

Internal Revenue Code

Income, Employment, Estate and Gift Tax Provisions

AS OF JULY 15, 1985

VOLUME 1

Income Taxes §1-1564



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(ii) TEMPORARY INVESTMENTS.—Under regulations prescribed by the Secretary, an issue shall, for purposes of this paragraph, be treated as meeting the requirements of subparagraph (D) if the gross proceeds of such issue are expended for the governmental purpose for which the bond was issued by no later than the day which is 6 months after the date of issuance of such issue. Gross proceeds which are held in a bona fide debt service fund shall not be considered gross proceeds for purposes of this clause only.

(G) EXEMPTION FROM GROSS INCOME OF SUM REBATED.—Gross income does not include the sum described in subparagraph (D). Notwithstanding any other provision of this title, no deduction shall be allowed for any amount paid to the United States under subparagraph (D).

(H) DEFINITIONS.—For purposes of this paragraph—

(i) NONPURPOSE OBLIGATIONS.—The term “nonpurpose obligation” means any security (within the meaning of subparagraph (A) or (B) of section 165(g)(2)) or any obligation not described in subsection (a) which—

(I) is acquired with the gross proceeds of an issue, and

(II) is not acquired in order to carry out the governmental purpose of the issue.

(ii) GROSS PROCEEDS.—The gross proceeds of an issue include—

(I) amounts received (including repayments of principal) as a result of investing the original proceeds of the issue, and

(II) amounts used to pay debt service on the issue.

(iii) YIELD.—The yield on the issue shall be determined on the basis of the issue price (within the meaning of section 1273 or 1274).

(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.

Source: New

Amendments:

Sec. as amended effective:

P.L. 98-369, § 624(a), (b)(2), (3)
P.L. 95-600, § 703(j)(1)(B), (C), (D), 703(q)(1)
P.L. 94-455, §§ 1901(a)(17) and (b), 1906(b)(13)(A), 2105(c)
P. L. 91-172, § 601(a)

§ 703(j)(1)(C) amended Code Sec. 103(c)(2) by striking out “subsection (a)(1) or (2) or (4)” and inserting in lieu thereof “subsection (a)(1) or (2)”. Effective October 4, 1976.

§ 703(j)(1)(D) amended Code Sec. 103(c)(5) by striking out “subsection (d)(2)(A)” and inserting in lieu thereof “paragraph (2)(A)”. Effective October 4, 1976.

§ 703(q)(1) amended Code Sec. 103(c)(5) by substituting “section 438 of the Higher Education Act of 1965” for “section 2 of the Emergency Insured Student Loan Act of 1969”. Effective for payments made by the Commissioner of Education after 1976.

P. L. 94-455, §§ 1901(a)(17) and (b), 1906(b)(13)(A), 2105(c):

Amended Code Sec. 103(c) as follows:

Sec. 1901(a)(17) relettered Code Sec. 103(d) as Code Sec. 103(c) and added “or (2)” after “(a)(1)” in Code Sec. 103(c)(2)(A). Effective for taxable years beginning after December 31, 1976.

Sec. 1901(b) amended paragraph (3)(A) to substitute “educational organization described in section 170(b)(1)(A)(ii)” for “educational institution (within the meaning of section 151(e)(4))”. Effective for taxable years beginning after December 31, 1976.

Sec. 1906(b)(13)(A) amended 1954 Code by substituting “Secretary” for “Secretary or his delegate” each place it appeared. Effective February 1, 1977.

Sec. 2105(c)(1) redesignated paragraph (5) as paragraph (6) and inserted a new paragraph (5) to read as above. Effective with respect to obligations issued on or after October 4, 1976.

Caution: References to (a)(4) made by § 2105(c)(2) in subsections (c)(1) and (2)(A) probably were intended to be references to (a)(2) since (a)(4) was redesignated (a)(2) by § 1901(a)(17)(A) of P.L. 94-455.

P.L. 98-369, § 624(a), (b)(2), (3):

Act Sec. 624(a) amended Code Sec. 103(c) by redesignating paragraph (6) as paragraph (7) and by inserting after paragraph (5) new paragraph (6) to read as above.

Act Sec. 624(b)(2) amended Code Sec. 103(c) by striking out “Bonds” in the heading. Prior to amendment, the heading read as follows:

(c) Arbitrage Bonds.—

Act Sec. 624(b)(3) amended Code Sec. 103(c)(1) by inserting “to arbitrage bonds” in the heading.

The above amendments apply with respect to bonds issued after December 31, 1984 but do not apply to obligations issued by the Essex County Port Authority of New York and New Jersey as part of an issue approved by Essex County, New Jersey, on July 7, 1981, and approved by the State of New Jersey on December 31, 1981. The aggregate face amount of bonds to which this paragraph applies, shall not exceed \$350,000,000.

P.L. 95-600, § 703(j)(1)(B), (C), (D), 703(q)(1):

Amended Code Sec. 103(c) as follows:

§ 703(j)(1)(B) amended Code Sec. 103(c)(1) by striking out “(a)(1) or (4)” each place it appeared (including the paragraph heading) and inserting in lieu thereof “(a)(1) or (2)”. Effective October 4, 1976.

Sec. 103(c)