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 Representatives of the United States of America in Congress assembled,

2 SECTION 1. SHORT TITLE.

3 This Act may be cited as the “Modernizing Agricultural and Manufacturing Bonds Act”.

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SEC. 2. MODIFICATIONS TO QUALIFIED SMALL ISSUE
BONDS.
(a) MANUFACTURING FACILITIES TO INCLUDE PRO-
DUCTION OF INTANGIBLE PROPERTY AND FUNCTIONALLY
RELATED FACILITIES.—Subparagraph (C) of section
144(a)(12) of the Internal Revenue Code of 1986 is
amended to read as follows:
“(C) MANUFACTURING FACILITY.—For
purposes of this paragraph—
“(i) IN GENERAL.—The term ‘manu-
facturing facility’ means any facility
which—
“(I) is used in the manufacturing
or production of tangible personal
property (including the processing re-
resulting in a change in the condition of
such property),
“(II) is used in the creation or
production of intangible property
which is described in section
197(d)(1)(C)(iii), or
“(III) is functionally related and
subordinate to a facility described in
subclausé (I) or (II) if such facility is
located on the same site as the facility
described in subclausé (I) or (II).
“(ii) Certain facilities included.—The term ‘manufacturing facility’ includes facilities that are directly related and ancillary to a manufacturing facility (determined without regard to this clause) if—

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

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

“(iii) Limitation on office space.—A rule similar to the rule of section 142(b)(2) shall apply for purposes of clause (i).

“(iv) Limitation on refundings for certain property.—Subclauses (II) and (III) of clause (i) shall not apply to any bond issued on or before the date of the enactment of the Modernizing Agricultural and Manufacturing Bonds Act, or to any bond issued to refund a bond issued on or before such date (other than a bond to which clause (iii) of this subparagraph
(as in effect before the date of the enactment of the Modernizing Agricultural and Manufacturing Bonds Act applies)), either directly or in a series of refundings.”.

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

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

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

c) ADJUSTMENT FOR INFLATION.—Section 144(a)(4) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

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

“(i) such dollar amount, multiplied by “(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting ‘calendar year 2019’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

If any amount as increased under the preceding sentence is not a multiple of $100, such amount
shall be rounded to the nearest multiple of $100.”.

(d) **Effective Date.**—The amendments made by this section shall apply to obligations issued after the date of the enactment of this Act.

**SEC. 3. EXPANSION OF CERTAIN EXCEPTIONS TO THE PRIVATE ACTIVITY BOND RULES FOR FIRST-TIME FARMERS.**

(a) **Increase in Dollar Limitation.**—

(1) **In General.**—Section 147(c)(2)(A) of the Internal Revenue Code of 1986 is amended by striking “$450,000” and inserting “$552,500”.

(2) **Repeal of Separate Lower Dollar Limitation on Used Farm Equipment.**—Section 147(c)(2) of such Code is amended by striking subparagraph (F) and by redesignating subparagraphs (G) and (H) as subparagraphs (F) and (G), respectively.

(3) **Qualified Small Issue Bond Limitation Conformed to Increased Dollar Limitation.**—

Section 144(a)(11)(A) of such Code is amended by striking “$250,000” and inserting “$552,500”.

(4) **Inflation Adjustment.**—
(A) IN GENERAL.—Section 147(c)(2)(G) of such Code, as redesignated by paragraph (2), is amended—

(i) by striking “after 2008, the dollar amount in subparagraph (A) shall be increased” and inserting “after 2020, the dollar amounts in subparagraph (A) and section 144(a)(11)(A) shall each be increased”, and

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

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

“(D) INFLATION ADJUSTMENT.—For inflation adjustment of dollar amount contained in subparagraph (A), see section 147(c)(2)(G).”.

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

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