

109TH CONGRESS
1ST SESSION

H. R. 2904

To amend the Internal Revenue Code of 1986 to allow a credit against the 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.

IN THE HOUSE OF REPRESENTATIVES

JUNE 15, 2005

Mr. ANDREWS 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 allow a credit against the 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 2005”.

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. 45J. CREDIT FOR DONATION OF LICENSE AND OTHER**
10 **ASSETS OF COMMERCIAL RADIO BROAD-**
11 **CASTING STATION TO CERTAIN NONPROFIT**
12 **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) DENIAL OF DOUBLE BENEFIT.—A donation or
21 deposit for which a credit is allowed under subsection (a)
22 shall not be treated as a charitable contribution under sec-
23 tion 170.

24 “(f) ELECTION.—This section shall apply to any tax-
25 payer for any taxable year only if such taxpayer elects (at

1 such time and in such manner as the Secretary may by
2 regulations prescribe) to have this section apply for such
3 taxable year.”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Subsection (b) of section 38 of such Code
6 is amended by striking “plus” at the end of para-
7 graph (18), by striking the period at the end of
8 paragraph (19) and inserting “, plus”, and by add-
9 ing at the end the following new paragraph:

10 “(20) the radio broadcasting station donation
11 credit determined under section 45J(a).”.

12 (2) The table of sections for subpart D of part
13 IV of subchapter A of chapter 1 of such Code is
14 amended by adding at the end the following new
15 item:

“Sec. 45J. Credit for donation of license and other assets of commercial radio
broadcasting stations to certain nonprofit corporations.”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2005.

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