

107TH CONGRESS
1ST SESSION

S. 1038

To amend the Internal Revenue Code of 1986 to improve access to tax-exempt debt for small nonprofit health care and educational institutions.

IN THE SENATE OF THE UNITED STATES

JUNE 14, 2001

Mr. JEFFORDS (for himself and Mr. LEAHY) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to improve access to tax-exempt debt for small nonprofit health care and educational institutions.

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 “Health and Higher
5 Education Facilities Improvement Act of 2001”.

6 **SEC. 2. IMPROVED ACCESS TO TAX-EXEMPT DEBT FOR**
7 **SMALL NONPROFIT HEALTH CARE AND EDU-**
8 **CATIONAL INSTITUTIONS.**

9 (a) IN GENERAL.—Section 265(b)(3) of the Internal
10 Revenue Code of 1986 (relating to exception for certain

1 tax-exempt obligations) is amended by adding at the end
 2 the following:

3 “(G) ELECTION TO APPLY LIMITATION ON
 4 AMOUNT OF OBLIGATIONS AT BORROWER
 5 LEVEL.—

6 “(i) IN GENERAL.—An issuer, the
 7 proceeds of the obligations of which are to
 8 be used to make or finance eligible loans,
 9 may elect to apply subparagraphs (C) and
 10 (D) by treating each borrower as the issuer
 11 of a separate issue.

12 “(ii) ELIGIBLE LOAN.—For purposes
 13 of this subparagraph—

14 “(I) IN GENERAL.—The term ‘el-
 15 igible loan’ means 1 or more loans to
 16 a qualified borrower the proceeds of
 17 which are used by the borrower for
 18 health care or educational purposes
 19 and the aggregate amount of which
 20 issued during any calendar year does
 21 not exceed \$10,000,000.

22 “(II) QUALIFIED BORROWER.—
 23 The term ‘qualified borrower’ means a
 24 borrower which is an organization de-
 25 scribed in section 501(c)(3) and ex-

1 empt from taxation under section
2 501(a).

3 “(iii) MANNER OF ELECTION.—The
4 election described in clause (i) may be
5 made by an issuer for any calendar year at
6 any time prior to its first issuance during
7 such year of obligations the proceeds of
8 which will be used to make or finance 1 or
9 more eligible loans.

10 “(iv) MODIFICATION OF RULE FOR
11 COMPOSITE ISSUES.—In the case of an ob-
12 ligation which is issued by any issuer
13 which has made the election described in
14 clause (i), subparagraph (F) shall be ap-
15 plied without regard to clause (i) of such
16 subparagraph.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 subsection (a) shall apply to taxable years beginning after
19 December 31, 2001.

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