

114TH CONGRESS  
2D SESSION

# S. 3257

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

JULY 14, 2016

Mr. MENENDEZ (for himself and Mr. CARDIN) 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 2016”.

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) of  
 14 such subparagraph, respectively, and

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

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

24 “(H) SPECIAL RULE FOR QUALIFIED  
 25 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 2016, 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 2015’ for ‘calendar year  
3                   1992’ in subparagraph (B) 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.

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