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(Original Signature of Member)

116TH CONGRESS
1ST SESSION

H. R. _____

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.

IN THE HOUSE OF REPRESENTATIVES

Ms. SEWELL of Alabama introduced the following bill; which was referred to the Committee on _____

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 2019”.

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.—Section 265(b)(3) of such Code is amended—

12 (1) by redesignating clauses (iv), (v), and (vi)
13 of subparagraph (G) as clauses (ii), (iii), and (iv),
14 respectively, and moving such clauses to the end of
15 subparagraph (H) (as added by paragraph (2)), 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 TREATED
19 AS ISSUED BY EXEMPT ORGANIZATION.—In the
20 case of a qualified 501(c)(3) bond (as defined
21 in section 145), this paragraph shall be applied
22 by treating the 501(c)(3) organization for
23 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.—Section 265(b)(3) of
16 such Code, as amended by subsection (b), is amended by
17 adding at the end the following new subparagraph:

18 “(I) INFLATION ADJUSTMENT.—In the
19 case of any calendar year after 2019, the
20 \$30,000,000 amounts contained in subpara-
21 graphs (C)(i), (D)(i), and (D)(iii)(II) shall each
22 be increased by an amount equal to—

23 “(i) such dollar amount, multiplied by

24 “(ii) the cost-of-living adjustment de-
25 termined under section 1(f)(3) for such

1 calendar year, determined by substituting
2 ‘calendar year 2018’ for ‘calendar year
3 2016’ in subparagraph (A)(ii) thereof.

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

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