II

118TH CONGRESS
1ST SESSION

S. 2723

To amend the Internal Revenue Code of 1986 to modify certain rules applicable to qualified small issue manufacturing bonds, to expand certain exceptions to the private activity bond rules for first-time farmers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 5, 2023

Mr. BROWN (for himself and Ms. ERNST) 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 modify certain rules applicable to qualified small issue manufacturing bonds, to expand certain exceptions to the private activity bond rules for first-time farmers, 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 ''Modernizing Agricultural and Manufacturing Bonds Act''.

SEC. 2. MODIFICATIONS TO QUALIFIED SMALL ISSUE BONDS.

(a) MANUFACTURING FACILITIES TO INCLUDE PRODUCTION OF INTANGIBLE PROPERTY AND FUNCTIONALLY RELATED FACILITIES.—Subparagraph (C) of section 144(a)(12) of the Internal Revenue Code of 1986 is amended to read as follows:

"(C) MANUFACTURING FACILITY.—For purposes of this paragraph—

"(i) IN GENERAL.—The term 'manufacturing facility' means any facility which—

"(I) is used in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property),

"(II) is used in the creation or production of intangible property which is described in section 197(d)(1)(C)(iii), or

"(III) is functionally related and subordinate to a facility described in subclause (I) or (II) if such facility is located on the same site as the facility described in subclause (I) or (II).

"(ii) CERTAIN FACILITIES INCLUDED.—The term 'manufacturing facility' includes facilities that are directly related and ancillary to a manufacturing facility (determined without regard to this clause) if—

"(I) those facilities are located on the same site as the manufacturing facility, and

"(II) not more than 25 percent of the net proceeds of the issue are used to provide those facilities.

"(iii) LIMITATION ON OFFICE SPACE.—A rule similar to the rule of section 142(b)(2) shall apply for purposes of clause (i).

"(iv) LIMITATION ON REFUNDINGS FOR CERTAIN PROPERTY.—Subclauses (II) and (III) of clause (i) shall not apply to any bond issued on or before the date of the enactment of the Modernizing Agricultural and Manufacturing Bonds Act, or to any bond issued to refund a bond issued on or before such date (other than a bond to which clause (iii) of this subparagraph (as in effect before the date of the enactment of the Modernizing Agricultural and Manufacturing Bonds Act applies)), either directly or in a series of refundings.''.

(b) INCREASE IN LIMITATIONS.—

(1) IN GENERAL.—Section 144(a)(4) of such Code is amended—

(A) in subparagraph (A)(i), by striking ''$10,000,000'' and inserting ''$30,000,000'', and

(B) in the heading, by striking ''$10,000,000'' and inserting ''$30,000,000''.

(2) INCREASE IN ADDITIONAL CAPITAL EXPENDITURES NOT TAKEN INTO ACCOUNT.—Section 144(a)(4)(G) of such Code is amended by inserting ''$30,000,000, in the case of bonds issued after the date of the enactment of the Modernizing Agricultural and Manufacturing Bonds Act''.

(3) INCREASE IN AGGREGATE LIMIT PER TAXPAYER.—Section 144(a)(10)(A) of such Code is amended by striking ''$40,000,000'' and inserting ''$120,000,000''.

(4) ADJUSTMENT FOR INFLATION.—Section 144(a) of the Internal Revenue Code of 1986 is

amended by adding at the end the following new paragraph:

"(13) ADJUSTMENT FOR INFLATION.—In the case of any calendar year after 2023, the $30,000,000 amounts in paragraph (4)(A), the $30,000,000 amount in paragraph (4)(G), and the $120,000,000 amount in paragraph (10)(A) shall each 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, determined by substituting 'calendar year 2022' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

If any amount as increased under the preceding sentence is not a multiple of $100,000, such amount shall be rounded to the nearest multiple of $100,000.".

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

SEC. 3. EXPANSION OF CERTAIN EXCEPTIONS TO THE PRIVATE ACTIVITY BOND RULES FOR FIRST-TIME FARMERS.

(a) INCREASE IN DOLLAR LIMITATION.—

(1) In general.—Section 147(c)(2)(A) of the Internal Revenue Code of 1986 is amended by striking "$450,000" and inserting "$1,000,000".

(2) Repeal of separate lower dollar limitation on used farm equipment.—Section 147(c)(2) of such Code is amended by striking subparagraph (F) and by redesignating subparagraphs (G) and (H) as subparagraphs (F) and (G), respectively.

(3) Qualified small issue bond limitation conformed to increased dollar limitation.—Section 144(a)(11)(A) of such Code is amended by striking "$250,000" and inserting "$1,000,000".

(4) Inflation adjustment.—

(A) In general.—Section 147(c)(2)(G) of such Code, as redesignated by paragraph (2), is amended—

(i) by striking "after 2008, the dollar amount in subparagraph (A) shall be increased" and inserting "after 2024, the dollar amounts in subparagraph (A) and section 144(a)(11)(A) shall each be increased",

(ii) in clause (ii), by striking "2007" and inserting "2023", and

(iii) in the last sentence, by striking "$100" each place it appears and inserting "$10,000".

(B) CROSS-REFERENCE.—Section 144(a)(11) of such Code is amended by adding at the end the following new subparagraph:

"(D) INFLATION ADJUSTMENT.—For inflation adjustment of dollar amount contained in subparagraph (A), see section 147(c)(2)(G).".

(b) SUBSTANTIAL FARMLAND DETERMINED ON BASIS OF AVERAGE RATHER THAN MEDIAN FARM SIZE.—Section 147(c)(2)(E) of such Code is amended by striking "median" and inserting "average".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after December 31, 2023.

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