

Bond Case Briefs

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S. 2203 Would Permanently Extend Build America Bonds.

S. 2203, the Bolstering Our Nation's Deficient Structures (BONDS) Act of 2014, introduced by Sen. Edward J. Markey, D-Mass., would modify and permanently extend the tax treatment for some Build America Bonds.

113TH CONGRESS

2D SESSIONS. **2203**To amend the Internal Revenue Code of 1986 to permanently extend the tax treatment for certain build America bonds, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 3, 2014

Mr. MARKEY introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to permanently extend the tax treatment for certain build America bonds, and for other purposes.*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE.

This Act may be cited as the "Bolstering Our Nation's Deficient Structures Act of 2014" or the "BONDS Act".

SEC. 2. BUILD AMERICA BONDS MADE PERMANENT.

(a) IN GENERAL. — Subparagraph (B) of section 54AA(d)(1) of the Internal Revenue Code of 1986 is amended by inserting "or during a period beginning on or after the date of the enactment of the Bolstering Our Nation's Deficient Structures Act of 2014," after "January 1, 2011,".

(b) REDUCTION IN CREDIT PERCENTAGE TO BONDHOLDERS. — Subsection (b) of section 54AA of such Code is amended to read as follows:

"(b) AMOUNT OF CREDIT. —

"(1) IN GENERAL. — The amount of the credit determined under this subsection with respect to any interest payment date for a build America bond is the applicable percentage of the amount of interest payable by the issuer with respect to such date.

“(2) APPLICABLE PERCENTAGE. — For purposes of paragraph (1), the applicable percentage shall be determined under the following table:

"In the case of a bond issued during calendar year:	The applicable percentage is:
2009 or 2010	35
2014	31
2015	30
2016	29
2017 and thereafter	28."

(c) SPECIAL RULES. — Subsection (f) of section 54AA of such Code is amended by adding at the end the following new paragraph:

“(3) APPLICATION OF OTHER RULES. —

“(A) IN GENERAL. — Notwithstanding any other provision of law, a build America bond shall be considered a recovery zone economic development bond (as defined in section 1400U-2) for purposes of application of section 1601 of title I of division B of Public Law 111-5 (26 U.S.C. 54C note).

“(B) PUBLIC TRANSPORTATION PROJECTS. — Recipients of any financial assistance authorized under this section that funds public transportation projects, as defined in Title 49, United States Code, must comply with the grant requirements described under section 5309 of such title.”.

(d) EXTENSION OF PAYMENTS TO ISSUERS. —

(1) IN GENERAL. — Section 6431 of such Code is amended —

(A) by inserting “or during a period beginning on or after the date of the enactment of the Bolstering Our Nation’s Deficient Structures Act of 2014,” after “January 1, 2011,” in subsection (a), and

(B) by striking “before January 1, 2011” in subsection (f)(1)(B) and inserting “during a particular period”.

(2) CONFORMING AMENDMENTS. — Subsection (g) of section 54AA of such Code is amended —

(A) by inserting “or during a period beginning on or after the date of the enactment of the Bolstering Our Nation’s Deficient Structures Act of 2014,” after “January 1, 2011,” and

(B) by striking “QUALIFIED BONDS ISSUED BEFORE 2011” in the heading and inserting “CERTAIN QUALIFIED BONDS”.

(e) REDUCTION IN PERCENTAGE OF PAYMENTS TO ISSUERS. — Subsection (b) of section 6431 of such Code is amended —

(1) by striking “The Secretary” and inserting the following:

“(1) IN GENERAL. — The Secretary”,

(2) by striking “35 percent” and inserting “the applicable percentage”, and

(3) by adding at the end the following new paragraph:

“(2) APPLICABLE PERCENTAGE. — For purposes of this subsection, the term ‘applicable percentage’ means the percentage determined in accordance with the following table:

"In the case of a qualified bond issued during calendar year:	The applicable percentage is:
2009 or 2010	35
2014	31
2015	30
2016	29
2017 and thereafter	28."

(f) CURRENT REFUNDINGS PERMITTED. — Subsection (g) of section 54AA of such Code is amended by adding at the end the following new paragraph:

“(3) TREATMENT OF CURRENT REFUNDING BONDS. —

“(A) IN GENERAL. — For purposes of this subsection, the term ‘qualified bond’ includes any bond (or series of bonds) issued to refund a qualified bond if —

“(i) the average maturity date of the issue of which the refunding bond is a part is not later than the average maturity date of the bonds to be refunded by such issue,

“(ii) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, and

“(iii) the refunded bond is redeemed not later than 90 days after the date of the issuance of the refunding bond.

“(B) APPLICABLE PERCENTAGE. — In the case of a refunding bond referred to in subparagraph (A), the applicable percentage with respect to such bond under section 6431(b) shall be the lowest percentage specified in paragraph (2) of such section.

“(C) DETERMINATION OF AVERAGE MATURITY. — For purposes of subparagraph (A)(i), average maturity shall be determined in accordance with section 147(b)(2)(A).

“(D) ISSUANCE RESTRICTION NOT APPLICABLE. — Subsection (d)(1)(B) shall not apply to a refunding bond referred to in subparagraph (A).”.

(g) CLARIFICATION RELATED TO LEVEES AND FLOOD CONTROL PROJECTS. — Subparagraph (A) of section 54AA(g)(2) of such Code is amended by inserting “(including capital expenditures for levees and other flood control projects)” after “capital expenditures”.

(h) GROSS-UP OF PAYMENT TO ISSUERS IN CASE OF SEQUESTRATION. — In the case of any payment under section 6431(b) of the Internal Revenue Code of 1986 made after the date of the enactment of this Act to which sequestration applies, the amount of such payment shall be increased to an amount equal to —

(1) such payment (determined before such sequestration), multiplied by

(2) the quotient obtained by dividing 1 by the amount by which 1 exceeds the percentage reduction in such payment pursuant to such sequestration.

For purposes of this subsection, the term 'sequestration' means any reduction in direct spending ordered in accordance with a sequestration report prepared by the Director of the Office and Management and Budget pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 or the Statutory Pay-As-You-Go Act of 2010.

(i) EFFECTIVE DATE. — The amendments made by this section shall apply to obligations issued on or after the date of the enactment of this Act.