

112TH CONGRESS  
1ST SESSION

# S. 1016

To amend the Internal Revenue Code of 1986 to permanently modify the limitations on the deduction of interest by financial institutions which hold tax-exempt bonds, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MAY 17, 2011

Mr. BINGAMAN (for himself, Mr. CRAPO, Mr. KERRY, Ms. SNOWE, Mr. CARDIN, and Mr. GRASSLEY) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to permanently modify the limitations on the deduction of interest by financial institutions which hold tax-exempt bonds, 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 “Municipal Bond Mar-  
5 ket Support Act of 2011”.

1 **SEC. 2. PERMANENT MODIFICATION OF SMALL ISSUER EX-**  
 2 **CEPTION TO TAX-EXEMPT INTEREST EX-**  
 3 **PENSE ALLOCATION RULES FOR FINANCIAL**  
 4 **INSTITUTIONS.**

5 (a) PERMANENT INCREASE IN LIMITATION.—Sub-  
 6 paragraphs (C)(i), (D)(i), and (D)(iii)(II) of section  
 7 265(b)(3) of the Internal Revenue Code of 1986 are each  
 8 amended by striking “\$10,000,000” and inserting  
 9 “\$30,000,000”.

10 (b) PERMANENT MODIFICATION OF OTHER SPECIAL  
 11 RULES.—Paragraph (3) of section 265(b) of the Internal  
 12 Revenue Code of 1986 is amended—

13 (1) by redesignating clauses (iv), (v), and (vi)  
 14 of subparagraph (G) as clauses (ii), (iii), and (iv) of  
 15 such subparagraph, respectively, and

16 (2) by striking so much of subparagraph (G) as  
 17 precedes such clauses and inserting the following:

18 “(G) QUALIFIED 501(c)(3) BONDS TREAT-  
 19 ED AS ISSUED BY EXEMPT ORGANIZATION.—In  
 20 the case of a qualified 501(c)(3) bond (as de-  
 21 fined in section 145), this paragraph shall be  
 22 applied by treating the 501(c)(3) organization  
 23 for whose benefit such bond was issued as the  
 24 issuer.

25 “(H) SPECIAL RULE FOR QUALIFIED  
 26 FINANCINGS.—

1                   “(i) IN GENERAL.—In the case of a  
2                   qualified financing issue—

3                                 “(I) subparagraph (F) shall not  
4                   apply, and

5                                 “(II) any obligation issued as a  
6                   part of such issue shall be treated as  
7                   a qualified tax-exempt obligation if  
8                   the requirements of this paragraph  
9                   are met with respect to each qualified  
10                  portion of the issue (determined by  
11                  treating each qualified portion as a  
12                  separate issue which is issued by the  
13                  qualified borrower with respect to  
14                  which such portion relates).”.

15           (c) INFLATION ADJUSTMENT.—Paragraph (3) of sec-  
16   tion 265(b) of the Internal Revenue Code of 1986, as  
17   amended by subsection (b), is amended by adding at the  
18   end the following new subparagraph:

19                                 “(I) INFLATION ADJUSTMENT.—In the  
20                   case of any calendar year after 2011, the  
21                   \$30,000,000 amounts contained in subpara-  
22                   graphs (C)(i), (D)(i), and (D)(iii)(II) shall each  
23                   be increased by an amount equal to—

24                                 “(i) such dollar amount, multiplied by

1                   “(ii) the cost-of-living adjustment de-  
2                   termined under section 1(f)(3) for such  
3                   calendar year, determined by substituting  
4                   ‘calendar year 2010’ for ‘calendar year  
5                   1992’ in subparagraph (B) thereof.

6                   Any increase determined under the preceding  
7                   sentence shall be rounded to the nearest mul-  
8                   tiple of \$100,000.”.

9                   (d) EFFECTIVE DATE.—The amendments made by  
10                  this section shall apply to obligations issued after the date  
11                  of the enactment of this Act.

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