“(5) No payment shall be made under this Act to any State in respect of any shareable regular compensation paid to any individual for any week if, under the rules of paragraphs (3) and (4), extended compensation would not have been payable to such individual for such week.”

(b) The amendment made by this section shall apply with respect to weeks of unemployment beginning after March 31, 1981.

CERTIFICATION OF STATE UNEMPLOYMENT LAWS

SEC. 1025. On October 31 of any taxable year after 1980, the Secretary of Labor shall not certify any State, as provided in section 3304(c) of the Internal Revenue Code of 1954, which, after reasonable notice and opportunity for a hearing to the State agency, the Secretary of Labor finds has failed to amend its law so that it contains each of the provisions required by reason of the enactment of the preceding provisions of this subtitle to be included therein, or has with respect to the 12-month period ending on such October 31, failed to comply substantially with any such provision.

ADDITIONAL SAVINGS

SEC. 1026. For provisions of law which reduce spending for fiscal year 1981 under the unemployment compensation program in satisfaction of reconciliation requirements imposed by sections 3(a)(8) and 3(a)(15) of H. Con. Res. 307 (96th Congress), see sections 415 and 416 of the Multiemployer Pension Plan Amendments Act of 1980 (Public Law 96–364).

TITLE XI—REVENUE MEASURES

SEC. 1100. SHORT TITLE.

This title may be cited as the "Revenue Adjustments Act of 1980".

Subtitle A—Housing Bonds

SEC. 1101. SHORT TITLE.

This subtitle may be cited as the "Mortgage Subsidy Bond Tax Act of 1980".

SEC. 1102. MORTGAGE SUBSIDY BONDS.

(a) In General.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to items specifically excluded from gross income) is amended by inserting after section 103 the following new section:

"SEC. 103A. MORTGAGE SUBSIDY BONDS.

"(a) General Rule.—Except as otherwise provided in this section, any mortgage subsidy bond shall be treated as an obligation not described in subsection (a) (1) or (2) of section 103.

"(b) Mortgage Subsidy Bond Defined.—

"(1) In General.—For purposes of this title, the term 'mortgage subsidy bond' means any obligation which is issued as part of an issue a significant portion of the proceeds of which are to be used directly or indirectly for mortgages on owner-occupied residences."
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"(2) EXCEPTIONS.—The following shall not be treated as mortgage subsidy bonds:

"(A) any qualified mortgage bond; and

"(B) any qualified veterans' mortgage bond.

"(c) QUALIFIED MORTGAGE BOND; QUALIFIED MORTGAGE ISSUE; QUALIFIED VETERANS' MORTGAGE BOND.—

"(1) DEFINITION.—For purposes of this title, the term 'mortgage issue' means an issue by a State or political subdivision thereof of 1 or more obligations, but only if—

"(i) all proceeds of such issue (exclusive of issuance costs and a reasonably required reserve) are to be used to finance owner-occupied residences, and

"(ii) such issue meets the requirements of subsections (d), (e), (f), (g), (h), (i), and (j).

"(B) GOOD FAITH EFFORT TO COMPLY WITH MORTGAGE ELIGIBILITY REQUIREMENTS.—An issue which fails to meet 1 or more of the requirements of subsections (d), (e), (f), and (g) and paragraphs (2) and (3) of subsection (j) shall be treated as meeting such requirements if—

"(i) the issuer in good faith attempted to meet all such requirements before the mortgages were executed,

"(ii) 95 percent or more of the proceeds devoted to owner-financing was devoted to residences with respect to which (at the time the mortgages were executed) all such requirements were met, and

"(iii) any failure to meet the requirements of such subsections and paragraphs is corrected within a reasonable period after such failure is first discovered.

"(C) GOOD FAITH EFFORT TO COMPLY WITH OTHER REQUIREMENTS.—For purposes of this section, the term 'mortgage issue' means an issue by a State or political subdivision thereof of 1 or more obligations, but only if—

"(i) the issuer in good faith attempted to meet all such requirements, and

"(ii) failure to meet such requirements is due to inadvertent error after taking reasonable steps to comply with such requirements.

"(3) QUALIFIED VETERANS' MORTGAGE BOND DEFINED.—For purposes of this section, the term 'qualified veterans' mortgage bond' means any obligation—

"(A) which is issued in registered form as part of an issue substantially all of the proceeds of which are to be used to provide residences for veterans,

"(B) the payment of the principal and interest on which is secured by the general obligation of a State, and

"(C) which is part of an issue which meets the requirements of subsection (j)(2).

"(d) RESIDENCE REQUIREMENTS.—
“(1) For a residence.—A residence meets the requirements of this subsection only if—
“(A) it is a single-family residence which can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided, and
“(B) it is located within the jurisdiction of the authority issuing the obligation.
“(2) For an issue.—An issue meets the requirements of this subsection only if all of the residences for which owner-financing is provided under the issue meet the requirements of paragraph (1).

“(e) 3-Year Requirement.—
“(1) In general.—An issue meets the requirements of this subsection only if each mortgagor to whom financing is provided under the issue had a present ownership interest in a principal residence of such mortgagor at no time during the 3-year period ending on the date the mortgage is executed. For purposes of the preceding sentence, the mortgagor’s interest in the residence with respect to which the financing is being provided shall not be taken into account.
“(2) Exceptions.—Paragraph (1) shall not apply with respect to—
“(A) any financing provided with respect to a targeted area residence,
“(B) any qualified home improvement loan, and
“(C) any qualified rehabilitation loan.

“(f) Purchase Price Requirement.—
“(1) In general.—An issue meets the requirements of this subsection only if the acquisition cost of each residence the owner-financing of which is to be provided under the issue does not exceed 90 percent of the average area purchase price applicable to such residence.
“(2) Average area purchase price.—For purposes of paragraph (1), the term ‘average area purchase price’ means, with respect to any residence, the average purchase price of single family residences (in the statistical area in which the residence is located) which were purchased during the most recent 12-month period for which sufficient statistical information is available. The determination under the preceding sentence shall be made as of the date on which the commitment to provide the financing is made (or, if earlier, the date of the purchase of the residence).
“(3) Separate application to new residences and old residences.—For purposes of this subsection, the determination of average area purchase price shall be made separately with respect to—
“(A) residences which have not been previously occupied, and
“(B) residences which have been previously occupied.
“(4) Special rule for 2 to 4 family residences.—For purposes of this subsection, to the extent provided in regulations, the average area purchase price shall be made separately with respect to 1 family, 2 family, 3 family, and 4 family residences.
“(5) Special rule for targeted area residences.—In the case of a targeted area residence, paragraph (1) shall be applied by substituting ‘110 percent’ for ‘90 percent’.
“(6) Exception for qualified home improvement loans.—Paragraph (1) shall not apply with respect to any qualified home improvement loan.
(g) LIMITATION ON AGGREGATE AMOUNT OF QUALIFIED MORTGAGE BONDS ISSUED DURING ANY CALENDAR YEAR.—

(1) IN GENERAL.—An issue meets the requirements of this subsection only if the aggregate amount of bonds issued pursuant thereto, when added to the aggregate amount of qualified mortgage bonds previously issued by the issuing authority during the calendar year, does not exceed the applicable limit for such authority for such calendar year.

(2) APPLICABLE LIMIT FOR STATE HOUSING AGENCY.—For purposes of this subsection—

(A) IN GENERAL.—The applicable limit for any State housing finance agency for any calendar year shall be 50 percent of the State ceiling for such year.

(B) SPECIAL RULE WHERE MORE THAN 1 AGENCY.—If any State has more than 1 State housing finance agency, all such agencies shall be treated as a single agency.

(3) APPLICABLE LIMIT FOR OTHER ISSUERS.—For purposes of this subsection—

(A) IN GENERAL.—The applicable limit for any issuing authority (other than a State housing finance agency) for any calendar year is an amount which bears the same ratio to 50 percent of the State ceiling for such year as—

(i) the average annual aggregate principal amount of mortgages executed during the immediately preceding 3 calendar years for single-family owner-occupied residences located within the jurisdiction of such issuing authority, bears to

(ii) an average determined in the same way for the entire State.

(B) OVERLAPPING JURISDICTIONS.—For purposes of subparagraph (A)(i), if an area is within the jurisdiction of 2 or more governmental units, such area shall be treated as only within the jurisdiction of the unit having jurisdiction over the smallest geographical area unless such unit agrees to surrender all or part of such jurisdiction for such calendar year to the unit with overlapping jurisdiction which has the next smallest geographical area.

(4) STATE CEILING.—For purposes of this subsection, the State ceiling applicable to any State for any calendar year shall be the greater of—

(A) 9 percent of the average annual aggregate principal amount of mortgages executed during the immediately preceding 3 calendar years for single-family owner-occupied residences located within the jurisdiction of such State, or

(B) $200,000,000.

(5) SPECIAL RULE FOR STATES WITH CONSTITUTIONAL HOME RULE CITIES.—For purposes of this subsection—

(A) IN GENERAL.—The applicable limit for any constitutional home rule city for any calendar year shall be determined under subparagraph (A) of paragraph (3) by substituting '100 percent' for '50 percent'.

(B) COORDINATION WITH SUBPARAGRAPHS (2) AND (3).—In the case of any State which contains 1 or more constitutional home rule cities, for purposes of applying sub-paragraphs (2) and (3) with respect to issuing authorities in such State other than constitutional home rule cities, the State ceiling for any calendar year shall be reduced by the aggregate applicable
limits determined for such year for all constitutional home rule cities in such State.

"(C) Constitutional home rule city.—For purposes of this subsection, the term 'constitutional home rule city' means, with respect to any calendar year, any political subdivision of a State which, under a State constitution which was adopted in 1970 and effective on July 1, 1971, had home rule powers on the first day of the calendar year.

"(6) State may provide for different allocation.—

"(A) In general.—Except as provided in subparagraph (C), a State may, by law enacted after the date of the enactment of this section, provide a different formula for allocating the State ceiling among the governmental units in such State having authority to issue qualified mortgage bonds.

"(B) Interim authority for Governor.—

"(i) In general.—Except as otherwise provided in subparagraph (C), the Governor of any State may proclaim a different formula for allocating the State ceiling among the governmental units in such State having authority to issue qualified mortgage bonds.

"(ii) Termination of authority.—The authority provided in clause (i) shall not apply after the earlier of—

"(I) the first day of the first calendar year beginning after the first calendar year after 1980 during which the legislature of the State met in regular session, or

"(II) the effective date of any State legislation with respect to the allocation of the State ceiling enacted after the date of the enactment of this section.

"(C) State may not alter allocation to constitutional home rule cities.—Except as otherwise provided in a State constitutional amendment (or law changing the home rule provision adopted in the manner provided by the State constitution), the authority provided in this paragraph shall not apply to that portion of the State ceiling which is allocated to any constitutional home rule city in the State unless such city agrees to such different allocation.

"(7) Transitional rules.—In applying this subsection to any calendar year, there shall not be taken into account any bond which, by reason of section 1104 of the Mortgage Subsidy Bond Tax Act of 1980, receives the same tax treatment as bonds issued on or before April 24, 1979.

"(h) Portion of Loans Required to Be Placed in Targeted Areas.—

"(1) In general.—An issue meets the requirements of this subsection only if at least 20 percent of the proceeds of the issue which are devoted to providing owner-financing is made available (with reasonable diligence) for owner-financing of targeted area residences for at least 1 year after the date on which owner-financing is first made available with respect to targeted area residences.

"(2) Limitation.—Nothing in paragraph (1) shall be treated as requiring the making available of an amount which exceeds 40 percent of the average annual aggregate principal amount of mortgages executed during the immediately preceding 3 calendar years for single-family owner-occupied residences.
located in targeted areas within the jurisdiction of the issuing authority.

"(i) Requirements Related to Arbitrage.

"(1) In General.—An issue meets the requirements of this subsection only if such issue meets the requirements of paragraphs (2), (3), and (4) of this subsection. Such requirements shall be in addition to the requirements of section 103(c).

"(2) Effective Rate of Mortgage Interest Cannot Exceed Bond Yield by More Than 1 Percentage Point.

"(A) In General.—An issue shall be treated as meeting the requirements of this paragraph only if the excess of—

"(i) the effective rate of interest on the mortgages provided under the issue, over

"(ii) the yield on the issue,

is not greater than 1 percentage point.

"(B) Effective Rate of Mortgage Interest.

"(i) In General.—In determining the effective rate of interest on any mortgage for purposes of this paragraph, there shall be taken into account all fees, charges, and other amounts borne by the mortgagor which are attributable to the mortgage or to the bond issue.

"(ii) Specification of Some of the Amounts to be Treated as Borne by the Mortgagor.—For purposes of clause (i), the following items (among others) shall be treated as borne by the mortgagor:

"(I) all points or similar charges paid by the seller of the property, and

"(II) the excess of the amounts received from any person other than the mortgagor by any person in connection with the acquisition of the mortgagor’s interest in the property over the usual and reasonable acquisition costs of a person acquiring like property where owner-financing is not provided through the use of qualified mortgage bonds.

"(iii) Specification of Some of the Amounts to be Treated as Not Borne by the Mortgagor.—For purposes of clause (i), the following items shall not be taken into account:

"(I) any expected rebate of arbitrage profits, and

"(II) any application fee, survey fee, credit report fee, insurance charge, or similar amount to the extent such amount does not exceed amounts charged in such area in cases where owner-financing is not provided through the use of qualified mortgage bonds. Subclause (II) shall not apply to origination fees, points, or similar amounts.

"(iv) Prepayment Assumption.—In determining the effective rate of interest, it shall be assumed that the mortgage prepayment rate will be the rate set forth in the most recent mortgage maturity experience table published by the Federal Housing Administration for the State (or, if available, the area within the State) in which the residences are located.

"(C) Yield on the Issue.—For purposes of this subsection, the yield on the issue shall be determined on the basis of—

"(i) the issue price (within the meaning of section 1232(b)(2)), and
“(ii) an expected maturity for the bonds which is consistent with the assumption required under subparagraph (B)(iv).

“(3) NON-MORTGAGE INVESTMENT REQUIREMENTS.—

“(A) IN GENERAL.—An issue meets the requirements of this paragraph only if—

“(i) at no time during any bond year may the amount invested in non-mortgage investments with a yield higher than the yield on the issue exceed 150 percent of the debt service on the issue for the bond year, and

“(ii) the aggregate amount invested as provided in clause (i) is promptly and appropriately reduced as mortgages are repaid.

“(B) Exception for temporary periods.—Subparagraph (A) shall not apply to—

“(i) proceeds of the issue invested for an initial temporary period until such proceeds are needed for mortgages, and

“(ii) temporary investment periods related to debt service.

“(C) Debt service defined.—For purposes of subparagraph (A), the debt service on the issue for any bond year is the scheduled amount of interest and amortization of principal payable for such year with respect to such issue. For purposes of the preceding sentence, there shall not be taken into account amounts scheduled with respect to any bond which has been retired before the beginning of the bond year.

“(4) ARBITRAGE AND INVESTMENT GAINS TO BE USED TO REDUCE COSTS OF OWNER-FINANCING.—

“(A) IN GENERAL.—An issue shall be treated as meeting the requirements of this paragraph only if an amount equal to the sum of—

“(i) the excess of—

“(I) the amount earned on all non-mortgage investments (other than investments attributable to an excess described in this clause), over

“(II) the amount which would have been earned if the investments were invested at a rate equal to the yield on the issue, plus

“(ii) any income attributable to the excess described in clause (i),

shall be paid or credited to the mortgagors as rapidly as may be practicable.

“(B) INVESTMENT GAINS AND LOSSES.—For purposes of subparagraph (A), in determining the amount earned on all non-mortgage investments, any gain or loss on the disposition of such investments shall be taken into account.

“(j) OTHER REQUIREMENTS.—

“(1) Obligations must be registered.—An issue meets the requirements of this subsection only if each obligation issued pursuant to such issue is in registered form.

“(2) Mortgages must be new mortgages.—

“(A) IN GENERAL.—An issue meets the requirements of this subsection only if no part of the proceeds of such issue is to be used to acquire or replace existing mortgages.

“(B) Exception.—Under regulations prescribed by the Secretary, the replacement of—
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“(i) construction period loans,
“(ii) bridge loans or similar temporary initial financing, and
“(iii) in the case of a qualified rehabilitation, an existing mortgage,
shall not be treated as the acquisition or replacement of an existing mortgage for purposes of subparagraph (A).
“(3) CERTAIN REQUIREMENTS MUST BE MET WHERE MORTGAGE IS ASSUMED.—An issue meets the requirements of this subsection only if a mortgage with respect to which owner-financing has been provided under such issue may be assumed only if the requirements of subsections (d), (e), and (f), are met with respect to such assumption.
“(k) TARGETED AREA RESIDENCES.—
“(1) IN GENERAL.—For purposes of this section, the term ‘targeted area residence’ means a residence in an area which is either—

“(A) a qualified census tract, or
“(B) an area of chronic economic distress.
“(2) QUALIFIED CENSUS TRACT.—
“(A) IN GENERAL.—For purposes of paragraph (1), the term ‘qualified census tract’ means a census tract in which 70 percent or more of the families have income which is 80 percent or less of the statewide median family income.
“(B) DATA USED.—The determination under subparagraph (A) shall be made on the basis of the most recent decennial census for which data are available.
“(3) AREA OF CHRONIC ECONOMIC DISTRESS.—
“(A) IN GENERAL.—For purposes of paragraph (1), the term ‘area of chronic economic distress’ means an area of chronic economic distress—
“(i) designated by the State as meeting the standards established by the State for purposes of this subsection, and
“(ii) the designation of which has been approved by the Secretary and the Secretary of Housing and Urban Development.
“(B) CRITERIA TO BE USED IN APPROVING STATE DESIGNATIONS.—The criteria used by the Secretary and the Secretary of Housing and Urban Development in evaluating any proposed designation of an area for purposes of this subsection shall be—
“(i) the condition of the housing stock, including the age of the housing and the number of abandoned and substandard residential units,
“(ii) the need of area residents for owner-financing under this section, as indicated by low per capita income, a high percentage of families in poverty, a high number of welfare recipients, and high unemployment rates,
“(iii) the potential for use of owner-financing under this section to improve housing conditions in the area, and
“(iv) the existence of a housing assistance plan which provides a displacement program and a public improvement and services program.
“(l) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

¶¶...
“(1) Mortgage.—The term ‘mortgage’ includes any other owner-financing.
“(2) Bond.—The term ‘bond’ includes any obligation.
“(3) State.—The term ‘State’ includes a possession of the United States and the District of Columbia.
“(4) Statistical area.—
“(A) In general.—The term ‘statistical area’ means—
“(i) a standard metropolitan statistical area, and
“(ii) any county (or the portion thereof) which is not within a standard metropolitan statistical area.
“(B) Standard metropolitan statistical area.—The term ‘standard metropolitan statistical area’ means the area in and around a city of 50,000 inhabitants or more (or equivalent area) as defined by the Secretary of Commerce.
“(C) Designation where adequate statistical information not available.—For purposes of this paragraph, if there is insufficient recent statistical information with respect to a county (or portion thereof) described in subparagraph (A)(ii), the Secretary may substitute for such county (or portion thereof) another area for which there is sufficient recent statistical information.
“(D) Designation where no county.—In the case of any portion of a State which is not within a county, subparagraphs (A)(ii) and (C) shall be applied by substituting for ‘county’ an area designated by the Secretary which is the equivalent of a county.
“(5) Acquisition cost.—
“(A) In general.—The term ‘acquisition cost’ means the cost of acquiring the residence as a completed residential unit.
“(B) Exceptions.—The term ‘acquisition cost’ does not include—
“(i) usual and reasonable settlement or financing costs,
“(ii) the value of services performed by the mortgagor or members of his family in completing the residence, and
“(iii) the cost of land which has been owned by the mortgagor for at least 2 years before the date on which construction of the residence begins.
“(C) Special rule for qualified rehabilitation loans.—In the case of a qualified rehabilitation loan, for purposes of subsection (f), the term ‘acquisition cost’ includes the cost of the rehabilitation.
“(6) Qualified home improvement loan.—The term ‘qualified home improvement loan’ means the financing (in an amount which does not exceed $15,000)—
“(A) of alterations, repairs, and improvements on or in connection with an existing residence by the owner thereof, but
“(B) only of such items as substantially protect or improve the basic livability or energy efficiency of the property.
“(7) Qualified rehabilitation loan.—
“(A) In general.—The term ‘qualified rehabilitation loan’ means any owner-financing provided in connection with—
“(i) a qualified rehabilitation, or
“(ii) the acquisition of a residence with respect to which there has been a qualified rehabilitation,
but only if the mortgagor to whom such financing is provided
is the first resident of the residence after the completion of
the rehabilitation.

(b) QUALIFIED REHABILITATION.—For purposes of subpara-
graph (A), the term ‘qualified rehabilitation’ means any
rehabilitation of a building if—

(i) there is a period of at least 20 years between the
date on which the building was first used and the date
on which the physical work on such rehabilitation
begins,

(ii) 75 percent or more of the existing external walls
of such building are retained in place as external walls
in the rehabilitation process, and

(iii) the expenditures for such rehabilitation are 25
percent or more of the mortgagor’s adjusted basis in the
residence.

For purposes of clause (iii), the mortgagor’s adjusted basis
shall be determined as of the completion of the rehabilita-
 tion or, if later, the date on which the mortgagor acquires
the residence.

(c) DETERMINATIONS ON ACTUARIAL BASIS.—All determina-
tions of yield, effective interest rates, and amounts required to be
paid or credited to mortgagors under subsection (i)(4)(A) shall be
made on an actuarial basis taking into account the present value
of money.

(d) SINGLE-FAMILY AND OWNER- OCCUPIED RESIDENCES IN-
CLUDE CERTAIN RESIDENCES WITH 2 TO 4 UNITS.—Except for purposes of
sections (g) and (h)(2), the terms ‘single-family’ and ‘owner-
 occupied’, when used with respect to residences, include 2, 3, or 4
family residences—

(A) one unit of which is occupied by the owner of the
residence,

(B) which were first occupied at least 5 years before the
mortgage is executed.

(m) SPECIAL RULE FOR ISSUE USED FOR OWNER- OCCUPIED
HOUSING AND RENTAL HOUSING.—In the case of an issue—

(1) part of the proceeds of which are to be used for mortgages
on owner-occupied residences in a manner which meets the
requirements of this section, and

(2) part of the proceeds of which are to be used for rental
housing which meets the requirements of section 103(b)(4)(A),
under regulations prescribed by the Secretary, each such part shall
be treated as a separate issue.

(n) ADVANCE REFUNDING OF MORTGAGE SUBSIDY BONDS NOT PER-
MITTED.—On and after the date of the enactment of this section, no
obligation may be issued for the advance refunding of a mortgage
subsidy bond (determined without regard to subsection (b)(2)).

(b) CLERICAL AMENDMENT.—The table of sections for part III of
subchapter B of chapter 1 of such Code is amended by inserting after
the item relating to section 108 the following new item:

Sec. 103A. Mortgage subsidy bonds.

SEC. 1103. INDUSTRIAL DEVELOPMENT BONDS FOR HOUSING PURPOSES
LIMITED TO LOW- OR MODERATE-INCOME RENTAL HOUSING.

(a) IN GENERAL.—Subparagraph (A) of paragraph (4) of section
103(b) of the Internal Revenue Code of 1954 (relating to industrial
development bonds) is amended to read as follows:
“(A) projects for residential rental property if each obligation issued pursuant to the issue is in registered form and if—

“(i) 15 percent or more in the case of targeted area projects, or

“(ii) 20 percent or more in the case of any other project,

of the units in each project are to be occupied by individuals of low or moderate income (within the meaning of section 167(k)(3)(B)).”

(b) Targeted Area Project Defined.—Paragraph (4) of section 103(b) of such Code is amended by inserting before the last sentence the following new sentence:

“For purposes of subparagraph (A), the term ‘targeted area project’ means a project located in a qualified census tract (within the meaning of section 103A(k)(2)) or an area of chronic economic distress (within the meaning of section 103A(k)(3)).”

(c) Technical Amendment.—Paragraph (6) of section 103(b) of such Code (relating to exemption for certain small issues) is amended by adding at the end thereof the following new subparagraph:

“(J) Issues for Residential Purposes.—This paragraph shall not apply to any obligation which is issued as a part of an issue a significant portion of the proceeds of which are to be used directly or indirectly to provide residential real property for family units.”

SEC. 1104. EFFECTIVE DATES FOR BOND PROVISIONS.

(a) General Rule.—

(1) In general.—Except as otherwise provided in this section, the amendments made by sections 1102 and 1103 shall apply to obligations issued after April 24, 1979.

(2) Exceptions for certain obligations issued before January 1, 1981.—The amendments made by sections 1102 and 1103 shall not apply to obligations issued before January 1, 1981, if such obligations are part of an issue substantially all the proceeds of which (exclusive of issuance costs and a reasonably required reserve) are, before the date which is 1 year after the date of issue of the obligations, committed—

(A) except as provided in subparagraph (B), by firm commitment letters (similar to those used in financing not provided with tax-exempt bonds), and

(B) in the case of rental housing, by the commencement of construction of the project or by the acquisition of the project.

(b) Exception for Official Action Taken Before April 25, 1979.—

(1) In general.—The amendments made by sections 1102 and 1103 shall not apply to obligations if official action before April 25, 1979, of the governing body of the unit having authority to issue such obligations indicated an intent to issue such obligations.

(2) Action by staff of housing authority treated as action of authority in certain cases.—For purposes of paragraph (1), if, before April 25, 1979—

(A) the permanent professional staff of a State or local housing authority performed substantial work on a bond issue, and
B) it was reasonable to expect that the bond issue, as developed by the staff, would be promptly approved by the governing body of the housing authority, then such action by such staff shall be treated as the official action of such governing body.

(3) SPECIAL RULES RELATING TO SIZE OF ISSUE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), an issue does not qualify for the exception provided by paragraph (1) if the issue size exceeds the intended issue size.

(B) EXCEPTION.—In the case of an issue to provide owner-financing for residences for which as of April 24, 1979, there was no documentation relating to intended issue size, paragraph (1) shall not apply unless—

(i) substantially all of the proceeds of the issue (exclusive of issuance costs and a reasonably required reserve) are to be used to provide owner-financing for one to four family residences (one unit of which is owner occupied) and not to acquire or replace existing mortgages (within the meaning of section 103A(j)(2) of the Internal Revenue Code of 1954), and

(ii) substantially all of the proceeds referred to in clause (i) are committed by firm commitment letters (similar to those used in owner-financing not provided with tax-exempt bonds) to such owner-financing before the day which is 9 months after the date of issue of the obligations.

(C) ISSUE SIZE DEFINED.—For purposes of this paragraph, the term "issue size" means the aggregate face amount of obligations issued pursuant to the issue.

(D) INTENDED ISSUE SIZE.—For purposes of this paragraph, the term "intended issue size" means the aggregate face amount of obligations which a reasonable individual would reasonably conclude from the documentation before April 25, 1979, was the issue size which the governing body of the issuing authority intended to issue.

(4) LOCAL REFERENDUM HELD BEFORE JUNE 13, 1979.—

(A) IN GENERAL.—For purposes of paragraph (1), if—

(i) on April 25, 1979, legislation was pending in a State legislature,

(ii) on April 27, 1979, such legislation was amended to authorize local governmental units to issue tax-exempt obligations,

(iii) before June 13, 1979, such legislation was enacted and a local governmental unit in such State held a referendum with respect to the issuance of obligations to finance owner-occupied residences,

(iv) any action with respect to the issuance of such obligations by the governing body of such local governmental unit would have met the requirements of paragraph (1) if such legislation had been in effect, and such referendum had been held, when that action was taken, then such legislation shall be treated as in effect, and such referendum shall be treated as having been held, at the time when such action was taken.

(B) DOLLAR LIMIT FOR LOCAL GOVERNMENTAL UNITS.—The aggregate amount of obligations which may be issued by local governmental units with respect to the area comprising
any local governmental area by reason of subparagraph (A) may not exceed—
   (i) $35,000,000, reduced by
   (ii) the aggregate amount of obligations which are issued (before, on, or after the issue under this paragraph) by local governmental units with respect to such area after April 24, 1979, and to which the amendments made by this subtitle do not apply solely by reason of this subsection (determined without regard to the application of subparagraph (A) of this paragraph).
   (C) MORTGAGE REQUIREMENTS.—Subparagraph (A) shall not apply with respect to any issue unless such issue meets the requirements of paragraph (3)(A) of subsection (c).

(5) CERTAIN LOCAL ACTION PURSUANT TO LEGISLATION ENACTED BEFORE SEPTEMBER 29, 1979.—
   (A) IN GENERAL.—For purposes of paragraph (1), if—
      (i) on April 25, 1979, legislation was pending in a State legislature authorizing a local governmental unit to issue tax-exempt obligations for owner-occupied residences,
      (ii) before September 29, 1979, such legislation was enacted, and
      (iii) any action with respect to the issuance of such obligations by the local governing body would have met the requirements of paragraph (1) if such legislation had been in effect when that action was taken,
   then such legislation shall be treated as in effect at the time when such action was taken.
   (B) DOLLAR LIMIT FOR LOCAL GOVERNMENTAL UNITS.—The aggregate amount of obligations which may be issued by local governmental units with respect to the area comprising any local governmental area by reason of subparagraph (A) may not exceed the lesser of—
      (i) the aggregate amount authorized by the legislation referred to in subparagraph (A), or
      (ii) $150,000,000.
   (C) MORTGAGE REQUIREMENTS.—Subparagraph (A) shall not apply with respect to any issue unless such issue meets the requirements of paragraph (3)(A) of subsection (c).

(c) $150,000,000 EXCEPTION FOR STATE HOUSING FINANCE AGENCIES.—
   (1) IN GENERAL.—To the extent of the limit set forth in paragraph (2), the amendments made by this subtitle shall not apply to obligations issued by a State housing finance agency.
   (2) DOLLAR LIMIT FOR STATE HOUSING FINANCE AGENCIES.—The aggregate amount of obligations which may be issued by State housing finance agencies with respect to any State by reason of paragraph (1) may not exceed—
      (A) $150,000,000, reduced by
      (B) the aggregate amount of obligations which are issued (before, on, or after the issue under this subsection) by the housing finance agencies of such State after April 24, 1979, to finance owner-occupied residences and to which the amendments made by this subtitle do not apply solely by reason of subsection (b).
   (3) COMMITMENTS.—Paragraph (1) shall not apply with respect to any issue unless substantially all of the proceeds of such issue (exclusive of issuance costs and a reasonably required reserve)—
(A) are to be used to provide owner-financing for 1 to 4 family residences (1 unit of which is owner-occupied) and not to acquire or replace existing mortgages (within the meaning of section 108A(i)(2) of the Internal Revenue Code of 1954), and

(B) are committed by firm commitment letters (similar to those used in owner-financing not provided by tax-exempt bonds) to owner-financing before January 1, 1981.

(4) SPECIAL RULE FOR ACTION IN 1978 PERSUANT TO MORTGAGE PROGRAM ESTABLISHED IN 1970.—

(A) IN GENERAL.—If—

(i) in 1970 State legislation established a program to issue tax-exempt obligations to finance the purchase of existing mortgages from financial institutions,

(ii) in August 1978, as a step toward issuing obligations under such program, the governing body of the housing agency administering the program made a finding that there was a shortage of mortgage funds within the State,

(iii) moneys received by any financial institution on the purchase of mortgages will be reinvested within 90 days in new mortgages, and

(iv) the issue meets the requirements of subparagraphs (B) and (C),

then paragraph (3) shall not apply with respect to an issue of obligations pursuant to the program referred to in clause (i) and the finding referred to in clause (ii).

(B) DOWNPAYMENT REQUIREMENT.—An issue meets the requirements of this subparagraph only if 75 percent or more of the financing provided under the issue is for residences where such financing constitutes 95 percent or more of the acquisition cost of the residences.

(C) TARGETED AREA REQUIREMENT.—An issue meets the requirements of this subparagraph only if at least 20 percent of the financing provided under the issue is for residences where such financing constitutes 95 percent or more of the acquisition cost of the residences.

(D) DOLLAR LIMIT.—The aggregate amount of obligations which may be issued by a State housing authority by reason of subparagraph (A) may not exceed $125,000,000.

(d) SPECIAL RULES.—

(1) COURT ACTION WAS PENDING TO DETERMINE SCOPE OF AUTHORIZING LEGISLATION.—

(A) IN GENERAL.—If—

(i) before April 25, 1979, a State had enacted a law under which counties were authorized to establish public trusts to issue tax-exempt obligations for public purposes,

(ii) on such date the question of whether or not that law authorized the issuance of obligations to finance certain owner-occupied residences was being litigated in a court of competent jurisdiction,
(iii) before July 31, 1979, the Supreme Court of such State held that the counties were so authorized, and

(b) there is written evidence (which was in existence before April 25, 1979) that before April 25, 1979, the governing body of a county in such State had taken action indicating an intent to issue (or to establish a program for issuing) tax-exempt obligations to finance owner-occupied residences,

then the amendments made by section 1102 shall not apply to obligations issued by the public trust for such county.

(B) DOLLAR LIMIT.—The aggregate amount of obligations which may be issued with respect to any county by reason of subparagraph (A) may not exceed $50,000,000.

(2) STATE LEGISLATION ENACTED BEFORE JUNE 8, 1979, WHERE LOCALITY HAD ESTABLISHED INCOME LIMITATIONS BEFORE APRIL 25, 1979.—

(A) IN GENERAL.—If—

(i) on April 25, 1979, legislation was pending in a State legislature authorizing a local governmental unit to issue tax-exempt obligations for owner-occupied residences,

(ii) there is written evidence (which was in existence before April 25, 1979) that before April 25, 1979, the governing body of the local governmental unit had taken action indicating to its delegation to the State legislature what the income limitation would be for individuals who would be eligible for mortgages under the program, and

(iii) before June 8, 1979, the legislation referred to in clause (i) was enacted,

then the amendments made by section 1102 shall not apply to obligations issued by the local governmental unit.

(B) DOLLAR LIMIT.—The aggregate amount of obligations which may be issued with respect to any local governmental area by reason of subparagraph (A) may not exceed $150,000,000.

(3) RESOLUTIONS BEFORE CITY COUNCIL BEFORE ENACTMENT OF STATE AUTHORIZING LEGISLATION.—

(A) IN GENERAL.—If—

(i) before April 25, 1979, 2 resolutions were submitted to a city council the first of which would create an urban residential finance authority and the second of which would authorize the appointment of the members of such authority,

(ii) at the time such resolutions were submitted, State authorizing legislation had not been enacted,

(iii) before April 25, 1979, the State authorizing legislation was enacted, and

(iv) after April 24, 1979, and before May 17, 1979, a resolution was adopted by the city council which created an urban residential finance authority and which authorized the appointment of members of the authority,

then the amendments made by section 1102 shall not apply with respect to obligations issued on behalf of such city.

(B) DOLLAR LIMIT.—The aggregate amount of obligations which may be issued with respect to any city by reason of subparagraph (A) may not exceed $50,000,000.
79, the Supreme Court of such authorizations were so authorized, and evidence (which was in existence that not before April 25, 1979, the county in such State had taken consent to issue (or to establish a tax-exempt obligations to finance resources), by section 1102 shall not apply to public trust for such county. aggregate amount of obligations respect to any county by reason of exceed $50,000,000.

Before June 8, 1979, where the limitations before April 25, legislation was pending in a State in a local governmental unit to accommodations for owner-occupied resi

dence (which was in existence that not before April 25, 1979, the local governmental unit had to its delegation to the State some limitation would be for eligible for mortgages under 1979, the legislation referred to in any section 1102 shall not apply to local governmental unit aggregate amount of obligations respect to any local governmental unit graph (A) may not exceed council before enactment of council before enactment of

1979, 2 resolutions were submitted of which would create an urban authority and the second of which appointment of the members of the resolutions were submitted, State had not been enacted,

1979, the State authorizing legis

1979, a resolution by the city council which initial finance authority and appointment of members of the section 1102 shall not apply issued on behalf of such city aggregate amount of obligations respect to any city by reason of exceed $50,000,000.

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4) Special rule where city postponed second half of authorized issue to save interest.—If

(A) on March 28, 1979, the council of a city adopted a resolution authorizing the issuance of not to exceed $30,000,000 of mortgage revenue bonds,

(B) on or about August 1, 1979, approximately one-half of the obligations authorized by such resolution were issued, and

(C) the reason why the remaining obligations were not issued at that time was to save interest payments until the money was actually needed,

then the amendments made by section 1102 shall not apply with respect to the issuance of the remaining obligations which were authorized by such March 28, 1979, resolution.

5) State was in process of permitting localities to establish nonprofit corporations.—

(A) In general.—If

(i) a State law enacted after April 24, 1979, and before June 16, 1979, provides that local governments may establish nonprofit corporations to issue tax-exempt obligations to finance owner-occupied residences,

(ii) pursuant to such State law, a local government establishes such a nonprofit corporation and designates it for purposes of this subsection, and

(iii) on November 7 or 14, 1979, an amount was specified by or for the local government as the maximum amount of obligations which the local government expected the nonprofit corporation to issue with respect to the area under any transitional authority provided by this subtitle,

then the amendments made by section 1102 shall not apply to obligations issued by the nonprofit corporation with respect to the area for which such local government has jurisdiction.

(B) Dollar limits.—The aggregate amount of obligations which may be issued with respect to any area by reason of subparagraph (A) may not exceed the amount referred to in subparagraph (A)(ii) which was specified on November 7 or 14, 1979, by or for the local government.

(C) Substitution of housing authorities, etc.—For purposes of applying so much of paragraph (7) as relates to subparagraph (A)—

(i) if the local housing authority had the intent referred to in paragraph (7), such local housing authority shall be substituted for the local government, and

(ii) if the governing body of the local government is a commissioners court, the county judge who was on April 24, 1979, the presiding officer of such court shall be treated as the governing body of such government.

(6) Obligations issued under this subsection must meet the requirements of subsection (c)(3).—No obligation may be issued under this subsection unless the issue meets the requirements of subsection (c)(3).

(7) Governing body must file affidavits showing intent on April 24, 1978.—No obligation may be issued under this subsection with respect to any area unless a majority of the members of the governing body of the local governmental unit having jurisdiction over that area file affidavits with the Secretary of the
Treasury (or his delegate) indicating that it was their intent on April 24, 1979, either that tax-exempt obligations be issued to provide financing for owner-occupied residences or that a program be established to issue such obligations.

(8) LIMITATIONS REDUCED BY CERTAIN OTHER ISSUES.—Any limitation on the amount of obligations which may be issued by any issuer by reason of any paragraph of this subsection shall be reduced by the aggregate amount of obligations which are issued (before, on, or after the issue under this subsection) by local governmental units with respect to the area within the jurisdiction of such issuer after April 24, 1979, and to which the amendments made by this subtitle do not apply solely by reason of subsection (b).

(c) ON GOING LOCAL PROGRAMS FOR REHABILITATION LOANS.—

(1) IN GENERAL.—If before April 25, 1979, a local governmental unit had a qualified rehabilitation loan program, then the amendments made by this subtitle shall not apply to obligations issued by such governmental unit for qualified loans if substantially all of the proceeds of such issue (exclusive of issuance costs and a reasonably required reserve) are committed by firm commitment letters similar to those used in owner financing not provided by tax-exempt bonds to qualified loans before January 1, 1981.

(2) LIMITATION.—The aggregate amount of obligations which may be issued by reason of paragraph (1) by local governmental units with respect to the area comprising any local governmental area may not exceed the lesser of—

(A) $10,000,000, or

(B) the aggregate amount of loans made with respect to that area under the qualified rehabilitation loan program during the period beginning on January 1, 1977, and ending on April 24, 1979.

The limitation established by the preceding sentence shall be reduced by the aggregate amount of obligations (if any) which are issued (before, on, or after the issue under this subsection) under the qualified rehabilitation loan program after April 24, 1979, with respect to the same local governmental area and to which the amendments made by this subtitle do not apply solely by reason of subsection (b).

(3) QUALIFIED REHABILITATION LOAN PROGRAM.—For purposes of this subsection, the term “qualified rehabilitation loan program” means a program for the financing—

(A) of alterations, repairs, and improvements on or in connection with an existing residence by the owner thereof, but

(B) only of such items as substantially protect or improve the basic livability of the property.

(4) QUALIFIED LOAN.—For purposes of this subsection, the term “qualified loan” means the financing—

(A) of alterations, repairs, and improvements on or in connection with an existing 1 to 4 family residence (1 unit of which is owner-occupied) by the owner thereof, but

(B) only of such items as substantially protect or improve the basic livability of the property.

(5) DOLLAR LIMIT ON QUALIFIED LOANS.—For purposes of this subsection, a loan shall not be treated as a qualified loan if the financing is in an amount which exceeds $20,000 plus $2,500 for each unit in excess of 1.
§50 Per Capita Exception for Local Governments.—

(1) In general.—To the extent of the limit set forth in paragraph (2), the amendments made by section 1102 shall not apply to mortgage subsidy bonds issued by local governmental units after April 24, 1979.

(2) Limit.—

(A) In general.—The aggregate amount of obligations issued with respect to any area by reason of paragraph (1) shall not exceed—

(i) the amount equal to the product of $50 and the population of that area, reduced by

(ii) the aggregate amount of obligations which are issued (before, on, or after the issue under this subsection) by local governmental units after April 24, 1979, with respect to that area and to which the amendments made by this subtitle do not apply solely by reason of subsections (b), (d), and (e).

(B) Determination of population.—For purposes of subparagraph (A), the population of any area shall be the population as of July 1, 1976, as determined for purposes of the State and Local Fiscal Assistance Act of 1972.

(3) Unit Must Establish That Action Was Taken Before April 25, 1979.—Paragraph (1) shall not apply with respect to any obligation issued by any local governmental unit unless—

(A) there is written evidence (which was in existence before April 25, 1979) that before April 25, 1979, the governing body of such local governmental unit had taken action indicating an intent to issue (or to establish a program for issuing) tax-exempt obligations to finance owner-occupied residences,

(B) on October 30, 1979, such local governmental unit had authority to issue obligations to finance owner-occupied residences, and

(C) a majority of the members of the governing body of the local governmental unit file with the Secretary of the Treasury (or his delegate) affidavits that the requirement of such subparagraph (A) is met.

For purposes of subparagraph (A), action of the governing body of a second local governmental unit with respect to the same area shall be treated as action of the issuing governmental unit.

(4) Commitments.—Paragraph (1) shall not apply with respect to any area unless such issue meets the requirements of paragraph (3) of subsection (c).

(5) Overlapping Jurisdictions.—For purposes of this subsection, if 2 or more local governmental units meet the requirements of paragraph (3) and have authority to issue mortgage subsidy bonds with respect to residences in the same area, only the unit having jurisdiction over the smallest geographical area shall be treated as having issuing authority with respect to such area unless such unit agrees to surrender part or all of the amount permitted under this subsection to the local governmental unit with overlapping jurisdiction which has the next smallest geographical area.

(6) Rollover of Existing Tax-Exempt Obligations.—

(1) In general.—The amendments made by sections 1102 and 1108 shall not apply to the issuance of obligations to refinance for the same purpose tax-exempt indebtedness which was outstanding.
ing on April 24, 1979 (or indebtedness which had previously been refinanced pursuant to this subsection), but only if—
(A) on April 24, 1979, there was an agreed on period for the maturity of the mortgages or other financing, and
(B) the new obligations have a maturity date which does not exceed by more than 2 years the agreed on period referred to in subparagraph (A).
(2) AMOUNTS FOR RESERVES, ISSUE COSTS, ETC.—An issue which otherwise meets the requirements of paragraph (1) shall not be treated as failing to meet such requirements solely because the amount of the new indebtedness exceeds the amount of the old indebtedness by such amount as is reasonably necessary to cover construction period interest, reserves, and the costs of issuing the new indebtedness.

(h) SPECIFIC RULES FOR PROJECTS UNDER DEVELOPMENT.—
(1) RENTAL HOUSING.—The amendment made by section 1103 shall not apply to a project which was in the development stage on April 24, 1979, if—
(A) a plan specifying the number and location of rental units was approved on or before such date by a governing body of a State or local government or by a State or local housing agency or similar agency, and
(B) substantial expenditures for site improvement for the project had been incurred on or before such date.
(2) RENTAL HOUSING PROJECTS APPROVED BY SECRETARY OF HUD.—The amendment made by section 1103 shall not apply to a project which was in the development stage on April 24, 1979, if—
(A) a plan specifying the number and location of rental units was preliminarily approved by the Secretary of Housing and Urban Development pursuant to section 221(d)(4) or section 232 of the National Housing Act on or before such date, and
(B) fees for processing the project with the Department of Housing and Urban Development and other expenditures for the project had been incurred on or before such date.

(2) OWNER-OCCUPIED HOUSING.—The amendments made by section 1102 shall not apply to a project which was in the development stage on April 24, 1979, if on or before such date—
(A) substantial expenditures had been made for detailed plans and specifications, and
(B) either tax-exempt construction financing had been issued with respect to the project or there is written evidence that a governmental unit intended to issue tax-exempt obligations to finance the acquisition of the units by home buyers.

The amendment made by section 1103 shall not apply to construction or other initial temporary financing issued with respect to a project which meets the requirements of the preceding sentence if substantially all of the dwelling units in such project are to be owner-occupied residences.

(4) CERTAIN REDEVELOPMENT MORTGAGE BOND FINANCING PROJECTS.—Subparagraph (B) of paragraph (3) shall be treated as satisfied if, before April 25, 1979—
(A) the developer of a project acquired the land for such project,
(B) there was approval by the mayor’s advisory committee of a city of a comprehensive proposal (under a State law...
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authorizing tax-exempt obligations for use only in redevelopment areas) for such project, subject to revisions to be made,
and
(c) a revised proposal was submitted to the redevelopment agency and city council containing the revisions.
The aggregate amount of obligations which may be issued by local governmental units with respect to the area comprising any local governmental area by reason of this paragraph may not exceed $20,000,000.

(i) REGISTRATION REQUIREMENTS.—
(1) IN GENERAL.—Notwithstanding any other provision of this section, the amendments made by sections 1102 and 1103, insofar as they require obligations to be in registered form, shall apply to obligations issued after December 31, 1981.
(2) BONDS UNDER TRANSITIONAL RULES.—Any obligation issued after December 31, 1981, by reason of this section shall be in registered form.

(j) ADVANCE REFUNDING.—Notwithstanding any other provision of this section—
(1) subsection (n) of section 103A of the Internal Revenue Code of 1954 (as added by section 1102) shall apply to obligations issued after the date of the enactment of this Act to refund obligations issued before, on, or after such date of enactment, and
(2) this section shall not apply to obligations issued after such date of enactment for the advance refunding of obligations issued before, on, or after such date of enactment.

(k) TRANSITIONAL RULE FOR LOW- AND MODERATE-INCOME REQUIREMENTS.—In the case of obligations issued after April 24, 1979, and before January 1, 1984, the period for which the low- and moderate-income requirements of section 103A(4)(A) of the Internal Revenue Code of 1954 (as amended by section 1108 of this subtitle) is required to be met shall be 20 years.

(l) SUBSTITUTION OF GOVERNMENTAL INSTRUMENTALITY FOR CITY.—
(1) IN GENERAL.—If—
(A) a corporation was created on June 17, 1971, pursuant to State law to provide financing for the construction and rehabilitation of low-income housing,
(B) pursuant to a State law enacted in 1955 a city has made loans to housing developers from the proceeds of short-term bonds and notes issued by the city, and has secured 50-year mortgages from the developers, and
(C) the corporation agrees to acquire from the city certain of the loans referred to in subparagraph (B) by issuing obligations which will be secured by mortgages referred to in subparagraph (B) on 12 projects (11 of which projects are subsidized with interest-reduction subsidies under section 236 of the National Housing Act),
then the amendments made by this subtitle shall not apply to obligations issued by the corporation to acquire the loans (and mortgages) referred to in subparagraph (C).

(2) DOLLAR LIMIT.—The aggregate amount of obligations to which paragraph (1) applies shall not exceed $135,000,000.

(3) TIME LIMIT.—Paragraph (1) shall not apply to any obligation issued after December 31, 1980.

(m) STATE LEGISLATION WAS PENDING ON APRIL 1, 1979, AND ENACTED ON APRIL 26, 1979, WHERE LOCALITY HAD TAKEN ACTION TO UNDERTAKE A STUDY OF LOCAL MORTGAGE MARKET.—
(1) IN GENERAL.—If—
(A) on April 1, 1979, legislation was pending in a State legislature limiting the authority of local governments within such State to issue tax-exempt obligations for owner-occupied residence under existing home rule authority, and such legislation was enacted on April 26, 1979.

(B) there is written evidence (which was in existence before April 25, 1979) that not earlier than June 1, 1978, but before April 25, 1979, the governing body of a local government in such State had taken action authorizing the undertaking of a demographic or related study of the local mortgage market, which study was intended to serve as a basis for issuance of tax-exempt obligations for owner-occupied residences.

(C) on December 20, 1979, an amount was specified by or for the local government as the range of obligations which it expected to issue with respect to the area under any transitional authority provided by the Act, and

(D) a majority of the members of the governing body of the local government certify that the city or county was waiting enactment of the legislation described in subparagraph (A) prior to determining to proceed towards the issuance of tax-exempt obligations for owner-occupied residences.

then the amendments made by section 1102 shall not apply to obligations issued by such city or county.

(2) Dollar limits.—The aggregate amount of obligations which may be issued with respect to any area by reason of paragraph (1) may not exceed the maximum amount referred to in paragraph (1)(C) which was specified on December 20, 1979, by or for such local government.

(3) Time limits.—Paragraph (1) shall not apply with respect to any issue unless substantially all of the proceeds of such issue (exclusive of issuance costs and a reasonably required reserve) are committed by firm commitment letters (similar to those used in owner-financing not provided by tax-exempt bonds) to owner-financing before January 1, 1982.

(n) Certain additional transitional authority.—

(1) In general.—The amendments made by sections 1102 and 1103 shall not apply to issues described in the following table:

<table>
<thead>
<tr>
<th>City or county</th>
<th>Ceiling amount</th>
<th>Purpose of issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baltimore, Maryland</td>
<td>$100,000,000</td>
<td>Financing owner-occupied residences.</td>
</tr>
<tr>
<td>Port Arthur, Texas</td>
<td>$175,000,000</td>
<td>For financing on New Town In Town project</td>
</tr>
<tr>
<td>Minneapolis, Minnesota</td>
<td>$25,000,000</td>
<td>Financing owner-occupied residences.</td>
</tr>
<tr>
<td>Minneapolis-St. Paul, Minnesota</td>
<td>$235,000,000</td>
<td>Joint program for financing owner-occupied residences involving some USDA grants and private financing.</td>
</tr>
<tr>
<td>Detroit, Michigan</td>
<td>$50,000,000</td>
<td>To issue obligations maturing before 1986 for construction on the Riverfront West project.</td>
</tr>
<tr>
<td>Brevard County, Florida</td>
<td>$150,000,000</td>
<td>Financing owner-occupied residences.</td>
</tr>
<tr>
<td>Chicago, Illinois</td>
<td>$235,000,000</td>
<td>For financing on the Presidential Towers project.</td>
</tr>
</tbody>
</table>
(2) Issuing Authority.—The authority granted by this subsection with respect to any city or county may be used only by the appropriate issuing authority for that city or county.

(3) Ceiling Amount.—The ceiling amount specified in paragraph (1) with respect to any item shall be the maximum aggregate amount of obligations which may be issued by the appropriate issuing authority under the authority granted by such item.

(4) Purpose.—The authority under any item may be used to issue obligations only for the purpose set forth in paragraph (1) for such item.

(o) Special Rule for Loans to Lenders Program.—

(1) In General.—In the case of any obligations issued during 1981 or 1982 pursuant to a qualified loans to lender program—

(A) the amendments made by section 1103 shall not apply, and

(B) subsection (i) of section 103A of the Internal Revenue Code of 1954 (other than the last sentence of paragraph (1) of such subsection) shall not apply, and

(C) the determination of whether the requirements of subsections (d), (e), (f), (h), (j)(2), and (j)(3) of section 103A are met with respect to such issue shall be made by taking into account the loans made by the financial institutions with the funds provided by the issue (in lieu of the mortgages acquired from the financial institutions with the proceeds of the issue).

(2) Qualified Loans to Lenders Program.—For purposes of paragraph (1), the term "qualified loans to lender program" means any program established pursuant to legislation enacted by New York State in 1970 which finances the purchase of existing mortgages from financial institutions and requires any money received by a financial institution on the purchase of a mortgage to be reinvested within 90 days in new mortgages.

Subtitle B—Cash Management

SEC. 1111. ESTIMATED INCOME TAX PAYMENTS BY CORPORATIONS.

(a) General Rule.—Section 6655 of the Internal Revenue Code of 1954 (relating to failure by corporation to pay estimated income tax) is amended by adding at the end thereof the following new subsection:

"(h) Large Corporations Required To Pay At Least 60 Percent Of Current Year Tax.—

"(1) In General.—In the case of a large corporation, the amount treated as the estimated tax for the taxable year under paragraphs (1) and (2) of subsection (d) shall in no event be less than 60 percent of—

"(A) the tax shown on the return for the taxable year, or

"(B) if no return was filed, the tax for such year.

"(2) Large Corporation.—For purposes of this subsection, the term 'large corporation' means any corporation if such corporation (or any predecessor corporation) had taxable income of $1,000,000 or more for any taxable year during the testing period.

"(3) Rules for Applying Paragraph (2).—

"(A) Testing Period.—For purposes of this subsection, the term 'testing period' means the 5 taxable years immediately preceding the taxable year involved."
(B) Members of Controlled Groups.—For purposes of applying paragraph (2) to any taxable year in the testing period with respect to corporations which are component members of a controlled group of corporations for such taxable year, the $1,000,000 amount specified in paragraph (2) shall be divided among such members under rules similar to the rules of section 1561.

(b) Technical Amendment.—Subsection (e) of section 6655 of such Code is amended by striking out "subsections (b) and (d)" and inserting in lieu thereof "subsections (b), (d), and (h)".

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1980.

Subtitle C—Taxation of Foreign Investment in United States Real Property

SEC. 1121. SHORT TITLE.

This subtitle may be cited as the "Foreign Investment in Real Property Tax Act of 1980".

SEC. 1122. TAX ON DISPOSITION OF FOREIGN INVESTMENT IN UNITED STATES REAL PROPERTY.

(a) in General.—Subpart C of part II of subchapter N of chapter 1 of the Internal Revenue Code of 1954 (relating to miscellaneous provisions with respect to nonresident aliens and foreign corporations) is amended by adding at the end thereof the following new section:

SEC. 897. DISPOSITION OF INVESTMENT IN UNITED STATES REAL PROPERTY.

"(a) General Rule.—"

"(1) Treatment as effectively connected with United States trade or business.—For purposes of this title, gain or loss of a nonresident alien individual or a foreign corporation from the disposition of a United States real property interest shall be taken into account—"

"(A) in the case of a nonresident alien individual, under section 871(B)(1), or"

"(B) in the case of a foreign corporation, under section 882(a)(1),"

"as if the taxpayer were engaged in a trade or business within the United States during the taxable year and as if such gain or loss were effectively connected with such trade or business.

"(2) 20-Percent Minimum Tax on Nonresident Alien Individuals.—"

"(A) In General.—In the case of any nonresident alien individual, the amount determined under section 55(a)(1)(A) for the taxable year shall not be less than 20 percent of whichever of the following is the least:"

"(i) the individual's alternative minimum taxable income (as defined in section 55(b)(1)) for the taxable year,

"(ii) the individual's net United States real property gain for the taxable year, or"

"(iii) $60,000."
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“(B) Net United States real property gain.—For purposes of subparagraph (A), the term ‘net United States real property gain’ means the excess of—

(i) the aggregate of the gains for the taxable year from dispositions of United States real property interests, over

(ii) the aggregate of the losses for the taxable year from dispositions of such interests.

“(b) Limitation on losses of individuals.—In the case of an individual, a loss shall be taken into account under subsection (a) only to the extent such loss would be taken into account under section 165(c) (determined without regard to subsection (a) of this section).

“(c) United States real property interest.—For purposes of this section—

(1) United States real property interest.—

(A) In general.—Except as provided in subparagraph (B), the term ‘United States real property interest’ means—

(i) an interest in real property (including an interest in a mine, well, or other natural deposit) located in the United States, and

(ii) any interest (other than an interest solely as a creditor) in any domestic corporation unless the taxpayer establishes (at such time and in such manner as the Secretary by regulations prescribes) that such corporation was at no time a United States real property holding corporation during the shorter of—

(I) the period after June 18, 1980, during which the taxpayer held such interest, or

(II) the 5-year period ending on the date of the disposition of such interest.

(B) Exclusion for interest in certain corporations.—The term ‘United States real property interest’ does not include any interest in a corporation if—

(i) as of the date of the disposition of such interest, such corporation did not hold any United States real property interests, and

(ii) all of the United States real property interests held by such corporation at any time during the shorter of the periods described in subparagraph (A)(ii)—

(I) were disposed of in transactions in which the full amount of the gain (if any) was recognized, or

(II) ceased to be United States real property interests by reason of the application of this subparagraph to 1 or more other corporations.

(2) United States real property holding corporation.—The term ‘United States real property holding corporation’ means any corporation if—

(A) the fair market value of its United States real property interests equals or exceeds 50 percent of

(B) the fair market value of—

(i) its United States real property interests,

(ii) its interests in real property located outside the United States, plus

(iii) any other of its assets which are used or held for use in a trade or business.

(3) Exception for stock regularly traded on established securities markets.—If any class of stock of a corporation is regularly traded on an established securities market, stock of
such class shall be treated as a United States real property interest only in the case of a person who, at some time during the shorter of the periods described in paragraph (1)(A)(ii), held more than 5 percent of such class of stock.

"(4) INTERESTS HELD BY FOREIGN CORPORATIONS AND BY PARTNERSHIPS, TRUSTS, AND ESTATES.—For purposes of determining whether any corporation is a United States real property holding corporation—

"(A) FOREIGN CORPORATIONS.—Paragraph (1)(A)(ii) shall be applied by substituting 'any corporation (whether foreign or domestic)' for 'any domestic corporation'.

"(B) INTERESTS HELD BY PARTNERSHIPS, ETC.—United States real property interests held by a partnership, trust, or estate shall be treated as owned proportionately by its partners or beneficiaries.

"(5) TREATMENT OF CONTROLLING INTERESTS.—

"(A) IN GENERAL.—Under regulations, for purposes of determining whether any corporation is a United States real property holding corporation, if any corporation (hereinafter in this paragraph referred to as the 'first corporation') holds a controlling interest in a second corporation—

"(i) the stock which the first corporation holds in the second corporation shall not be taken into account,

"(ii) the first corporation shall be treated as holding a portion of each asset of the second corporation equal to the percentage of the fair market value of the stock of the second corporation represented by the stock held by the first corporation, and

"(iii) any asset treated as held by the first corporation by reason of clause (ii) which is used or held for use by the second corporation in a trade or business shall be treated as so used or held by the first corporation.

Any asset treated as held by the first corporation by reason of the preceding sentence shall be so treated for purposes of applying the preceding sentence successively to corporations which are above the first corporation in a chain of corporations.

"(B) CONTROLLING INTEREST.—For purposes of subparagraph (A), the term 'controlling interest' means 50 percent or more of the fair market value of all classes of stock of a corporation.

"(6) OTHER SPECIAL RULES.—

"(A) INTEREST IN REAL PROPERTY.—The term 'interest in real property' includes fee ownership and co-ownership of land or improvements thereon, leaseholds of land or improvements thereon, options to acquire land or improvements thereon, and options to acquire leaseholds of land or improvements thereon.

"(B) REAL PROPERTY INCLUDES ASSOCIATED PERSONAL PROPERTY.—The term 'real property' includes movable walls, furnishings, and other personal property associated with the use of the real property.

"(C) CONSTRUCTIVE OWNERSHIP RULES.—For purposes of determining under paragraph (3) whether any person holds more than 5 percent of any class of stock and of determining under paragraph (5) whether a person holds a controlling interest in any corporation, section 318(a) shall apply (except
that paragraphs (2)(C) and (3)(C) of section 318(a) shall be applied by substituting ‘5 percent’ for ‘50 percent’.

(d) Treatment of Distributions, etc., by Foreign Corporations.—

"(1) Distributions.—"

"(A) in general.—Except to the extent otherwise provided in regulations, notwithstanding any other provision of this chapter, gain shall be recognized by a foreign corporation on the distribution (including a distribution in liquidation or redemption) of a United States real property interest in an amount equal to the excess of the fair market value of such interest (as of the time of the distribution) over its adjusted basis."

"(B) Exception where there is a carryover basis.—Subparagraph (A) shall not apply if the basis of the distributed property in the hands of the distributee is the same as the adjusted basis of such property before the distribution increased by the amount of any gain recognized by the distributee.

"(2) Section 337 Not to Apply.—Section 337 shall not apply to any sale or exchange of a United States real property interest by a foreign corporation.

(e) Coordination With Nonrecognition Provisions.—

"(1) In general.—Except to the extent otherwise provided in subsection (d) and paragraph (2) of this subsection, any nonrecognition provision shall apply for purposes of this section to a transaction only in the case of an exchange of a United States real property interest for an interest the sale of which would be subject to taxation under this chapter.

"(2) Regulations.—The Secretary shall prescribe regulations (which are necessary or appropriate to prevent the avoidance of Federal income taxes) providing—"

"(A) the extent to which nonrecognition provisions shall, and shall not, apply for purposes of this section, and"

"(B) the extent to which—"

"(i) transfers of property in reorganization, and"

"(ii) changes in interests in, or distributions from, a partnership, trust, or estate, shall be treated as sales of property at fair market value.

"(3) Nonrecognition Provision Defined.—For purposes of this subsection, the term ‘nonrecognition provision’ means any provision of this title for not recognizing gain or loss.

(f) Distributions by Domestic Corporations to Foreign Shareholders.—If a domestic corporation distributes a United States real property interest to a nonresident alien individual or a foreign corporation in a distribution to which section 301 applies, notwithstanding any other provision of this chapter, the basis of such United States real property interest in the hands of such nonresident alien individual or foreign corporation shall not exceed—"

"(1) the adjusted basis of such property before the distribution, increased by—"

"(2) the sum of—"

"(A) any gain recognized by the distributing corporation on the distribution, and"

"(B) any tax paid under this chapter by the distributee on such distribution.

(g) Special Rule for Sales of Interest in Partnerships, Trusts, and Estates.—Under regulations prescribed by the Secretary, the
amount of any money, and the fair market value of any property, received by a nonresident alien individual or foreign corporation in exchange for all or part of its interest in a partnership, trust, or estate shall, to the extent attributable to United States real property interests, be considered as an amount received from the sale or exchange in the United States of such property.

"(h) Special Rules for REITs.—For purposes of this section—

"(1) Look-through of distributions.—Any distribution by a REIT to a nonresident alien individual or a foreign corporation shall, to the extent attributable to gain from sales or exchanges by the REIT of United States real property interests, be treated as gain recognized by such nonresident alien individual or foreign corporation from the sale or exchange of a United States real property interest.

"(2) Sale of stock in domestically-controlled REIT not taxed.—The term ‘United States real property interest’ does not include any interest in a domestically-controlled REIT.

"(3) Distributions by domestically-controlled REITs.—In the case of a domestically-controlled REIT, rules similar to the rules of subsection (d) shall apply to the foreign ownership percentage of any gain.

"(4) Definitions.—

"(A) REIT.—The term ‘REIT’ means a real estate investment trust.

"(B) Domestically-controlled REIT.—The term ‘domestically-controlled REIT’ means a REIT in which at all times during the testing period less than 50 percent in value of the stock was held directly or indirectly by foreign persons.

"(C) Foreign ownership percentage.—The term ‘foreign ownership percentage’ means that percentage of the stock of the REIT which was held (directly or indirectly) by foreign persons at the time during the testing period during which the direct and indirect ownership of stock by foreign persons was greatest.

"(D) Testing period.—The term ‘testing period’ means whichever of the following periods is the shortest:

"(i) the period beginning on June 19, 1980, and ending on the date of the disposition or of the distribution, as the case may be,

"(ii) the 5-year period ending on the date of the disposition or of the distribution, as the case may be, or

"(iii) the period during which the REIT was in existence.

"(i) Election by Foreign Corporation To Be Treated as Domestic Corporation.—

"(1) In general.—If

"(A) a foreign corporation has a permanent establishment in the United States, and

"(B) under any treaty, such permanent establishment may not be treated less favorably than domestic corporations carrying on the same activities,

then such foreign corporation may make an election to be treated as a domestic corporation for purposes of this section and section 6038C.

"(2) Revocation only with consent.—Any election under paragraph (1), once made, may be revoked only with the consent of the Secretary.
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“(3) MAKING OF ELECTION.—An election under paragraph (1) may be made only subject to such conditions as may be prescribed by the Secretary.

(b) CLERICAL AMENDMENT.—The table of sections for such subpart C is amended by adding at the end thereof the following new item:

“Sec. 897. Disposition of investment in United States real property.”

(c) CROSS REFERENCES.—

(1) Subsection (g) of section 871 of such Code (relating to tax on income of nonresident alien individuals) is amended by adding at the end thereof the following new paragraph:

“(g) For special tax treatment of gain or loss from the disposition by a nonresident alien individual of a United States real property interest, see section 897.”

(2) Subsection (a) of section 882 of such Code (relating to tax on income of foreign corporation connected with United States business) is amended by adding at the end thereof the following new paragraph:

“(3) For special tax treatment of gain or loss from the disposition by a foreign corporation of a United States real property interest, see section 897.”

SEC. 1123. REPORTING REQUIREMENTS.

(a) Return of Certain Domestic Corporations Having Foreign Shareholders.

(i) General rule.—

“A return requirement.—If this subsection applies to a domestic corporation for the calendar year, such corporation shall make a return for the calendar year setting forth—

(i) the name and address (if known by the corporation) of each person who was a shareholder at any time during the calendar year who and who is known by the corporation to be a foreign person,

(ii) such information with respect to transfers of stock in such corporation to or from foreign persons during the calendar year as the Secretary may by regulations prescribe, and

(iii) such other information as the Secretary may by regulations prescribe.

(b) Corporations to Which Subsection Applies.—This subsection applies to any domestic corporation for the calendar year if—

(i) at any time during the calendar year 1 or more of the shareholders of such corporation is a foreign person, and

(ii) at any time during the calendar year or during any of the 4 immediately preceding calendar years, such corporation was a United States real property holding corporation (as defined in section 897(ck2)).

Ante, p. 2682.
"(2) Subsection does not apply to publicly traded corporations.—This subsection shall not apply to a corporation the stock of which is regularly traded on an established securities market at all times during the calendar year.

"Stock held by nominees.—If—

"(A) a nominee holds stock in a domestic corporation for a foreign person, and

"(B) such foreign person does not furnish the information required to be furnished pursuant to paragraph (1)(A) with respect to such stock,

the nominee shall file a return under this subsection with respect to such stock.

"(b) Return of Certain Persons Holding United States Real Property Interests.—

"(1) Return requirement.—If any entity to which this subsection applies has at any time during the calendar year a substantial investor in United States real property, such entity shall make a return for the calendar year setting forth—

"(A) the name and address of each such substantial investor,

"(B) such information with respect to the assets of the entity during the calendar year as the Secretary may by regulations prescribe, and

"(C) such other information as the Secretary may by regulations prescribe.

"(2) Exception where security furnished.—This subsection shall not apply to any entity for the calendar year if such entity furnishes to the Secretary such information as the Secretary determines to be necessary to ensure that any tax imposed by chapter 1 with respect to United States real property interests held by such entity will be paid.

"(3) Statements to be furnished to substantial investor in United States real property.—Every entity making a return under paragraph (1) shall furnish to each substantial investor in United States real property a statement showing—

"(A) the name and address of the entity making such return,

"(B) such substantial investor’s pro rata share of the United States real property interests held by such entity, and

"(C) such other information as the Secretary shall by regulations prescribe.

"(4) Definitions.—For purpose of this subsection—

"(A) Entities to which this subsection applies.—This subsection shall apply to any foreign corporation and to any partnership, trust, or estate (whether foreign or domestic).

"(B) Substantial investor in United States real property.—

"(i) In general.—The term ‘substantial investor in United States real property’ means any foreign person who at any time during the calendar year held an interest in the entity but only if the fair market value of such person’s pro rata share of the United States real property interests held by such entity exceeded $50,000.

"(ii) Special rule for corporations.—In the case of any foreign corporation, clause (i) shall be applied by substituting ‘person (whether foreign or domestic)’ for ‘foreign person’.
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“(C) INDIRECT HOLDINGS.—The assets of any entity to which this subsection applies shall include its pro rata share of the United States real property interests held by any corporation in which the entity is a substantial investor in United States real property.

“(c) RETURN OF CERTAIN FOREIGN PERSONS HOLDING DIRECT INVESTMENTS IN UNITED STATES REAL PROPERTY INTERESTS.—

“(1) RETURN REQUIREMENT.—If this subsection applies to any foreign person for the calendar year, such person shall make a return for the calendar year setting forth—

“(A) the name and address of such person,

“(B) a description of all United States real property interests held by such person at any time during the calendar year, and

“(C) such other information as the Secretary may by regulations prescribe.

“(2) PERSONS TO WHOM THIS SUBSECTION APPLIES.—This subsection applies to any foreign person for the calendar year if—

“(A) such person did not engage in a trade or business in the United States at any time during the calendar year,

“(B) the fair market value of the United States real property interests held by such person at any time during such year equals or exceeds $50,000, and

“(C) such person is not required to file a return under subsection (b) of such year.

“(d) DEFINITIONS.—For purposes of this section—

“(1) UNITED STATES REAL PROPERTY INTEREST.—The term ‘United States real property interest’ has the meaning given to such term by section 897(c).

“(2) FOREIGN PERSON.—The term ‘foreign person’ means any person who is not a United States person.”

“(e) SPECIAL RULES.—

“(1) ATTRIBUTION OF OWNERSHIP.—For purposes of subsections (b)(4) and (c)(2)—

“(A) INTERESTS HELD BY PARTNERSHIPS, ETC.—United States real property interests held by a partnership, trust, or estate shall be treated as owned proportionately by its partners or beneficiaries.

“(B) INTERESTS HELD BY FAMILY MEMBERS.—United States real property interests held by the spouse or any minor child of an individual shall be treated as owned by such individual.

“(2) RETURNS, ETC.—All returns, statements, and information required to be made or furnished under this section shall be made or furnished at such time and in such manner as the Secretary shall by regulations prescribe.

“(g) RETURNS, ETC., REQUIRED UNDER SECTION 6039C.—

“(1) IN GENERAL.—In the case of each failure—

“(A) to make a return required by section 6039C which contains the information required by such section, or

“(B) to furnish a statement required by section 6039C(b)(3), on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not to willful neglect, the amount
determined under paragraph (2) shall be paid (upon notice and
demand by the Secretary and in the same manner as tax) by the
person failing to make such return or furnish such statement.
“(2) AMOUNT OF PENALTY.—For purposes of paragraph (1), the
amount determined under this paragraph with respect to any
failure shall be $25 for each day during which such failure
continues.
“(3) LIMITATIONS.—
“(A) FOR FAILURE TO MEET REQUIREMENTS OF SUBSECTION (A)
or (B) OF SECTION 6039C.—The amount determined under
paragraph (2) with respect to any person for failing to meet
the requirements of subsection (a) or (b) of section 6039C for
any calendar year shall not exceed $25,000 with respect to
each such subsection.
“(B) FOR FAILURE TO MEET REQUIREMENTS OF SECTION
6039Cc.—The amount determined under paragraph (2) with
respect to any person for failing to meet the requirements of
subsection (c) of section 6039C for any calendar year shall
not exceed the lesser of $25,000 or 5 percent of the aggregate
of the fair market value of the United States real property
interests owned by such person at any time during such
year. For purposes of the preceding sentence, fair market
value shall be determined as of the end of the calendar year
(or, in the case of any property disposed of during the
calendar year, as of the date of such disposition).”

(c) CLERICAL AMENDMENT.—The table of sections for subpart A of
part III of chapter 61 of such Code is amended by inserting after the
item relating to section 6039B the following new item:

“Sec. 6039C. Returns with respect to United States real property
interests.”

SEC. 1124. SOURCES WITHIN UNITED STATES.

26 USC 861.

Paragraph (5) of subsection (a) of section 861 of the Internal
Revenue Code of 1954 (relating to income from sources within the
United States) is amended to read as follows:

“(5) DISPOSITION OF UNITED STATES REAL PROPERTY INTEREST.—

Gains, profits, and income from the disposition of a United States
real property interest (as defined in section 897(c)).”

SEC. 1125. EFFECTIVE DATE.

26 USC 897 note.

(a) IN GENERAL.—Except as provided in subsection (b), the amend-
ments made by this subtitle shall apply to dispositions after June 18,
1980.

(b) REPORTING.—The amendments made by section 1123 shall apply
to 1980 and subsequent calendar years. In applying such amendments
to 1980, such calendar year shall be treated as beginning on June 19,
1980, and ending on December 31, 1980.

(c) SPECIAL RULE FOR TREATIES.—

1. IN GENERAL.—Except as provided in paragraph (2), after
December 31, 1984, nothing in section 894(a) or 7852(d) of the
Internal Revenue Code of 1954 or in any other provision of law
shall be treated as requiring, by reason of any treaty obligation of
the United States, an exemption from (or reduction of) any tax
imposed by section 871 or 882 of such Code on a gain described in
section 897 of such Code.

2. SPECIAL RULE FOR TREATIES RENEGOTIATED BEFORE 1985.—

If—
be paid (upon notice and in the same manner as tax) by the person to whom the amount determined under subsection (a) or (b) of section 6039C for failing to meet any requirements of this section is payable by a person for failing to meet any requirements of subsection (a) or (b) of section 6039C for failing to maintain records under section 6039C for any period of time or for any period of time after December 31, 1983, be $25,000 with respect to any failure to meet any requirements of subsection (a) or (b) of section 6039C for any period of time after December 31, 1983.

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individual by allocating such amount among all such individuals in proportion to their respective qualified royalty production.

"(3) ALLOCATION BETWEEN CORPORATIONS AND INDIVIDUALS.—

"(A) IN GENERAL.—In the case of an individual who owns at any time during the qualified period stock in a qualified family farm corporation, the $1,000 amount in paragraph (1) applicable to such individual shall be reduced by the amount which bears the same ratio to the credit or refund allowable to the corporation under this section (determined after the application of paragraph (4)) as the fair market value of the shares owned by such individual during such period bears to the fair market value of all shares of the corporation.

"(B) SPECIAL RULE FOR FAMILY MEMBERS.—In the case of individuals who are members of the same family (within the meaning of section 4992(e)(3)(C)) at any time during the qualified period—

"(i) for purposes of subparagraph (A), all such individuals shall be treated as 1 individual, and

"(ii) the amount allocated among such individuals under paragraph (2) shall be $1,000, reduced by the amount determined under subparagraph (A).

"(4) ALLOCATION BETWEEN CORPORATIONS.—If at any time after June 24, 1980, any individual owns stock in two or more qualified family farm corporations, the $1,000 amount in paragraph (1) shall be reduced for each such corporation by allocating such amount among all such corporations in proportion to their respective qualified royalty production.

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED ROYALTY OWNER.—The term 'qualified royalty owner' means a producer (within the meaning of section 4996(a)(1)), but only if such producer is an individual, an estate, or a qualified family farm corporation.

"(2) QUALIFIED ROYALTY PRODUCTION.—The term 'qualified royalty production' means, with respect to any qualified royalty owner, taxable crude oil which—

"(A) is attributable to an economic interest of such royalty owner other than an operating mineral interest (within the meaning of section 614(d)), and

"(B) is removed from the premises during the qualified period.

"(3) QUALIFIED PERIOD.—The term 'qualified period' means the period beginning March 1, 1980, and ending December 31, 1980.

"(4) QUALIFIED FAMILY FARM CORPORATION.—The term 'qualified family farm corporation' means a corporation—

"(A) which was in existence on June 25, 1980,

"(B) all of the outstanding shares of stock of which at all times after June 24, 1980, and before January 1, 1981, were held by members of the same family (within the meaning of section 2032A(e)(2)), and

"(C) 80 percent in value of the assets of which (other than royalty interests described in paragraph (2)(A)) were held by the corporation on such date for use for farming purposes (within the meaning of section 2032A(e)(5)).

"(e) CROSS REFERENCE.—
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For the holder of the economic interest in the case of a production payment, see section 636.

(2) TECHNICAL AND CONFORMING AMENDMENTS.—The table of sections for subpart B of chapter 65 of such code is amended by adding at the end thereof the following new item:

"Sec. 6429. Credit and refund of chapter 45 taxes paid by royalty owners."

(d) DENIAL OF DEDUCTION.—

(1) IN GENERAL.—Part IX of subchapter B of chapter 1 of such Code (relating to items not deductible) is amended by adding at the end thereof the following new section:

"SEC. 280D. PORTION OF CHAPTER 45 TAXES FOR WHICH CREDIT OR REFUND IS ALLOWABLE UNDER SECTION 6429.

"No deduction shall be allowed for that portion of the tax imposed by section 4986 for which a credit or refund is allowable under section 6429."

(2) CONFORMING AMENDMENT.—The table of sections for part IX of subchapter B of chapter 1 of such Code is amended by adding at the end thereof the following new item:

"Sec. 280D. Portion of chapter 45 taxes for which credit or refund is allowable under section 6429."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after February 29, 1980.

Subtitle E—Inclusion in Wages for Purposes of Social Security and Unemployment Taxes of Employer

SEC. 1141. INCLUSION IN WAGES OF EMPLOYEE TAXES PAID BY EMPLOYER.

(a) SOCIAL SECURITY TAX.—

(1) AMENDMENT OF INTERNAL REVENUE CODE OF 1954.—Paragraph (6) of section 3121(a) of the Internal Revenue Code of 1954 (defining wages) is amended to read as follows:

"(6) the payment by an employer (without deduction from the remuneration of the employee)—

"(A) of the tax imposed upon an employee under section 3101, or

"(B) of any payment required from an employee under a State unemployment compensation law, with respect to remuneration paid to an employee for domestic service in a private home of the employer or for agricultural labor;"

(2) AMENDMENT OF SOCIAL SECURITY ACT.—Subsection (f) of section 209 of the Social Security Act is amended to read as follows:

"(f) The payment by an employer (without deduction from the remuneration of the employee)—

"(1) of the tax imposed upon an employee under section 3101 of the Internal Revenue Code of 1954, or

"(2) of any payment required from an employee under a State unemployment compensation law, with respect to remuneration paid to an employee for domestic service in a private home of the employer or for agricultural labor;"
(b) **Federal Unemployment Tax.**—Paragraph (6) of section 3306(b) of the Internal Revenue Code of 1954 (defining wages) is amended to read as follows:

"(6) the payment by an employer (without deduction from the remuneration of the employee)—

(A) of the tax imposed upon an employee under section 3101, or

(B) of any payment required from an employee under a State unemployment compensation law, with respect to remuneration paid to an employee for domestic service in a private home of the employer or for agricultural labor;".

(c) **Effective Dates.**—

(1) **In General.**—Except as provided in paragraph (2), the amendments made by this section shall apply with respect to remuneration paid after December 31, 1980.

(2) **Exception for State and Local Governments.**—

(A) The amendments made by this section (insofar as they affect the application of section 218 of the Social Security Act) shall not apply to any payment made before January 1, 1984, by any governmental unit for positions of a kind for which all or a substantial portion of the social security employee taxes were paid by such governmental unit (without deduction from the remuneration of the employee) under the practices of such governmental unit in effect on October 1, 1980.

(B) For purposes of subparagraph (A), the term "social security employee taxes" means the amount required to be paid under section 218 of the Social Security Act as the equivalent of the taxes imposed by section 3101 of the Internal Revenue Code of 1954.

(C) For purposes of subparagraph (A), the term "governmental unit" means a State or political subdivision thereof within the meaning of section 218 of the Social Security Act.

### Subtitle F—Telephone Tax

**Sec. 1151. Telephone Tax Continued at 2 Percent for 1981.**

(a) **In General.**—The table contained in paragraph (2) of section 4251(a) of the Internal Revenue Code of 1954 (relating to imposition of tax on communication services) is amended by striking out the last 2 lines of such table and inserting in lieu thereof the following:

<table>
<thead>
<tr>
<th></th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>During 1980 or 1981</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>During 1982</strong></td>
<td>1</td>
</tr>
</tbody>
</table>

(b) **Conforming Amendment.**—Subsection (b) of section 4251 of such Code is amended by striking out "January 1, 1982" and inserting in lieu thereof "January 1, 1983".

### Subtitle G—Increase Until 1993 in the Duties on Certain Imports of Ethyl Alcohol

**Sec. 1161. Increase Until 1993 in the Duties on Ethyl Alcohol Imported for Fuel Use.**

(a) **Amendments to Appendix to TSUS.**—
PUBLIC LAW 96-499—DEC. 5, 1980

(1) For 1981.—Effective with respect to articles entered on or after January 1, 1981, subpart A of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting in numerical sequence the following new item:

| 901.50 | Ethyl alcohol (provided for in item 427.88, part 1D, schedule 4 when imported to be used in producing a mixture of gasoline and alcohol or a mixture of a special fuel and alcohol for use as fuel, or when imported to be used otherwise as fuel) | 10¢ per gal. | 10¢ per gal. | On or before 12/31/81 |

(2) For 1982.—Effective with respect to articles entered on or after January 1, 1982, item 901.50 of the Tariff Schedules of the United States (as added by paragraph (1)) is amended by striking out “10” in columns numbered 1 and 2 and inserting in lieu thereof “20”; and by striking out “12/31/81” and inserting in lieu thereof “12/31/82”.

(3) After 1982 and until 1983.—Effective with respect to articles entered on or after January 1, 1983, such item 901.50 is amended by striking out “20” in columns numbered 1 and 2 and inserting in lieu thereof “40”, and by striking out “12/31/82” and inserting in lieu thereof “12/31/83”.

(b) Definition.—For purposes of subsection (a), the term “entered” means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States.

Approved December 5, 1980.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 96-1167 (Comm. on the Budget) and No. 96-1479 (Comm. of Conference).

CONGRESSIONAL RECORD, Vol. 126 (1980):

June 30, S. 2885 considered and passed Senate.

July 23, S. 2993 considered and passed Senate.

Sept. 4, H.R. 7765 considered and passed House.

Sept. 17, passages of S. 2885 and S. 2993 vacated in Senate; H.R. 7765, amended, passed in lieu.

Sept. 18, House disagreed to Senate amendment and agreed to a conference.

Dec. 3, House and Senate agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 16, No. 49:

Dec. 5, President remarks.