

riod) will have been used directly or indirectly to make or finance loans to ultimate borrowers.”

Subsec. (f)(4) to (6). Pub. L. 109-222, §508(b), added pars. (4) and (5) and redesignated former par. (4) as (6). Former par. (5) redesignated (7).

Subsec. (f)(7). Pub. L. 109-222, §508(b), redesignated par. (5) as (7).

Subsec. (f)(7)(B). Pub. L. 109-222, §508(d)(2), substituted “paragraph (6)(A)” for “paragraph (4)(A)”.

1996—Subsec. (g)(3)(B)(iii). Pub. L. 104-188 amended cl. (iii) generally. Prior to amendment, cl. (iii) read as follows: “INVESTMENT EARNINGS HELD PENDING REINVESTMENT.—Investment earnings held for not more than 30 days pending reinvestment shall be treated as invested in bonds described in clause (i).”

1989—Subsec. (g). Pub. L. 101-239 added subsec. (g).

1988—Subsec. (b)(3)(A)(iii). Pub. L. 100-647, §1013(a)(20), struck out “with respect to any bond issued before July 1, 1989” after “1984”.

Subsec. (b)(4)(A). Pub. L. 100-647, §1013(a)(21), substituted “and a qualified student loan bond” for “a qualified student loan bond, and a qualified redevelopment bond”.

Subsec. (e)(3). Pub. L. 100-647, §1013(a)(22), substituted “the failure to file in a timely fashion is not due to willful neglect” for “there is reasonable cause for the failure to file such statement in a timely fashion”.

Subsec. (f). Pub. L. 100-647, §5051(a), added subsec. (f).

#### CHANGE OF NAME

Reference to Veterans’ Administration deemed to refer to Department of Veterans Affairs pursuant to section 10 of Pub. L. 100-527, set out as a Department of Veterans Affairs Act note under section 301 of Title 38, Veterans’ Benefits.

#### EFFECTIVE DATE OF 2017 AMENDMENT

Amendment by Pub. L. 115-97 applicable to advance refunding bonds issued after Dec. 31, 2017, see section 13532(c) of Pub. L. 115-97, set out as a note under section 148 of this title.

#### EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-147, title V, §502(f), Mar. 18, 2010, 124 Stat. 108, provided that: “The amendments made by this section [amending this section, sections 163, 165, 871, 881, 1287, and 4701 of this title, and section 3121 of Title 31, Money and Finance] shall apply to obligations issued after the date which is 2 years after the date of the enactment of this Act [Mar. 18, 2010].”

#### EFFECTIVE DATE OF 2008 AMENDMENT

Pub. L. 110-289, div. C, title I, §3023(c), July 30, 2008, 122 Stat. 2895, provided that: “The amendments made by this section [amending this section] shall apply to guarantees made after the date of the enactment of this Act [July 30, 2008].”

#### EFFECTIVE DATE OF 2006 AMENDMENT

Amendment by Pub. L. 109-222 applicable to bonds issued after May 17, 2006, see section 508(e) of Pub. L. 109-222, set out as a note under section 148 of this title.

#### EFFECTIVE DATE OF 1996 AMENDMENT

Pub. L. 104-188, title I, §1704(b)(2), Aug. 20, 1996, 110 Stat. 1878, provided that: “The amendment made by paragraph (1) [amending this section] shall take effect as if included in the amendments made by section 7651 of the Omnibus Budget Reconciliation Act of 1989 [Pub. L. 101-239].”

#### EFFECTIVE DATE OF 1989 AMENDMENT

Pub. L. 101-239, title VII, §7651(b), Dec. 19, 1989, 103 Stat. 2385, provided that:

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendment made by subsection (a) [amending this section] shall apply to bonds issued after September 14, 1989.

“(2) BONDS SOLD BEFORE SEPTEMBER 15, 1989.—The amendment made by subsection (a) shall not apply to any bond sold before September 15, 1989, and issued before October 15, 1989.

“(3) BONDS WITH RESPECT TO WHICH PRELIMINARY OFFERING MATERIALS MAILED.—The amendment made by subsection (a) shall not apply to any issue issued after the date of the enactment of this Act [Dec. 19, 1989] if the preliminary offering materials with respect to such issue were mailed (or otherwise delivered) to members of the underwriting syndicate before September 15, 1989.

“(4) CERTAIN OTHER BONDS.—In the case of a bond issued before January 1, 1991, with respect to which official action was taken (or a series of official actions were taken), or other comparable preliminary approval was given, before November 18, 1989, demonstrating an intent to issue such bonds in a maximum specified amount for such issue or with a maximum specified amount of net proceeds of such issue, the issuer may elect to apply section 149(g)(2) of the Internal Revenue Code of 1986 (as added by this section) by substituting ‘15 percent’ for ‘10 percent’ in subparagraph (A) and ‘50 percent’ for ‘60 percent’ in subparagraph (C).

“(5) BONDS ISSUED TO FINANCE SELF-INSURANCE FUNDS.—The amendment made by subsection (a) shall not apply to any bonds issued before July 1, 1990, to finance a self-insurance fund if official action was taken (or a series of official actions were taken), or other comparable preliminary approval was given, before September 15, 1989, demonstrating an intent to issue such bonds in a maximum specified amount for such issue or with a maximum specified amount of net proceeds of such issue.”

#### EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by section 1013(a)(20)–(22) of Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

Pub. L. 100-647, title V, §5051(b), Nov. 10, 1988, 102 Stat. 3677, provided that:

“(1) IN GENERAL.—The amendment made by subsection (a) [amending this section] shall apply to bonds issued after October 21, 1988.

“(2) SPECIAL RULE FOR REFUNDING BONDS.—In the case of a bond issued to refund a bond issued before October 22, 1988—

“(A) if the 3-year period described in section 149(f)(2)(A) of the 1986 Code would (but for this paragraph) expire on or before October 22, 1989, such period shall expire on October 21, 1990, and

“(B) if such period expires after October 22, 1989, the portion of the proceeds of the issue of which the refunded bond is a part which is available (on the date of issuance of the refunding issue) to provide loans shall be treated as proceeds of a separate issue (issued after October 21, 1988) for purposes of applying section 149(f) of the 1986 Code.”

#### EFFECTIVE DATE

Subsec. (e) applicable to bonds issued after Dec. 31, 1986, see section 1311(d) of Pub. L. 99-514, as amended, set out as an Effective Date; Transitional Rules note under section 141 of this title.

#### TRANSFER OF FUNCTIONS

Federal Savings and Loan Insurance Corporation abolished and its functions transferred, see sections 401 to 406 of Pub. L. 101-73 set out as a note under section 1437 of Title 12, Banks and Banking.

#### SUBPART C—DEFINITIONS AND SPECIAL RULES

Sec.

150. Definitions and special rules.

**§ 150. Definitions and special rules****(a) General rule**

For purposes of this part—

**(1) Bond**

The term “bond” includes any obligation.

**(2) Governmental unit not to include Federal Government**

The term “governmental unit” does not include the United States or any agency or instrumentality thereof.

**(3) Net proceeds**

The term “net proceeds” means, with respect to any issue, the proceeds of such issue reduced by amounts in a reasonably required reserve or replacement fund.

**(4) 501(c)(3) organization**

The term “501(c)(3) organization” means any organization described in section 501(c)(3) and exempt from tax under section 501(a).

**(5) Ownership of property**

Property shall be treated as owned by a governmental unit if it is owned on behalf of such unit.

**(6) Tax-exempt bond**

The term “tax-exempt” means, with respect to any bond (or issue), that the interest on such bond (or on the bonds issued as part of such issue) is excluded from gross income.

**(b) Change in use of facilities financed with tax-exempt private activity bonds****(1) Mortgage revenue bonds****(A) In general**

In the case of any residence with respect to which financing is provided from the proceeds of a tax-exempt qualified mortgage bond or qualified veterans’ mortgage bond, if there is a continuous period of at least 1 year during which such residence is not the principal residence of at least 1 of the mortgagors who received such financing, then no deduction shall be allowed under this chapter for interest on such financing which accrues on or after the date such period began and before the date such residence is again the principal residence of at least 1 of the mortgagors who received such financing.

**(B) Exception**

Subparagraph (A) shall not apply to the extent the Secretary determines that its application would result in undue hardship and that the failure to meet the requirements of subparagraph (A) resulted from circumstances beyond the mortgagor’s control.

**(2) Qualified residential rental projects**

In the case of any project for residential rental property—

(A) with respect to which financing is provided from the proceeds of any private activity bond which, when issued, purported to be a tax-exempt bond described in paragraph (7) of section 142(a), and

(B) which does not meet the requirements of section 142(d),

no deduction shall be allowed under this chapter for interest on such financing which accrues during the period beginning on the 1st day of the taxable year in which such project fails to meet such requirements and ending on the date such project meets such requirements. If the provisions of prior law corresponding to section 142(d) apply to a refunded bond, such provisions shall apply (in lieu of section 142(d)) to the refunding bond.

**(3) Qualified 501(c)(3) bonds****(A) In general**

In the case of any facility with respect to which financing is provided from the proceeds of any private activity bond which, when issued, purported to be a tax-exempt qualified 501(c)(3) bond, if any portion of such facility—

(i) is used in a trade or business of any person other than a 501(c)(3) organization or a governmental unit, but

(ii) continues to be owned by a 501(c)(3) organization,

then the owner of such portion shall be treated for purposes of this title as engaged in an unrelated trade or business (as defined in section 513) with respect to such portion. The amount of gross income attributable to such portion for any period shall not be less than the fair rental value of such portion for such period.

**(B) Denial of deduction for interest**

No deduction shall be allowed under this chapter for interest on financing described in subparagraph (A) which accrues during the period beginning on the date such facility is used as described in subparagraph (A)(i) and ending on the date such facility is not so used.

**(4) Certain exempt facility bonds and small issue bonds****(A) In general**

In the case of any facility with respect to which financing is provided from the proceeds of any private activity bond to which this paragraph applies, if such facility is not used for a purpose for which a tax-exempt bond could be issued on the date of such issue, no deduction shall be allowed under this chapter for interest on such financing which accrues during the period beginning on the date such facility is not so used and ending on the date such facility is so used.

**(B) Bonds to which paragraph applies**

This paragraph applies to any private activity bond which, when issued, purported to be a tax-exempt exempt facility bond described in a paragraph (other than paragraph (7)) of section 142(a) or a qualified small issue bond.

**(5) Facilities required to be owned by governmental units or 501(c)(3) organizations**

If—

(A) financing is provided with respect to any facility from the proceeds of any private activity bond which, when issued, purported to be a tax-exempt bond,