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(Original Signature of Member)

116TH CONGRESS
1ST SESSION

H. R. _____

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 HOUSE OF REPRESENTATIVES

Mrs. MURPHY introduced the following bill; which was referred to the Committee on _____

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.

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 “Modernizing Agricul-
5 tural and Manufacturing Bonds Act”.

1 **SEC. 2. MODIFICATIONS TO QUALIFIED SMALL ISSUE**
2 **BONDS.**

3 (a) MANUFACTURING FACILITIES TO INCLUDE PRO-
4 Duction OF INTANGIBLE PROPERTY AND FUNCTIONALLY
5 RELATED FACILITIES.—Subparagraph (C) of section
6 144(a)(12) of the Internal Revenue Code of 1986 is
7 amended to read as follows:

8 “(C) MANUFACTURING FACILITY.—For
9 purposes of this paragraph—

10 “(i) IN GENERAL.—The term ‘manu-
11 facturing facility’ means any facility
12 which—

13 “(I) is used in the manufacturing
14 or production of tangible personal
15 property (including the processing re-
16 sulting in a change in the condition of
17 such property),

18 “(II) is used in the creation or
19 production of intangible property
20 which is described in section
21 197(d)(1)(C)(iii), or

22 “(III) is functionally related and
23 subordinate to a facility described in
24 subclause (I) or (II) if such facility is
25 located on the same site as the facility
26 described in subclause (I) or (II).

1 “(ii) CERTAIN FACILITIES IN-
2 CLUDED.—The term ‘manufacturing facil-
3 ity’ includes facilities that are directly re-
4 lated and ancillary to a manufacturing fa-
5 cility (determined without regard to this
6 clause) if—

7 “(I) those facilities are located on
8 the same site as the manufacturing
9 facility, and

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

13 “(iii) LIMITATION ON OFFICE
14 SPACE.—A rule similar to the rule of sec-
15 tion 142(b)(2) shall apply for purposes of
16 clause (i).

17 “(iv) LIMITATION ON REFUNDINGS
18 FOR CERTAIN PROPERTY.—Subclauses (II)
19 and (III) of clause (i) shall not apply to
20 any bond issued on or before the date of
21 the enactment of the Modernizing Agricul-
22 tural and Manufacturing Bonds Act, or to
23 any bond issued to refund a bond issued
24 on or before such date (other than a bond
25 to which clause (iii) of this subparagraph

1 (as in effect before the date of the enact-
2 ment of the Modernizing Agricultural and
3 Manufacturing Bonds Act applies)), either
4 directly or in a series of refundings.”.

5 (b) INCREASE IN LIMITATIONS.—Section 144(a)(4)
6 of such Code is amended—

7 (1) in subparagraph (A)(i), by striking
8 “\$10,000,000” and inserting “\$30,000,000”, and

9 (2) in the heading, by striking “\$10,000,000” and
10 inserting “\$30,000,000”.

11 (c) ADJUSTMENT FOR INFLATION.—Section
12 144(a)(4) of the Internal Revenue Code of 1986 is amend-
13 ed by adding at the end the following new subparagraph:

14 “(H) ADJUSTMENT FOR INFLATION.—In
15 the case of any calendar year after 2020, the
16 \$30,000,000 amount in subparagraph (A) shall
17 be increased by an amount equal to—

18 “(i) such dollar amount, multiplied by

19 “(ii) the cost-of-living adjustment de-
20 termined under section 1(f)(3) for the cal-
21 endar year, determined by substituting
22 ‘calendar year 2019’ for ‘calendar year
23 2016’ in subparagraph (A)(ii) thereof.

24 If any amount as increased under the preceding
25 sentence is not a multiple of \$100, such amount

1 shall be rounded to the nearest multiple of
2 \$100.”.

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

6 **SEC. 3. EXPANSION OF CERTAIN EXCEPTIONS TO THE PRI-**
7 **VATE ACTIVITY BOND RULES FOR FIRST-**
8 **TIME FARMERS.**

9 (a) **INCREASE IN DOLLAR LIMITATION.**—

10 (1) **IN GENERAL.**—Section 147(c)(2)(A) of the
11 Internal Revenue Code of 1986 is amended by strik-
12 ing “\$450,000” and inserting “\$552,500”.

13 (2) **REPEAL OF SEPARATE LOWER DOLLAR LIM-**
14 **ITATION ON USED FARM EQUIPMENT.**—Section
15 147(c)(2) of such Code is amended by striking sub-
16 paragraph (F) and by redesignating subparagraphs
17 (G) and (H) as subparagraphs (F) and (G), respec-
18 tively.

19 (3) **QUALIFIED SMALL ISSUE BOND LIMITATION**
20 **CONFORMED TO INCREASED DOLLAR LIMITATION.**—
21 Section 144(a)(11)(A) of such Code is amended by
22 striking “\$250,000” and inserting “\$552,500”.

23 (4) **INFLATION ADJUSTMENT.**—

1 (A) IN GENERAL.—Section 147(c)(2)(G) of
2 such Code, as redesignated by paragraph (2), is
3 amended—

4 (i) by striking “after 2008, the dollar
5 amount in subparagraph (A) shall be in-
6 creased” and inserting “after 2020, the
7 dollar amounts in subparagraph (A) and
8 section 144(a)(11)(A) shall each be in-
9 creased”, and

10 (ii) in clause (ii), by striking “2007”
11 and inserting “2019”.

12 (B) CROSS-REFERENCE.—Section
13 144(a)(11) of such Code is amended by adding
14 at the end the following new subparagraph:

15 “(D) INFLATION ADJUSTMENT.—For infla-
16 tion adjustment of dollar amount contained in
17 subparagraph (A), see section 147(c)(2)(G).”.

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

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