To amend the Internal Revenue Code of 1986 to exclude interest on loans by depository institutions to qualified opportunity zone businesses from gross income, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 13, 2023

Mr. BARR 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 exclude interest on loans by depository institutions to qualified opportunity zone businesses from gross income, and for other purposes.

1. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

2. SECTION 1. SHORT TITLE.

3. This Act may be cited as the “Opportunity Zones Enhancement Act of 2023”.


SEC. 2. EXCLUSION FOR INTEREST ON LOANS TO QUALIFIED OPPORTUNITY ZONE BUSINESSES.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 139I the following new section:

“SEC. 139J. INTEREST ON LOANS TO QUALIFIED OPPORTUNITY ZONE BUSINESSES.

“(a) EXCLUSION.—Gross income shall not include an amount equal to so much of the interest received by a depository institution on any loan to a qualified borrower as does not exceed the lesser of—

“(1) the taxpayer’s retained earnings attributable to the taxable year, or

“(2) $5,000,000.

“(b) DEPOSITORY INSTITUTION.—For purposes of this section, the term ‘depository institution’ has the meaning given such term in section 3 of the Federal Deposit Insurance Act.

“(c) QUALIFIED BORROWER.—For purposes of this section, the term ‘qualified borrower’ means a borrower that at the time of origination of the loan is a qualified opportunity zone business (as defined in section 1400Z–2(d)).

“(d) RETAINED EARNINGS.—For purposes of this section, the term ‘retained earnings’ means the excess of the taxpayer’s earnings and profits (within the meaning
of section 316(a)(2)) for the taxable year over the dividends paid by the taxpayer during such taxable year.

“(e) **Inflation Adjustment.**—

“(1) **In general.**—In the case of any taxable year beginning after 2023, the dollar amounts in subsections (a)(2) and (c) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2022’ for ‘calendar year 2016’ in subparagraph (A)(ii).

“(2) **Rounding.**—Any amount under paragraph (1) shall be rounded to the nearest multiple of $1,000,000.

“(f) **Controlled Group.**—

“(1) **In general.**—In the case of a depository institution which is a member of a controlled group which includes one or more other depository institutions, such institutions shall for purposes of applying the dollar amounts in subsections (a) and (b) be treated as one depository institution.

“(2) **Definition.**—For purposes of this subsection, the term ‘controlled group’ means any group
treated as a single employer under subsection (b), (e), (m), or (o) of section 414.

“(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.

“(h) COORDINATION WITH SECTION 265.—Loans from a depository institution to a qualified borrower shall be treated as obligations described in section 265(a)(2) the interest on which is wholly exempt from the taxes imposed by this subtitle.”.

(b) CLERICAL AMENDMENT.—The table of sections for such part III is amended by inserting after the item relating to section 139I the following new item:

“Sec. 139J. Interest on loans to qualified opportunity zone businesses.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.