

109TH CONGRESS
2^D SESSION

H. R. 5904

To amend the Internal Revenue Code of 1986 to allow public school districts to receive no interest loans for the purchase of renewable energy systems, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 26, 2006

Mr. MATHESON (for himself, Mr. OTTER, Mr. SALAZAR, and Mr. UDALL of Colorado) 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 public school districts to receive no interest loans for the purchase of renewable energy systems, 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 “Renewable Schools En-
5 ergy Act of 2006”.

6 **SEC. 2. QUALIFIED RENEWABLE SCHOOL ENERGY BONDS.**

7 (a) IN GENERAL.—Subchapter U of chapter 1 of the
8 Internal Revenue Code of 1986 (relating to incentives for

1 education zones) is amended by redesignating section
2 1397F as section 1397G and by adding at the end of part
3 IV of such subchapter the following new section:

4 **“SEC. 1397F. QUALIFIED RENEWABLE SCHOOL ENERGY**
5 **BONDS.**

6 “(a) ALLOWANCE OF CREDIT.—If a taxpayer holds
7 a qualified renewable school energy bond on 1 or more
8 credit allowance dates of the bond occurring during any
9 taxable year, there shall be allowed as a credit against the
10 tax imposed by this chapter for the taxable year an
11 amount equal to the sum of the credits determined under
12 subsection (b) with respect to such dates.

13 “(b) AMOUNT OF CREDIT.—

14 “(1) IN GENERAL.—The amount of the credit
15 determined under this subsection with respect to any
16 credit allowance date for a qualified renewable
17 school energy bond is 25 percent of the annual cred-
18 it determined with respect to such bond.

19 “(2) ANNUAL CREDIT.—The annual credit de-
20 termined with respect to any qualified renewable
21 school energy bond is the product of—

22 “(A) the credit rate determined by the Sec-
23 retary under paragraph (3) for the day on
24 which such bond was sold, multiplied by

1 “(B) the outstanding face amount of the
2 bond.

3 “(3) DETERMINATION.—For purposes of para-
4 graph (2), with respect to any qualified renewable
5 school energy bond, the Secretary shall determine
6 daily or cause to be determined daily a credit rate
7 which shall apply to the first day on which there is
8 a binding, written contract for the sale or exchange
9 of the bond. The credit rate for any day is the credit
10 rate which the Secretary or the Secretary’s designee
11 estimates will permit the issuance of qualified renew-
12 able school energy bonds with a specified maturity
13 or redemption date without discount and without in-
14 terest cost to the qualified issuer.

15 “(4) CREDIT ALLOWANCE DATE.—For purposes
16 of this section, the term ‘credit allowance date’
17 means—

18 “(A) March 15,

19 “(B) June 15,

20 “(C) September 15, and

21 “(D) December 15.

22 Such term also includes the last day on which the
23 bond is outstanding.

24 “(5) SPECIAL RULE FOR ISSUANCE AND RE-
25 DEMPTION.—In the case of a bond which is issued

1 during the 3-month period ending on a credit allow-
2 ance date, the amount of the credit determined
3 under this subsection with respect to such credit al-
4 lowance date shall be a ratable portion of the credit
5 otherwise determined based on the portion of the 3-
6 month period during which the bond is outstanding.
7 A similar rule shall apply when the bond is redeemed
8 or matures.

9 “(c) LIMITATION BASED ON AMOUNT OF TAX.—The
10 credit allowed under subsection (a) for any taxable year
11 shall not exceed the excess of—

12 “(1) the sum of the regular tax liability (as de-
13 fined in section 26(b)) plus the tax imposed by sec-
14 tion 55, over

15 “(2) the sum of the credits allowable under part
16 IV of subchapter A (other than subpart C thereof,
17 relating to refundable credits, subpart H thereof,
18 section 1400N(l), and this section).

19 “(d) QUALIFIED RENEWABLE SCHOOL ENERGY
20 BOND.—For purposes of this section—

21 “(1) IN GENERAL.—The term ‘renewable school
22 energy bond’ means any bond issued as part of an
23 issue if—

24 “(A) 95 percent or more of the proceeds of
25 such issue are to be used for a qualified pur-

1 pose with respect to a qualified school operated
2 by an eligible local education agency,

3 “(B) the bond is issued by a State or local
4 government of an eligible State within the juris-
5 diction of which such school is located,

6 “(C) the issuer—

7 “(i) designates such bond for purposes
8 of this section, and

9 “(ii) certifies that it has the written
10 approval of the eligible local education
11 agency for such bond issuance, and

12 “(D) the term of each bond which is part
13 of such issue is 20 years.

14 “(2) QUALIFIED SCHOOL.—The term ‘qualified
15 school’ means any public school or public school sys-
16 tem administrative building which is owned by or op-
17 erated by an eligible local education agency.

18 “(3) ELIGIBLE LOCAL EDUCATION AGENCY.—
19 The term ‘eligible local education agency’ means any
20 local educational agency as defined in section 9101
21 of the Elementary and Secondary Education Act of
22 1965.

23 “(4) ELIGIBLE STATE.—The term ‘eligible
24 State’ means, with respect to any calendar year—

1 “(A) one of the five States with the great-
2 est percentage population growth for the most
3 recent preceding year for which data is avail-
4 able as determined by the Bureau of the Cen-
5 sus, and

6 “(B) the State with a total percentage
7 population growth greater than 9 percent but
8 less than 13.9 percent and a total population
9 under the age of 19 of less than 300,000 as de-
10 termined under the 2000 Census.

11 “(5) QUALIFIED PURPOSE.—The term ‘quali-
12 fied purpose’ means, with respect to any qualified
13 school, the purchase and installation of renewable
14 energy products.

15 “(e) LIMITATION ON AMOUNT OF BONDS DES-
16 IGNATED.—

17 “(1) NATIONAL LIMITATION.—There is a na-
18 tional renewable school energy bond limitation for
19 each calendar year. Such limitation is \$50,000,000
20 for 2007, \$100,000,000 for 2008, \$150,000,000 for
21 2009, and, except as provided in paragraph (4), zero
22 thereafter.

23 “(2) ALLOCATION OF LIMITATION.—The na-
24 tional renewable school energy bond limitation for a
25 calendar year shall be allocated by the Secretary—

1 “(A) among the eligible States described in
2 subsection (d)(4)(A), 30 percent to the State
3 with the greatest percentage population growth,
4 20 percent to each of second and third ranked
5 States, and 10 percent to each of the fourth
6 and fifth ranked States, and

7 “(B) to the State described in subsection
8 (d)(4)(B), 10 percent.

9 The limitation amount allocated to an eligible State
10 under the preceding sentence shall be allocated by
11 the State education agency to qualified schools with-
12 in such State.

13 “(3) DESIGNATION SUBJECT TO LIMITATION
14 AMOUNT.—The maximum aggregate face amount of
15 bonds issued during any calendar year which may be
16 designated under subsection (d)(1) with respect to
17 any qualified school shall not exceed the limitation
18 amount allocated to such school under paragraph (2)
19 for such calendar year.

20 “(4) CARRYOVER OF UNUSED LIMITATION.—If
21 for any calendar year—

22 “(A) the limitation amount for any eligible
23 State, exceeds

24 “(B) the amount of bonds issued during
25 such year which are designated under sub-

1 section (d)(1) with respect to qualified schools
2 within such State,

3 the limitation amount for such State for the fol-
4 lowing calendar year shall be increased by the
5 amount of such excess. Any carryforward of a limi-
6 tation amount may be carried only to the first 2
7 years following the unused limitation year. For pur-
8 poses of the preceding sentence, a limitation amount
9 shall be treated as used on a first-in first-out basis.

10 “(f) OTHER DEFINITIONS.—For purposes of this sec-
11 tion—

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

14 “(2) STATE.—The term ‘State’ includes the
15 District of Columbia and any possession of the
16 United States.

17 “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross
18 income includes the amount of the credit allowed to the
19 taxpayer under this section (determined without regard to
20 subsection (e)).

21 “(h) CREDITS MAY BE STRIPPED.—Under regula-
22 tions prescribed by the Secretary—

23 “(1) IN GENERAL.—There may be a separation
24 (including at issuance) of the ownership of a quali-
25 fied renewable school energy bond and the entitle-

1 ment to the credit under this section with respect to
2 such bond. In case of any such separation, the credit
3 under this section shall be allowed to the person
4 which, on the credit allowance date, holds the instru-
5 ment evidencing the entitlement to the credit and
6 not to the holder of the bond.

7 “(2) CERTAIN RULES TO APPLY.—In the case
8 of a separation described in paragraph (1), the rules
9 of section 1286 shall apply to the qualified renew-
10 able school energy bond as if it were a stripped bond
11 and to the credit under this section as if it were a
12 stripped coupon.

13 “(i) CREDIT TREATED AS NONREFUNDABLE BOND-
14 HOLDER CREDIT.—For purposes of this title, the credit
15 allowed by this section shall be treated as a credit allow-
16 able under subpart H of part IV of subchapter A of this
17 chapter.

18 “(j) SPECIAL RULES.—For purposes of this section,
19 rules similar to the rules under paragraphs (3) and (4)
20 of section 54(l) shall apply.”.

21 (b) CONFORMING AMENDMENTS.—The table of sec-
22 tions for part V of such subchapter is amended by redesign-
23 ating section 1397F as section 1397G and by adding at
24 the end of the table of sections for part IV of such sub-
25 chapter the following new item:

“Sec. 1397F. Credit for holders of qualified renewable school energy bonds.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to bonds issued after December
3 31, 2006.

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