

108TH CONGRESS  
1ST SESSION

# H. R. 668

To amend the Internal Revenue Code of 1986 to allow credits against income tax for an owner of a radio broadcasting station which donates the license and other assets of such station to a nonprofit corporation for purposes of supporting nonprofit fine arts and performing arts organizations, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 2003

Mr. ANDREWS 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 allow credits against income tax for an owner of a radio broadcasting station which donates the license and other assets of such station to a nonprofit corporation for purposes of supporting nonprofit fine arts and performing arts organizations, 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 “Cultural Radio Tax  
5       Credit Act of 2003”.

1 **SEC. 2. CREDIT FOR DONATION OF LICENSE AND OTHER**  
2 **ASSETS OF COMMERCIAL RADIO BROAD-**  
3 **CASTING STATIONS TO NONPROFIT COR-**  
4 **PORATIONS.**

5 (a) IN GENERAL.—Subpart D of part IV of sub-  
6 chapter A of chapter 1 of the Internal Revenue Code of  
7 1986 (relating to general business credits) is amended by  
8 adding at the end the following new section:

9 **“SEC. 45G. CREDIT FOR DONATION OF LICENSE AND**  
10 **OTHER ASSETS OF COMMERCIAL RADIO**  
11 **BROADCASTING STATION TO CERTAIN NON-**  
12 **PROFIT CORPORATIONS.**

13 “(a) RADIO BROADCASTING STATION DONATION  
14 CREDIT.—For purposes of section 38, the radio broad-  
15 casting station donation credit is an amount equal to the  
16 sum of—

17 “(1) 125 percent of the fair market value of a  
18 radio broadcasting commercial license which is do-  
19 nated to a qualified recipient,

20 “(2) 100 percent of the fair market value of  
21 any radio broadcasting station assets, including  
22 equipment and other real property owned by the sta-  
23 tion, which are donated to the same qualified recipi-  
24 ent, and

1 “(3) the total amount deposited into an oper-  
2 ations escrow fund established by the donor of the  
3 license and assets during the taxable year.

4 “(b) QUALIFIED RECIPIENT.—For purposes of this  
5 section, a qualified recipient is an entity which—

6 “(1) is a corporation described in section  
7 501(c)(3) which is exempt from taxation under sec-  
8 tion 501(a),

9 “(2) agrees to operate the radio broadcasting  
10 station being donated to it as a for-profit venture,  
11 with profits dedicated to the support of non-profit  
12 fine arts and performing arts organizations in its  
13 service area,

14 “(3) has at least 3 arts organizations from its  
15 service area on its board of trustees, or on a board  
16 of trustees of a subsidiary established to oversee op-  
17 eration of the radio broadcasting station,

18 “(4) agrees that, in the event that it ceases op-  
19 eration of the radio broadcasting station—

20 “(A) it will not sell the station to a for-  
21 profit broadcaster under any circumstances,  
22 and

23 “(B) it will either—

24 “(i) transfer the license to another  
25 corporation described in section 501(c)(3)

1 which is exempt from taxation under sec-  
2 tion 501(a) and which agrees to continue  
3 operation of the station for the support of  
4 nonprofit fine arts and performing arts or-  
5 ganizations in its service area, or

6 “(ii) surrender the license to the Fed-  
7 eral Communications Commission.

8 “(c) OPERATIONS ESCROW FUND.—

9 “(1) IN GENERAL.—For purposes of this sec-  
10 tion, an operations escrow fund is a fund established  
11 by a taxpayer who has donated a radio broadcasting  
12 commercial license or radio broadcasting station as-  
13 sets to a qualified recipient for the purpose of cov-  
14 ering operating expenses during the recipient’s first  
15 year of operation of the radio broadcasting station  
16 if the station’s revenues are not adequate to cover  
17 such expenses. An operations escrow fund may be  
18 established only if the qualified recipient is not able  
19 to meet the financial responsibility requirement of  
20 the Federal Communications Commission.

21 “(2) RECAPTURE OF CREDIT FOR AMOUNTS RE-  
22 MAINING IN ESCROW FUND.—In any case in which  
23 there is an amount remaining in an operations es-  
24 crow fund after the first year of operation of the  
25 radio broadcasting station for which the fund was

1       established, such amount (not including any interest  
2       that accrued on the amount in the fund) shall be  
3       added to the tax imposed by this chapter on the tax-  
4       payer for the taxpayer's taxable year which includes  
5       the end of such first year of operation.

6       “(d) SPECIAL RULES IN CASE OF SURRENDER OF LI-  
7       CENSE TO FCC.—If a qualified recipient surrenders its  
8       donated radio broadcasting license to the Federal Commu-  
9       nications Commission, the Commission shall notify the  
10      donor of the license that the donor may, within 6 months  
11      after such notification, post a bond equal to the amount  
12      of the tax credit under subsection (a) that it received for  
13      donating the station, plus interest. After such a bond is  
14      posted, the donor may apply for the license. If the Com-  
15      mission approves the donor's application for the license,  
16      the bond shall be used in lieu of an auction fee. If the  
17      donor does not exercise its option within such six months,  
18      or waives its option earlier, the license shall be auctioned  
19      in the same manner as a new license.

20      “(e) ELECTION.—This section shall apply to any tax-  
21      payer for any taxable year only if such taxpayer elects (at  
22      such time and in such manner as the Secretary may by  
23      regulations prescribe) to have this section apply for such  
24      taxable year.”.

25      (b) CONFORMING AMENDMENTS.—

1           (1) Subsection (b) of section 38 of such Code  
2           is amended by striking “plus” at the end of para-  
3           graph (14), by striking the period at the end of  
4           paragraph (15) and inserting “, plus”, and by add-  
5           ing at the end the following new paragraph:

6           “(16) the radio broadcasting station donation  
7           credit determined under section 45G(a).”.

8           (2) NO CARRYBACK BEFORE EFFECTIVE  
9           DATE.—Subsection (d) of section 39 of such Code  
10          (relating to carryback and carryforward of unused  
11          credits) is amended by adding at the end the fol-  
12          lowing new paragraph:

13          “(11) NO CARRYBACK OF SECTION 45G CREDIT  
14          BEFORE EFFECTIVE DATE.—No portion of the un-  
15          used business credit for any taxable year which is  
16          attributable to any credit determined under section  
17          45G may be carried back to a taxable year beginning  
18          before January 1, 2004.”.

19          (3) The table of sections for subpart D of part  
20          IV of subchapter A of chapter 1 of such Code is  
21          amended by adding at the end the following new  
22          item:

            “Sec. 45G. Credit for donation of license and other assets of com-  
            mercial radio broadcasting stations to certain non-  
            profit corporations.”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2003.

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