

108TH CONGRESS  
1ST SESSION

# H. R. 661

To amend the Internal Revenue Code of 1986 to permit financial institutions to determine their interest expense deduction without regard to tax-exempt bonds issued to provide certain small loans for health care or educational purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 2003

Mr. NUSSLE (for himself, Mr. BOSWELL, Mrs. JOHNSON of Connecticut, Mr. LEACH, Mr. PAUL, Mr. SENSENBRENNER, and Mr. SOUDER) 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 permit financial institutions to determine their interest expense deduction without regard to tax-exempt bonds issued to provide certain small loans for health care or educational 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 “Health and Higher  
5 Education Facilities Improvement Act of 2003”.

1 **SEC. 2. BANK DEDUCTIBILITY OF SMALL, TAX-EXEMPT**  
2 **DEBTS.**

3 (a) IN GENERAL.—Section 265(b)(3) of the Internal  
4 Revenue Code of 1986 (relating to exception for certain  
5 tax-exempt obligations) is amended by adding at the end  
6 the following:

7 “(G) ELECTION TO APPLY LIMITATION ON  
8 AMOUNT OF OBLIGATIONS AT BORROWER  
9 LEVEL.—

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

16 “(ii) ELIGIBLE LOAN.—For purposes  
17 of this subparagraph—

18 “(I) IN GENERAL.—The term ‘el-  
19 igible loan’ means one or more loans  
20 to a qualified borrower the proceeds of  
21 which are used by the borrower for  
22 health care or educational purposes  
23 and the outstanding balance of which  
24 in the aggregate does not exceed  
25 \$10,000,000.

1                   “(II) QUALIFIED BORROWER.—

2                   The term ‘qualified borrower’ means a  
3                   borrower which is an organization de-  
4                   scribed in section 501(c)(3) and ex-  
5                   empt from taxation under section  
6                   501(a).

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

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

21                  (b) EFFECTIVE DATE.—The amendment made by  
22                  subsection (a) shall apply to taxable years beginning after  
23                  December 31, 2003.

○