

106TH CONGRESS  
2D SESSION

# H. R. 5259

To amend the Internal Revenue Code of 1986 to clarify the treatment under the tax-exempt bond rules of prepayments for certain commodities and of mineral production payments.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 21, 2000

Mr. NORWOOD (for himself and Mr. COLLINS) 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 clarify the treatment under the tax-exempt bond rules of prepayments for certain commodities and of mineral production payments.

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 “Municipal Utility Reli-  
5 ability Act of 2000”.

1 **SEC. 2. ARBITRAGE RULES NOT TO APPLY TO PREPAY-**  
2 **MENTS FOR NATURAL GAS AND OTHER COM-**  
3 **MODITIES.**

4 (a) IN GENERAL.—Subsection (b) of section 148 of  
5 the Internal Revenue Code of 1986 (defining higher yield-  
6 ing investments) is amended by adding at the end the fol-  
7 lowing new paragraph:

8 “(4) EXCEPTION FOR CERTAIN PREPAYMENTS  
9 TO ENSURE COMMODITY SUPPLY.—The term ‘invest-  
10 ment property’ shall not include a prepayment by an  
11 issuer of bonds in order to ensure the supply of a  
12 commodity necessary to, and used in a business of,  
13 a governmental unit.”

14 (b) EFFECTIVE DATE.—The amendment made by  
15 this section shall take effect as if included in the amend-  
16 ments made by section 1301 of the Tax Reform Act of  
17 1986.

18 **SEC. 3. MINERAL PRODUCTION PAYMENTS NOT TREATED**  
19 **AS LOANS.**

20 (a) EXCEPTION FROM PRIVATE LOAN FINANCING  
21 TEST.—Paragraph (2) of section 141(c) of the Internal  
22 Revenue Code of 1986 (relating to private loan financing  
23 test) is amended by striking “or” at the end of subpara-  
24 graph (A), by striking the period at the end of subpara-  
25 graph (B) and inserting “, or”, and by adding at the end  
26 the following new subparagraph:

1                   “(C) is a production payment (within the  
2                   meaning of section 636).”

3           (b) EXCEPTION FROM ARBITRAGE RULES.—Sub-  
4 paragraph (B) of section 148(b)(2) of such Code (defining  
5 investment property) is amended to read as follows:

6                   “(B) any obligation other than production  
7                   payment (within the meaning of section 636),”.

8           (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall take effect as if included in the amend-  
10 ments made by section 1301 of the Tax Reform Act of  
11 1986.

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