

.....  
(Original Signature of Member)

118TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to provide a credit for American infrastructure bonds, and for other purposes.

\_\_\_\_\_  
IN THE HOUSE OF REPRESENTATIVES

Ms. SEWELL introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Internal Revenue Code of 1986 to provide a credit for American infrastructure 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 “Local Infrastructure  
5 Financing Tools Act”, or the “LIFT Act”.

1 **SEC. 2. CREDIT TO ISSUER FOR CERTAIN INFRASTRUC-**  
 2 **TURE BONDS.**

3 (a) IN GENERAL.—Subchapter B of chapter 65 of the  
 4 Internal Revenue Code of 1986 is amended by adding at  
 5 the end the following new section:

6 **“SEC. 6431A. CREDIT ALLOWED TO ISSUER FOR AMERICAN**  
 7 **INFRASTRUCTURE BONDS.**

8 “(a) IN GENERAL.—In the case of an American in-  
 9 frastructure bond, the issuer of such bond shall be allowed  
 10 a credit with respect to each interest payment under such  
 11 bond which shall be payable by the Secretary as provided  
 12 in subsection (b).

13 “(b) PAYMENT OF CREDIT.—

14 “(1) IN GENERAL.—The Secretary shall pay  
 15 (contemporaneously with each date on which interest  
 16 is so payable) to the issuer of such bond (or to any  
 17 person who makes such interest payments on behalf  
 18 of such issuer) an amount equal to the applicable  
 19 percentage of such interest so payable.

20 “(2) APPLICABLE PERCENTAGE.—For purposes  
 21 of this subsection, except as provided in subsection  
 22 (d), the applicable percentage with respect to any  
 23 bond shall be determined under the following table:

<b>“In the case of a bond issued during calendar year:</b>	<b>The applicable percentage is:</b>
2024 through 2028 .....	42%
2029 .....	38%

<b>“In the case of a bond issued during calendar year:</b>	<b>The applicable percentage is:</b>
2030 .....	34%
2031 and thereafter .....	30%.

1           “(3) LIMITATION.—

2                   “(A) IN GENERAL.—The amount of any  
3           interest payment taken into account under  
4           paragraph (1) with respect to a bond for any  
5           payment date shall not exceed the amount of  
6           interest which would have been payable under  
7           such bond on such date if such interest were  
8           determined at the rate which the Secretary esti-  
9           mates will permit the issuance of American in-  
10          frastructure bonds with a specified maturity or  
11          redemption date without discount and without  
12          additional interest cost.

13                   “(B) DATE OF RATE DETERMINATION  
14          WITH RESPECT TO BOND.—Such rate with re-  
15          spect to any American infrastructure bond shall  
16          be determined as of the first day on which there  
17          is a binding, written contract for the sale or ex-  
18          change of the bond.

19          “(c) AMERICAN INFRASTRUCTURE BOND.—

20                   “(1) IN GENERAL.—For purposes of this sec-  
21          tion, the term ‘American infrastructure bond’ means  
22          any bond (other than a private activity bond) issued  
23          as part of an issue if—

1           “(A) 100 percent of the available project  
2 proceeds of such issue are to be used for capital  
3 expenditures or operations and maintenance ex-  
4 penditures in connection with property the ac-  
5 quisition, construction, or improvement of  
6 which would be a capital expenditure,

7           “(B) the interest on such bond would (but  
8 for this section) be excludable from gross in-  
9 come under section 103,

10           “(C) the issue price has not more than a  
11 de minimis amount (determined under rules  
12 similar to the rules of section 1273(a)(3)) of  
13 premium over the stated principal amount of  
14 the bond, and

15           “(D) prior to the issuance of such bond,  
16 the issuer makes an irrevocable election to have  
17 this section apply.

18           “(2) APPLICABLE RULES.—For purposes of ap-  
19 plying paragraph (1)—

20           “(A) NOT TREATED AS FEDERALLY GUAR-  
21 ANTEED.—For purposes of section 149(b), an  
22 American infrastructure bond shall not be  
23 treated as federally guaranteed by reason of the  
24 credit allowed under this section.

1                   “(B) APPLICATION OF ARBITRAGE  
2                   RULES.—For purposes of section 148, the yield  
3                   on an American infrastructure bond shall be re-  
4                   duced by the credit allowed under this section.

5                   “(d) DEFINITION AND SPECIAL RULES.—For pur-  
6                   poses of this section—

7                   “(1) INTEREST INCLUDIBLE IN GROSS IN-  
8                   COME.—For purposes of this title, interest on any  
9                   American infrastructure bond shall be includible in  
10                  gross income.

11                  “(2) AVAILABLE PROJECT PROCEEDS.—The  
12                  term ‘available project proceeds’ means—

13                         “(A) the excess of—

14                                 “(i) the proceeds from the sale of an  
15                                 issue, over

16                                 “(ii) the sum of—

17   “(I) issuance costs financed by  
18   the issue (the extent that such costs  
19   do not exceed 2 percent of such pro-  
20   ceeds), and

21   “(II) amounts in a reasonably re-  
22   quired reserve (within the meaning of  
23   section 150(a)(3)) with respect to  
24   such issue), and

1           “(B) the proceeds from any investment of  
2 the excess described in clause (i).

3           “(3) CURRENT REFUNDINGS ALLOWED.—

4           “(A) IN GENERAL.—In the case of a bond  
5 issued to refund an American infrastructure  
6 bond, such refunding bond shall be treated as  
7 an American infrastructure bond for purposes  
8 of this section if—

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

13           “(ii) the amount of the refunding  
14 bond does not exceed the outstanding  
15 amount of the refunded bond,

16           “(iii) the refunded bond is redeemed  
17 not later than 90 days after the date of the  
18 issuance of the refunding bond, and

19           “(iv) the refunded bond was issued  
20 more than 30 days after the date of the  
21 enactment of this section.

22           “(B) APPLICABLE PERCENTAGE LIMITA-  
23 TION.—The applicable percentage with respect  
24 to any bond to which subparagraph (A) applies  
25 shall be 30 percent.

1           “(C) DETERMINATION OF AVERAGE MATU-  
2           RITY.—For purposes of subparagraph (A)(i),  
3           average maturity shall be determined in accord-  
4           ance with section 147(b)(2)(A).

5           “(D) APPLICATION OF DAVIS-BACON ACT  
6           REQUIREMENTS WITH RESPECT TO AMERICAN  
7           INFRASTRUCTURE BONDS.—Subchapter IV of  
8           chapter 31 of the title 40, United States Code,  
9           shall apply to projects financed with the pro-  
10          ceeds of American infrastructure bonds.

11          “(e) REGULATIONS.—The Secretary may prescribe  
12          such regulations and other guidance as may be necessary  
13          or appropriate to carry out this section.”.

14          (b) CONFORMING AMENDMENTS.—

15                 (1) Section 1324(b)(2) of title 31, United  
16                 States Code, is amended by striking “or 6431” and  
17                 inserting “6431, or 6431A”.

18                 (2) The table of sections for subchapter B of  
19                 chapter 65 of the Internal Revenue Code of 1986 is  
20                 amended by adding at the end the following new  
21                 item:

                  “Sec. 6431A. Credit allowed to issuer for American infrastructure bonds.”.

22          (c) EFFECTIVE DATE.—The amendments made by  
23          this section shall apply to bonds issued more than 30 days  
24          after the date of the enactment of this Act.

1 **SEC. 3. ADVANCE REFUNDING BONDS.**

2 (a) IN GENERAL.—Section 149(d) of the Internal  
3 Revenue Code of 1986 is amended—

4 (1) by striking “to advance refund another  
5 bond.” in paragraph (1) and inserting “as part of  
6 an issue described in paragraph (2), (3), or (4).”,

7 (2) by redesignating paragraphs (2) and (3) as  
8 paragraphs (5) and (7), respectively,

9 (3) by inserting after paragraph (1) the fol-  
10 lowing new paragraphs:

11 “(2) CERTAIN PRIVATE ACTIVITY BONDS.—An  
12 issue is described in this paragraph if any bond  
13 (issued as part of such issue) is issued to advance  
14 refund a private activity bond (other than a qualified  
15 501(c)(3) bond).

16 “(3) OTHER BONDS.—

17 “(A) IN GENERAL.—An issue is described  
18 in this paragraph if any bond (issued as part of  
19 such issue), hereinafter in this paragraph re-  
20 ferred to as the ‘refunding bond’, is issued to  
21 advance refund a bond unless—

22 “(i) the refunding bond is only—

23 “(I) the first advance refunding  
24 of the original bond if the original  
25 bond is issued after 1985, or



1                   “(II) the first or second advance  
2                   refunding of the original bond if the  
3                   original bond was issued before 1986,

4                   “(ii) in the case of refunded bonds  
5                   issued before 1986, the refunded bond is  
6                   redeemed not later than the earliest date  
7                   on which such bond may be redeemed at  
8                   par or at a premium of 3 percent or less,

9                   “(iii) in the case of refunded bonds  
10                  issued after 1985, the refunded bond is re-  
11                  deemed not later than the earliest date on  
12                  which such bond may be redeemed,

13                  “(iv) the initial temporary period  
14                  under section 148(c) ends—

15                  “(I) with respect to the proceeds  
16                  of the refunding bond not later than  
17                  30 days after the date of issue of such  
18                  bond, and

19                  “(II) with respect to the proceeds  
20                  of the refunded bond on the date of  
21                  issue of the refunding bond, and

22                  “(v) in the case of refunded bonds to  
23                  which section 148(e) did not apply, on and  
24                  after the date of issue of the refunding  
25                  bond, the amount of proceeds of the re-

1 funded bond invested in higher yielding in-  
2 vestments (as defined in section 148(b))  
3 which are nonpurpose investments (as de-  
4 fined in section 148(f)(6)(A)) does not ex-  
5 ceed—

6 “(I) the amount so invested as  
7 part of a reasonably required reserve  
8 or replacement fund or during an al-  
9 lowable temporary period, and

10 “(II) the amount which is equal  
11 to the lesser of 5 percent of the pro-  
12 ceeds of the issue of which the re-  
13 funded bond is a part or \$100,000 (to  
14 the extent such amount is allocable to  
15 the refunded bond).

16 “(B) SPECIAL RULES FOR REDEMP-  
17 TIONS.—

18 “(i) ISSUER MUST REDEEM ONLY IF  
19 DEBT SERVICE SAVINGS.—Clause (ii) and  
20 (iii) of subparagraph (A) shall apply only  
21 if the issuer may realize present value debt  
22 service savings (determined without regard  
23 to administrative expenses) in connection  
24 with the issue of which the refunding bond  
25 is a part.

1                   “(ii) REDEMPTIONS NOT REQUIRED  
2                   BEFORE 90TH DAY.—For purposes of  
3                   clauses (ii) and (iii) of subparagraph (A),  
4                   the earliest date referred to in such clauses  
5                   shall not be earlier than the 90th day after  
6                   the date of issuance of the refunding bond.

7                   “(4) ABUSIVE TRANSACTIONS PROHIBITED.—  
8                   An issue is described in this paragraph if any bond  
9                   (issued as part of such issue) is issued to advance  
10                  refund another bond and a device is employed in  
11                  connection with the issuance of such issue to obtain  
12                  a material financial advantage (based on arbitrage)  
13                  apart from savings attributable to lower interest  
14                  rates.”, and

15                  (4) by inserting after paragraph (5) (as so re-  
16                  designated) the following new paragraph:

17                  “(6) SPECIAL RULES FOR PURPOSES OF PARA-  
18                  GRAPH (3).—For purposes of paragraph (3), bonds  
19                  issued before October 22, 1986, shall be taken into  
20                  account under subparagraph (A)(i) thereof except—

21                         “(A) a refunding which occurred before  
22                         1986 shall be treated as an advance refunding  
23                         only if the refunding bond was issued more  
24                         than 180 days before the redemption of the re-  
25                         funded bond, and

1           “(B) a bond issued before 1986, shall be  
2           treated as advance refunded no more than once  
3           before March 15, 1986.”.

4           (b)       CONFORMING        AMENDMENT.—Section  
5   148(f)(4)(C) of such Code is amended by redesignating  
6   clauses (xiv) through (xvi) as clauses (xv) to (xvii), respec-  
7   tively, and by inserting after clause (xiii) the following new  
8   clause:

9                       “(xiv) DETERMINATION OF INITIAL  
10                      TEMPORARY PERIOD.—For purposes of  
11                      this subparagraph, the end of the initial  
12                      section temporary period shall be deter-  
13                      mined without regard to section  
14                      149(d)(3)(A)(iv).”.

15       (c) EFFECTIVE DATE.—The amendments made by  
16   this section shall apply to advance refunding bonds issued  
17   more than 30 days after the date of the enactment of this  
18   Act.

19   **SEC. 4. PERMANENT MODIFICATION OF SMALL ISSUER EX-**  
20                      **CEPTION TO TAX-EXEMPT INTEREST EX-**  
21                      **PENSE ALLOCATION RULES FOR FINANCIAL**  
22                      **INSTITUTIONS.**

23       (a) PERMANENT INCREASE IN LIMITATION.—Sub-  
24   paragraphs (C)(i), (D)(i), and (D)(iii)(II) of section  
25   265(b)(3) of the Internal Revenue Code of 1986 are each

1 amended by striking “\$10,000,000” and inserting  
2 “\$30,000,000”.

3 (b) PERMANENT MODIFICATION OF OTHER SPECIAL  
4 RULES.—Section 265(b)(3) of such Code is amended—

5 (1) by redesignating clauses (iv), (v), and (vi)  
6 of subparagraph (G) as clauses (ii), (iii), and (iv),  
7 respectively, and moving such clauses to the end of  
8 subparagraph (H) (as added by paragraph (2)), and

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

11 “(G) QUALIFIED 501(c)(3) BONDS TREATED  
12 AS ISSUED BY EXEMPT ORGANIZATION.—In the  
13 case of a qualified 501(c)(3) bond (as defined  
14 in section 145), this paragraph shall be applied  
15 by treating the 501(c)(3) organization for  
16 whose benefit such bond was issued as the  
17 issuer.

18 “(H) SPECIAL RULE FOR QUALIFIED  
19 FINANCINGS.—

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

22 “(I) subparagraph (F) shall not  
23 apply, and

24 “(II) any obligation issued as a  
25 part of such issue shall be treated as

1 a qualified tax-exempt obligation if  
2 the requirements of this paragraph  
3 are met with respect to each qualified  
4 portion of the issue (determined by  
5 treating each qualified portion as a  
6 separate issue which is issued by the  
7 qualified borrower with respect to  
8 which such portion relates).”.

9 (c) INFLATION ADJUSTMENT.—Section 265(b)(3) of  
10 such Code, as amended by subsection (b), is amended by  
11 adding at the end the following new subparagraph:

12 “(I) INFLATION ADJUSTMENT.—In the  
13 case of any calendar year after 2024, the  
14 \$30,000,000 amounts contained in subpara-  
15 graphs (C)(i), (D)(i), and (D)(iii)(II) shall each  
16 be increased by an amount equal to—

17 “(i) such dollar amount, multiplied by

18 “(ii) the cost-of-living adjustment de-  
19 termined under section 1(f)(3) for such  
20 calendar year, determined by substituting  
21 ‘calendar year 2023’ for ‘calendar year  
22 2016’ in subparagraph (A)(ii) thereof.

23 Any increase determined under the preceding  
24 sentence shall be rounded to the nearest mul-  
25 tiple of \$100,000.”.

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