 credit determined with respect to such bond.

1 “(2) ANNUAL CREDIT.—The annual credit de-
2 termined with respect to any qualified intercity pas-
3 senger rail carrier bond is the product of—

4 “(A) the applicable credit rate, multiplied
5 by

6 “(B) the outstanding face amount of the
7 bond.

8 “(3) APPLICABLE CREDIT RATE.—For purposes
9 of paragraph (2), the applicable credit rate with re-
10 spect to an issue is the rate equal to an average
11 market yield (as of the day before the date of
12 issuance of the issue) on outstanding long-term cor-
13 porate debt obligations (determined under regula-
14 tions prescribed by the Secretary).

15 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
16 DEMPTION.—In the case of a bond which is issued
17 during the 3-month period ending on a credit allow-
18 ance date, the amount of the credit determined
19 under this subsection with respect to such credit al-
20 lowance date shall be a ratable portion of the credit
21 otherwise determined based on the portion of the 3-
22 month period during which the bond is outstanding.
23 A similar rule shall apply when the bond is re-
24 deemed.

25 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

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

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

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

10 “(2) CARRYOVER OF UNUSED CREDIT.—If the
11 credit allowable under subsection (a) exceeds the
12 limitation imposed by paragraph (1) for such taxable
13 year, such excess shall be carried to the succeeding
14 taxable year and added to the credit allowable under
15 subsection (a) for such taxable year.

16 “(d) QUALIFIED INTERCITY PASSENGER RAIL CAR-
17 RIER BOND.—For purposes of this part—

18 “(1) IN GENERAL.—The term ‘qualified inter-
19 city passenger rail carrier bond’ means any bond
20 issued as part of an issue if—

21 “(A) 95 percent or more of the proceeds of
22 such issue are—

23 “(i) to be used for any qualified
24 project, or

1 “(ii) to be pledged to secure payments
2 and other obligations incurred by the
3 issuer in connection with any qualified
4 project,

5 “(B) the bond is issued by an intercity
6 passenger rail carrier,

7 “(C) the issuer—

8 “(i) designates such bond for purposes
9 of this section,

10 “(ii) certifies that it meets the State
11 contribution requirement of paragraph (2)
12 with respect to such project, and

13 “(iii) certifies that it has obtained the
14 written approval of the Secretary of Trans-
15 portation for such project, and

16 “(D) the term of each bond which is part
17 of such issue does not exceed 20 years.

18 “(2) STATE CONTRIBUTION REQUIREMENT.—

19 “(A) IN GENERAL.—For purposes of para-
20 graph (1)(C)(ii), the State contribution require-
21 ment of this paragraph is met with respect to
22 any qualified project if the issuer has a written
23 binding commitment from 1 or more States to
24 make matching contributions not later than the

1 date of issuance of the issue of not less than 20
2 percent of the cost of the qualified project.

3 “(B) USE OF STATE MATCHING CONTRIBU-
4 TIONS.—The matching contributions described
5 in subparagraph (A) with respect to each quali-
6 fied project shall be used—

7 “(i) in the case of an amount equal to
8 20 percent of the cost of such project, to
9 redeem bonds which are a part of the issue
10 with respect to such project, and

11 “(ii) in the case of any remaining
12 amount, at the election of the issuer and
13 the contributing State—

14 “(I) to fund the qualified project,

15 “(II) to redeem such bonds, or

16 “(III) for the purposes of sub-
17 clauses (I) and (II).

18 “(3) QUALIFIED PROJECT.—The term ‘qualified
19 project’ means—

20 “(A) the acquisition, financing, or refi-
21 nancing of equipment, rolling stock, and other
22 capital improvements for the northeast rail cor-
23 ridor between Washington, D.C. and Boston,
24 Massachusetts,

1 “(B) the acquisition, financing, or refi-
2 nancing of equipment, rolling stock, and other
3 capital improvements for the improvement of
4 train speeds or safety (or both) on the high-
5 speed rail corridors designated under section
6 104(d)(2) of title 23, United States Code, and

7 “(C) with respect to not more than 10 per-
8 cent of the net proceeds of an issue, the acquisi-
9 tion, financing, or refinancing of equipment,
10 rolling stock, and other capital improvements
11 for non-designated high-speed rail corridors, in-
12 cluding station rehabilitation, track or signal
13 improvements, or the elimination of grade
14 crossings.

15 “(4) TEMPORARY PERIOD EXCEPTION.—A bond
16 shall not be treated as failing to meet the require-
17 ment of paragraph (1)(A) solely by reason of the
18 fact that the proceeds of the issue of which such
19 bond is a part are invested for a reasonable tem-
20 porary period (but not more than 36 months) until
21 such proceeds are needed for the purpose for which
22 such issue was issued.

23 “(e) LIMITATIONS ON AMOUNT OF BONDS DES-
24 IGNATED.—

1 “(1) IN GENERAL.—There is a qualified inter-
2 city passenger rail carrier bond limitation for each
3 fiscal year. Such limitation is—

4 “(A) \$1,000,000,000 for each of the fiscal
5 years 2001 through 2010, and

6 “(B) zero after 2010.

7 “(2) LIMITATION ON AMOUNT OF BONDS FOR
8 NORTHEAST CORRIDOR.—Not more than
9 \$3,000,000,000 of the limitation under paragraph
10 (1) may be designated for projects described in sub-
11 section (d)(3)(A).

12 “(3) CARRYOVER OF UNUSED LIMITATION.—If
13 for any fiscal year—

14 “(A) the limitation amount under para-
15 graph (1), exceeds

16 “(B) the amount of bonds issued during
17 such year which are designated under sub-
18 section (d)(1)(C)(i),

19 the limitation amount under paragraph (1) for the
20 following fiscal year shall be increased by the
21 amount of such excess.

22 “(f) OTHER DEFINITIONS.—For purposes of this
23 subpart—

24 “(1) INTERCITY PASSENGER RAIL CARRIER.—

25 The term ‘intercity passenger rail carrier’ means any

1 rail carrier (as defined in paragraph (7) of section
2 24102 of title 49, United States Code) providing
3 intercity rail passenger transportation (as defined in
4 paragraph (5) of such section).

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

7 “(A) March 15,

8 “(B) June 15,

9 “(C) September 15, and

10 “(D) December 15.

11 Such term includes the last day on which the bond
12 is outstanding.

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

15 “(4) STATE.—The term ‘State’ includes the
16 District of Columbia.

17 “(g) BONDS HELD BY REGULATED INVESTMENT
18 COMPANIES.—If any qualified intercity passenger rail car-
19 rier bond is held by a regulated investment company, the
20 credit determined under subsection (a) shall be allowed to
21 shareholders of such company under procedures pre-
22 scribed by the Secretary.

23 “(h) USE OF TRUST ACCOUNT.—

24 “(1) IN GENERAL.—The amount of any match-
25 ing contribution with respect to a qualified project

1 described in subsection (d)(2)(B)(i) or
2 (d)(2)(B)(ii)(II) and the temporary period invest-
3 ment earnings on proceeds of the issue with respect
4 to such project described in subsection (d)(4), and
5 any earnings thereon, shall be held in a trust ac-
6 count by a trustee independent of the issuer to be
7 used to redeem bonds which are part of such issue.

8 “(2) USE OF REMAINING FUNDS IN TRUST AC-
9 COUNT.—Upon the repayment of the principal of all
10 qualified intercity passenger rail carrier bonds issued
11 under this section by an issuer, any remaining funds
12 in the trust account described in paragraph (1) for
13 such issuer shall be available to the trustee described
14 in paragraph (1) to meet any remaining obligations
15 under any guaranteed investment contract used to
16 secure earnings sufficient to repay the principal of
17 such bonds. Any remaining balance in such trust ac-
18 count shall be paid to the United States to be used
19 to redeem public debt obligations.

20 “(i) 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.

1 “(j) CREDITS MAY BE STRIPPED.—Under regula-
2 tions prescribed by the Secretary—

3 “(1) IN GENERAL.—There may be a separation
4 (including at issuance) of the ownership of a quali-
5 fied intercity passenger rail carrier bond and the en-
6 titlement to the credit under this section with re-
7 spect to such bond. In case of any such separation,
8 the credit under this section shall be allowed to the
9 person who on the credit allowance date holds the
10 instrument evidencing the entitlement to the credit
11 and not to the holder of the bond.

12 “(2) CERTAIN RULES TO APPLY.—In the case
13 of a separation described in paragraph (1), the rules
14 of section 1286 shall apply to the qualified intercity
15 passenger rail carrier bond as if it were a stripped
16 bond and to the credit under this section as if it
17 were a stripped coupon.

18 “(k) TREATMENT FOR ESTIMATED TAX PUR-
19 POSES.—Solely for purposes of sections 6654 and 6655,
20 the credit allowed by this section to a taxpayer by reason
21 of holding a qualified intercity passenger rail carrier bond
22 on a credit allowance date shall be treated as if it were
23 a payment of estimated tax made by the taxpayer on such
24 date.

1 “(l) CREDIT MAY BE TRANSFERRED.—Nothing in
2 any law or rule of law shall be construed to limit the trans-
3 ferability of the credit allowed by this section through sale
4 and repurchase agreements.

5 “(m) REPORTING.—Issuers of qualified intercity pas-
6 senger rail carrier bonds shall submit reports similar to
7 the reports required under section 149(e).”

8 (b) REPORTING.—Subsection (d) of section 6049 of
9 such Code (relating to returns regarding payments of in-
10 terest) is amended by adding at the end the following:

11 “(8) REPORTING OF CREDIT ON QUALIFIED
12 INTERCITY PASSENGER RAIL CARRIER BONDS.—

13 “(A) IN GENERAL.—For purposes of sub-
14 section (a), the term ‘interest’ includes amounts
15 includible in gross income under section 54(i)
16 and such amounts shall be treated as paid on
17 the credit allowance date (as defined in section
18 54(f)(2)).

19 “(B) REPORTING TO CORPORATIONS,
20 ETC.—Except as otherwise provided in regula-
21 tions, in the case of any interest described in
22 subparagraph (A) of this paragraph, subsection
23 (b)(4) of this section shall be applied without
24 regard to subparagraphs (A), (H), (I), (J), (K),
25 and (L)(i).

1 “(C) REGULATORY AUTHORITY.—The Sec-
2 retary may prescribe such regulations as are
3 necessary or appropriate to carry out the pur-
4 poses of this paragraph, including regulations
5 which require more frequent or more detailed
6 reporting.”

7 (c) CLERICAL AMENDMENTS.—

8 (1) The table of subparts for part IV of sub-
9 chapter A of chapter 1 of such Code is amended by
10 adding at the end the following:

 “Subpart H. Nonrefundable Credit for Holders of Qualified Inter-
 city Passenger Rail Carrier Bonds.”

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

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to obligations issued after Sep-
15 tember 30, 2000.

16 (e) NO INFERRED FEDERAL GUARANTEE.—Nothing
17 in this section shall be construed to infer a guarantee by
18 the United States of the payment of principal with respect
19 to any bond to which section 54 of the Internal Revenue
20 Code of 1986 (as added by this section) applies.

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