

107TH CONGRESS
2D SESSION

S. 3097

To amend the Internal Revenue Code of 1986 to provide a nonrefundable credit for holders of qualified highway bonds.

IN THE SENATE OF THE UNITED STATES

OCTOBER 10, 2002

Mr. BAUCUS (for himself and Mr. CRAPO) 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 provide a nonrefundable credit for holders of qualified highway bonds.

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 “Maximum Economic
5 Growth for America Through Innovative Finance Act or
6 MEGA Innovate”.

7 **SEC. 2. CREDIT TO HOLDERS OF QUALIFIED HIGHWAY**
8 **BONDS.**

9 (a) IN GENERAL.—Part IV of subchapter A of chap-
10 ter 1 of the Internal Revenue Code of 1986 (relating to

1 credits against tax) is amended by adding at the end the
 2 following new subpart:

3 **“Subpart H—Nonrefundable Credit for Holders of**
 4 **Qualified Highway Bonds**

“Sec. 54. Credit to holders of qualified highway bonds.

5 **“SEC. 54. CREDIT TO HOLDERS OF QUALIFIED HIGHWAY**
 6 **BONDS.**

7 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
 8 payer who holds a qualified highway bond on a credit al-
 9 lowance date of such bond which occurs during the taxable
 10 year, there shall be allowed as a credit against the tax
 11 imposed by this chapter for such taxable year an amount
 12 equal to the sum of the credits determined under sub-
 13 section (b) with respect to credit allowance dates during
 14 such year on which the taxpayer holds such bond.

15 “(b) AMOUNT OF CREDIT.—

16 “(1) IN GENERAL.—The amount of the credit
 17 determined under this subsection with respect to any
 18 credit allowance date for a qualified highway bond is
 19 25 percent of the annual credit determined with re-
 20 spect to such bond.

21 “(2) ANNUAL CREDIT.—The annual credit de-
 22 termined with respect to any qualified highway bond
 23 is the product of—

1 “(A) the applicable credit rate, multiplied
2 by

3 “(B) the outstanding face amount of the
4 bond.

5 “(3) APPLICABLE CREDIT RATE.—For purposes
6 of paragraph (2), the applicable credit rate with re-
7 spect to an issue is the rate equal to an average
8 market yield (as of the day before the date of sale
9 of the issue) on outstanding long-term corporate
10 debt obligations (determined in such manner as the
11 Secretary prescribes).

12 “(4) CREDIT ALLOWANCE DATE.—For purposes
13 of this section, the term ‘credit allowance date’
14 means—

15 “(A) March 15,

16 “(B) June 15,

17 “(C) September 15, and

18 “(D) December 15.

19 Such term includes the last day on which the bond
20 is outstanding.

21 “(5) SPECIAL RULE FOR ISSUANCE AND RE-
22 DEMPTION.—In the case of a bond which is issued
23 during the 3-month period ending on a credit allow-
24 ance date, the amount of the credit determined
25 under this subsection with respect to such credit al-

1 lowance date shall be a ratable portion of the credit
2 otherwise determined based on the portion of the 3-
3 month period during which the bond is outstanding.
4 A similar rule shall apply when the bond is re-
5 deemed.

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

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

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

13 “(B) the sum of the credits allowable
14 under this part (other than this subpart and
15 subpart C).

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

22 “(d) CREDIT INCLUDED IN GROSS INCOME.—Gross
23 income includes the amount of the credit allowed to the
24 taxpayer under this section (determined without regard to

1 subsection (c)) and the amount so included shall be treat-
2 ed as interest income.

3 “(e) QUALIFIED HIGHWAY BOND.—For purposes of
4 this part, the term ‘qualified highway bond’ means any
5 bond issued as part of an issue if—

6 “(1) 95 percent or more of the proceeds from
7 the sale of such issue are transferred to the High-
8 way Trust Fund for expenditure under the require-
9 ments of such Trust Fund,

10 “(2) the bond is issued by the Secretary, is in
11 registered form, and meets the bond limitation re-
12 quirements under subsection (f),

13 “(3) the issuer designates such bond for pur-
14 poses of this section,

15 “(4) the term of each bond which is part of
16 such issue does not exceed 20 years, and

17 “(5) the payment of principal with respect to
18 such bond is the obligation of the United States
19 Government.

20 “(f) LIMITATION ON AMOUNT OF BONDS DES-
21 IGNATED.—The Secretary shall issue qualified highway
22 bonds equal to the qualified highway bond limitation for
23 each calendar year. Such limitation is \$3,000,000,000 for
24 2004, 2005, 2006, 2007, and 2008, and \$1,000,000,000
25 for 2009.

1 “(g) OTHER DEFINITIONS AND SPECIAL RULES.—

2 For purposes of this section—

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

5 “(2) PARTNERSHIP; S CORPORATION; AND
6 OTHER PASS-THRU ENTITIES.—In the case of a
7 partnership, trust, S corporation, or other pass-thru
8 entity, rules similar to the rules of section 41(g)
9 shall apply with respect to the credit allowable under
10 subsection (a).

11 “(3) BONDS HELD BY REGULATED INVEST-
12 MENT COMPANIES.—If any qualified highway bond is
13 held by a regulated investment company, the credit
14 determined under subsection (a) shall be allowed to
15 shareholders of such company under procedures pre-
16 scribed by the Secretary.”.

17 (b) AMENDMENTS TO OTHER CODE SECTIONS.—

18 (1) REPORTING.—Subsection (d) of section
19 6049 of the Internal Revenue Code of 1986 (relating
20 to returns regarding payments of interest) is amend-
21 ed by adding at the end the following new para-
22 graph:

23 “(8) REPORTING OF CREDIT ON QUALIFIED
24 HIGHWAY BONDS.—

1 “(A) IN GENERAL.—For purposes of sub-
2 section (a), the term ‘interest’ includes amounts
3 includible in gross income under section 54(d)
4 and such amounts shall be treated as paid on
5 the credit allowance date (as defined in section
6 54(b)(4)).

7 “(B) REPORTING TO CORPORATIONS,
8 ETC.—Except as otherwise provided in regula-
9 tions, in the case of any interest described in
10 subparagraph (A), subsection (b)(4) shall be
11 applied without regard to subparagraphs (A),
12 (H), (I), (J), (K), and (L)(i) of such subsection.

13 “(C) REGULATORY AUTHORITY.—The Sec-
14 retary may prescribe such regulations as are
15 necessary or appropriate to carry out the pur-
16 poses of this paragraph, including regulations
17 which require more frequent or more detailed
18 reporting.”.

19 (2) TREATMENT FOR ESTIMATED TAX PUR-
20 POSES.—

21 (A) INDIVIDUAL.—Section 6654 of such
22 Code (relating to failure by individual to pay es-
23 timated income tax) is amended by redesign-
24 ating subsection (m) as subsection (n) and by

1 inserting after subsection (l) the following new
2 subsection:

3 “(m) SPECIAL RULE FOR HOLDERS OF QUALIFIED
4 HIGHWAY BONDS.—For purposes of this section, the cred-
5 it allowed by section 54 to a taxpayer by reason of holding
6 a qualified highway bond on a credit allowance date shall
7 be treated as if it were a payment of estimated tax made
8 by the taxpayer on such date.”.

9 (B) CORPORATE.—Section 6655 of such
10 Code (relating to failure by corporation to pay
11 estimated income tax) is amended by adding at
12 the end of subsection (g) the following new
13 paragraph:

14 “(5) SPECIAL RULE FOR HOLDERS OF QUALI-
15 FIED HIGHWAY BONDS.—For purposes of this sec-
16 tion, the credit allowed by section 54 to a taxpayer
17 by reason of holding a qualified highway bond on a
18 credit allowance date shall be treated as if it were
19 a payment of estimated tax made by the taxpayer on
20 such date.”.

21 (3) TRANSFER OF BOND PROCEEDS TO HIGH-
22 WAY TRUST FUND.—

23 (A) IN GENERAL.—Section 9503(b) of
24 such Code (relating to transfer to Highway
25 Trust Fund of amounts equivalent to certain

1 taxes) is amended by adding at the end the fol-
2 lowing new paragraph:

3 “(6) QUALIFIED HIGHWAY BOND PROCEEDS.—
4 There are hereby appropriated to the Highway Trust
5 Fund amounts equivalent to the proceeds from the
6 issuance of qualified highway bonds under section
7 54. Such proceeds shall, for all purposes, be treated
8 as taxes received in the Treasury.”.

9 (B) CONFORMING AMENDMENT.—The
10 heading for subsection (b) of section 9503 of
11 such Code is amended to read as follows:

12 “(b) TRANSFERS TO HIGHWAY TRUST FUND.—”.

13 (c) CLERICAL AMENDMENT.—The table of subparts
14 for part IV of subchapter A of chapter 1 of the Internal
15 Revenue Code of 1986 is amended by adding at the end
16 the following new item:

“Subpart H. Nonrefundable Credit for Holders of Qualified High-
way Bonds.”.

17 (d) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to obligations issued after Decem-
19 ber 31, 2003.

○