

108TH CONGRESS  
1ST SESSION

# H. R. 882

To amend the Internal Revenue Code of 1986 to modify the qualified small issue bond provisions.

---

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 2003

Mr. ENGLISH 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 modify the qualified small issue bond provisions.

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 “Bond Financing Re-  
5 newal Act of 2003”.

6 **SEC. 2. MODIFICATIONS TO SMALL ISSUE BOND PROVI-**  
7 **SIONS.**

8 (a) INCREASE IN AMOUNT OF QUALIFIED SMALL  
9 ISSUE BONDS PERMITTED FOR FACILITIES TO BE USED  
10 BY RELATED PRINCIPAL USERS.—

1           (1) IN GENERAL.—Clause (i) of section  
2           144(a)(4)(A) of the Internal Revenue Code of 1986  
3           (relating to \$10,000,000 limit in certain cases) is  
4           amended by striking “\$10,000,000” and inserting  
5           “\$20,000,000”.

6           (2) COST-OF-LIVING ADJUSTMENT.—Section  
7           144(a)(4) of such Code is amended by adding at the  
8           end the following:

9                   “(G) COST-OF-LIVING ADJUSTMENT.—In  
10           the case of a taxable year beginning in a cal-  
11           endar year after 2003, the \$20,000,000 amount  
12           under subparagraph (A) shall be increased by  
13           an amount equal to—

14                           “(i) such dollar amount, multiplied by  
15                           “(ii) the cost-of-living adjustment  
16           under section 1(f)(3) for the calendar year  
17           in which the taxable year begins, deter-  
18           mined by substituting ‘calendar year 2002’  
19           for ‘calendar year 1992’ in subparagraph  
20           (B) thereof.”.

21           (3) CLERICAL AMENDMENT.—The heading of  
22           paragraph (4) of section 144(a) of such Code is  
23           amended by striking “\$10,000,000” and inserting  
24           “\$20,000,000”.

1           (4) EFFECTIVE DATE.—The amendments made  
2 by this subsection shall apply to—

3           (A) obligations issued after the date of the  
4 enactment of this Act, and

5           (B) capital expenditures made after such  
6 date with respect to obligations issued on or be-  
7 fore such date.

8 (b) DEFINITION OF MANUFACTURING FACILITY.—

9           (1) IN GENERAL.—Section 144(a)(12)(C) of  
10 such Code (defining manufacturing facility) is  
11 amended to read as follows:

12           “(C) MANUFACTURING FACILITY.—For the  
13 purposes of this paragraph, the term ‘manufac-  
14 turing facility’ means any facility—

15           “(i) which is used in the manufacture  
16 of tangible personal property (including the  
17 processing resulting in a change in the  
18 condition of such property),

19           “(ii) which is used in the manufac-  
20 ture, development, or production of specifi-  
21 cally developed software products or proc-  
22 esses if—

23           “(I) it takes more than 6 months  
24 to develop or produce such products,

1                   “(II) the development or produc-  
2                   tion could not with due diligence be  
3                   reasonably expected to occur in less  
4                   than 6 months, and

5                   “(III) the software product or  
6                   process comprises programs, routines,  
7                   and attendant documentation devel-  
8                   oped and maintained for use in com-  
9                   puter and telecommunications tech-  
10                  nology, or

11                  “(iii) which is used in the manufac-  
12                  ture, development, or production of spe-  
13                  cially developed biobased or bioenergy  
14                  products or processes if—

15                  “(I) it takes more than 6 months  
16                  to develop or produce,

17                  “(II) the development or produc-  
18                  tion could not with due diligence be  
19                  reasonably expected to occur in less  
20                  than 6 months, and

21                  “(III) the biobased or bioenergy  
22                  product or process comprises prod-  
23                  ucts, processes, programs, routines,  
24                  and attendant documentation devel-  
25                  oped and maintained or the utilization

1 of biological materials in commercial  
2 or industrial products, or renewable  
3 domestic agricultural or forestry ma-  
4 terials in commercial or industrial  
5 products, or for the utilization of bio-  
6 mass materials.

7 “(D) RELATED FACILITY.—For purposes  
8 of subparagraph (C), the term ‘manufacturing  
9 facility’ includes facilities that are directly and  
10 functionally related to a manufacturing facility  
11 (determined without regard to this sentence)  
12 if—

13 “(i) such facilities, including an office  
14 facility and a research and development fa-  
15 cility, are located on the same site as the  
16 manufacturing facility, and

17 “(ii) not more than 40 percent of the  
18 net proceeds of the issue are used to pro-  
19 vide such facilities, but shall not include a  
20 facility solely for research and development  
21 activities.”.

22 (2) EFFECTIVE DATE.—The amendment made  
23 by this subsection shall apply to obligations issued  
24 after the date of the enactment of this Act.

1 **SEC. 3. ACQUISITION INTEREST EXPENSES OF FINANCIAL**  
2 **INSTITUTIONS FOR SMALL ISSUE BONDS**  
3 **MADE DEDUCTIBLE.**

4 (a) IN GENERAL.—Clause (ii) of section  
5 265(b)(3)(B) of the Internal Revenue Code of 1986 (relat-  
6 ing to certain bonds not treated as private activity bonds)  
7 is amended by striking “or” at the end of subclause (I),  
8 by striking the period at the end of subclause (II) and  
9 inserting “, or”, and by inserting after subclause (II) the  
10 following new subclause:

11 “(III) any obligation which is a  
12 qualified small issue bond described in  
13 section 144(a)(12)(B) if such obliga-  
14 tion is part of an issue the aggregate  
15 authorized face amount of which is  
16 less than \$2,000,000.”.

17 (b) EFFECTIVE DATE.—The amendment made by  
18 this section shall apply to obligations issued after the date  
19 of the enactment of this Act.

○