

118TH CONGRESS
2D SESSION

H. R. 8396

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

MAY 14, 2024

Ms. SEWELL introduced the following bill; which was referred to the Committee on Ways and Means

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”.

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

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

1 **“SEC. 6431A. CREDIT ALLOWED TO ISSUER FOR AMERICAN**
 2 **INFRASTRUCTURE BONDS.**

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

8 “(b) PAYMENT OF CREDIT.—

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

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

“In the case of a bond issued during calendar year:	The applicable percentage is:
2024 through 2028	42%
2029	38%
2030	34%
2031 and thereafter	30%.

19 “(3) LIMITATION.—

20 “(A) IN GENERAL.—The amount of any
 21 interest payment taken into account under
 22 paragraph (1) with respect to a bond for any

1 payment date shall not exceed the amount of
2 interest which would have been payable under
3 such bond on such date if such interest were
4 determined at the rate which the Secretary esti-
5 mates will permit the issuance of American in-
6 frastructure bonds with a specified maturity or
7 redemption date without discount and without
8 additional interest cost.

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

15 “(c) AMERICAN INFRASTRUCTURE BOND.—

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

20 “(A) 100 percent of the available project
21 proceeds of such issue are to be used for capital
22 expenditures or operations and maintenance ex-
23 penditures in connection with property the ac-
24 quisition, construction, or improvement of
25 which would be a capital expenditure,

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

4 “(C) the issue price has not more than a
5 de minimis amount (determined under rules
6 similar to the rules of section 1273(a)(3)) of
7 premium over the stated principal amount of
8 the bond, and

9 “(D) prior to the issuance of such bond,
10 the issuer makes an irrevocable election to have
11 this section apply.

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

14 “(A) NOT TREATED AS FEDERALLY GUAR-
15 ANTEED.—For purposes of section 149(b), an
16 American infrastructure bond shall not be
17 treated as federally guaranteed by reason of the
18 credit allowed under this section.

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

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

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

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

7 “(A) the excess of—

8 “(i) the proceeds from the sale of an
9 issue, over

10 “(ii) the sum of—

11 “(I) issuance costs financed by
12 the issue (the extent that such costs
13 do not exceed 2 percent of such pro-
14 ceeds), and

15 “(II) amounts in a reasonably re-
16 quired reserve (within the meaning of
17 section 150(a)(3)) with respect to
18 such issue), and

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

21 “(3) CURRENT REFUNDINGS ALLOWED.—

22 “(A) IN GENERAL.—In the case of a bond
23 issued to refund an American infrastructure
24 bond, such refunding bond shall be treated as

1 an American infrastructure bond for purposes
2 of this section if—

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

7 “(ii) the amount of the refunding
8 bond does not exceed the outstanding
9 amount of the refunded bond,

10 “(iii) the refunded bond is redeemed
11 not later than 90 days after the date of the
12 issuance of the refunding bond, and

13 “(iv) the refunded bond was issued
14 more than 30 days after the date of the
15 enactment of this section.

16 “(B) APPLICABLE PERCENTAGE LIMITA-
17 TION.—The applicable percentage with respect
18 to any bond to which subparagraph (A) applies
19 shall be 30 percent.

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

24 “(D) APPLICATION OF DAVIS-BACON ACT
25 REQUIREMENTS WITH RESPECT TO AMERICAN

1 INFRASTRUCTURE BONDS.—Subchapter IV of
2 chapter 31 of the title 40, United States Code,
3 shall apply to projects financed with the pro-
4 ceeds of American infrastructure bonds.

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

8 (b) CONFORMING AMENDMENTS.—

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

12 (2) The table of sections for subchapter B of
13 chapter 65 of the Internal Revenue Code of 1986 is
14 amended by adding at the end the following new
15 item:

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

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

19 **SEC. 3. ADVANCE REFUNDING BONDS.**

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

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

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

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

5 “(2) CERTAIN PRIVATE ACTIVITY BONDS.—An
6 issue is described in this paragraph if any bond
7 (issued as part of such issue) is issued to advance
8 refund a private activity bond (other than a qualified
9 501(c)(3) bond).

10 “(3) OTHER BONDS.—

11 “(A) IN GENERAL.—An issue is described
12 in this paragraph if any bond (issued as part of
13 such issue), hereinafter in this paragraph re-
14 ferred to as the ‘refunding bond’, is issued to
15 advance refund a bond unless—

16 “(i) the refunding bond is only—

17 “(I) the first advance refunding
18 of the original bond if the original
19 bond is issued after 1985, or

20 “(II) the first or second advance
21 refunding of the original bond if the
22 original bond was issued before 1986,

23 “(ii) in the case of refunded bonds
24 issued before 1986, the refunded bond is
25 redeemed not later than the earliest date

1 on which such bond may be redeemed at
2 par or at a premium of 3 percent or less,

3 “(iii) in the case of refunded bonds
4 issued after 1985, the refunded bond is re-
5 deemed not later than the earliest date on
6 which such bond may be redeemed,

7 “(iv) the initial temporary period
8 under section 148(c) ends—

9 “(I) with respect to the proceeds
10 of the refunding bond not later than
11 30 days after the date of issue of such
12 bond, and

13 “(II) with respect to the proceeds
14 of the refunded bond on the date of
15 issue of the refunding bond, and

16 “(v) in the case of refunded bonds to
17 which section 148(e) did not apply, on and
18 after the date of issue of the refunding
19 bond, the amount of proceeds of the re-
20 funded bond invested in higher yielding in-
21 vestments (as defined in section 148(b))
22 which are nonpurpose investments (as de-
23 fined in section 148(f)(6)(A)) does not ex-
24 ceed—

1 “(I) the amount so invested as
2 part of a reasonably required reserve
3 or replacement fund or during an al-
4 lowable temporary period, and

5 “(II) the amount which is equal
6 to the lesser of 5 percent of the pro-
7 ceeds of the issue of which the re-
8 funded bond is a part or \$100,000 (to
9 the extent such amount is allocable to
10 the refunded bond).

11 “(B) SPECIAL RULES FOR REDEMP-
12 TIONS.—

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

21 “(ii) REDEMPTIONS NOT REQUIRED
22 BEFORE 90TH DAY.—For purposes of
23 clauses (ii) and (iii) of subparagraph (A),
24 the earliest date referred to in such clauses

1 shall not be earlier than the 90th day after
2 the date of issuance of the refunding bond.

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

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

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

17 “(A) a refunding which occurred before
18 1986 shall be treated as an advance refunding
19 only if the refunding bond was issued more
20 than 180 days before the redemption of the re-
21 funded bond, and

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

1 (b) CONFORMING AMENDMENT.—Section
2 148(f)(4)(C) of such Code is amended by redesignating
3 clauses (xiv) through (xvi) as clauses (xv) to (xvii), respec-
4 tively, and by inserting after clause (xiii) the following new
5 clause:

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

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

16 **SEC. 4. PERMANENT MODIFICATION OF SMALL ISSUER EX-**
17 **CEPTION TO TAX-EXEMPT INTEREST EX-**
18 **PENSE ALLOCATION RULES FOR FINANCIAL**
19 **INSTITUTIONS.**

20 (a) PERMANENT INCREASE IN LIMITATION.—Sub-
21 paragraphs (C)(i), (D)(i), and (D)(iii)(II) of section
22 265(b)(3) of the Internal Revenue Code of 1986 are each
23 amended by striking “\$10,000,000” and inserting
24 “\$30,000,000”.

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

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

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

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

16 “(H) SPECIAL RULE FOR QUALIFIED
17 FINANCINGS.—

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

20 “(I) subparagraph (F) shall not
21 apply, and

22 “(II) any obligation issued as a
23 part of such issue shall be treated as
24 a qualified tax-exempt obligation if
25 the requirements of this paragraph

1 are met with respect to each qualified
2 portion of the issue (determined by
3 treating each qualified portion as a
4 separate issue which is issued by the
5 qualified borrower with respect to
6 which such portion relates).”.

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

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

15 “(i) such dollar amount, multiplied by

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

21 Any increase determined under the preceding
22 sentence shall be rounded to the nearest mul-
23 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.

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