

“(II) TREATMENT OF REFUNDING BONDS.—For purposes of subclause (I), a refunding bond (whether a current or advance refunding) shall be treated as issued on the date of the issuance of the refunded bond (or in the case of a series of refundings, the original bond).

“(III) EXCEPTION FOR CERTAIN REFUNDING BONDS.—Subclause (II) shall not apply to any refunding bond which is issued to refund any bond which was issued after December 31, 2003, and before January 1, 2009.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 2008. 26 USC 56 note.

**SEC. 1504. MODIFICATION TO HIGH SPEED INTERCITY RAIL FACILITY BONDS.**

(a) IN GENERAL.—Paragraph (1) of section 142(i) is amended by striking “operate at speeds in excess of” and inserting “be capable of attaining a maximum speed in excess of”. 26 USC 142.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to obligations issued after the date of the enactment of this Act. 26 USC 142 note.

**PART II—DELAY IN APPLICATION OF WITHHOLDING TAX ON GOVERNMENT CONTRACTORS**

**SEC. 1511. DELAY IN APPLICATION OF WITHHOLDING TAX ON GOVERNMENT CONTRACTORS.** 26 USC 3402 note.

Subsection (b) of section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 is amended by striking “December 31, 2010” and inserting “December 31, 2011”. 26 USC 3402.

**PART III—TAX CREDIT BONDS FOR SCHOOLS**

**SEC. 1521. QUALIFIED SCHOOL CONSTRUCTION BONDS.**

(a) IN GENERAL.—Subpart I of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

**“SEC. 54F. QUALIFIED SCHOOL CONSTRUCTION BONDS.**

“(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—For purposes of this subchapter, the term ‘qualified school construction bond’ means any bond issued as part of an issue if—

“(1) 100 percent of the available project proceeds of such issue are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

“(2) the bond is issued by a State or local government within the jurisdiction of which such school is located, and

“(3) the issuer designates such bond for purposes of this section.

“(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) by any issuer

shall not exceed the limitation amount allocated under subsection (d) for such calendar year to such issuer.

“(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified school construction bond limitation for each calendar year. Such limitation is—

“(1) \$11,000,000,000 for 2009,

“(2) \$11,000,000,000 for 2010, and

“(3) except as provided in subsection (e), zero after 2010.

“(d) ALLOCATION OF LIMITATION.—

“(1) ALLOCATION AMONG STATES.—Except as provided in paragraph (2)(C), the limitation applicable under subsection (c) for any calendar year shall be allocated by the Secretary among the States in proportion to the respective amounts each such State is eligible to receive under section 1124 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6333) for the most recent fiscal year ending before such calendar year. The limitation amount allocated to a State under the preceding sentence shall be allocated by the State to issuers within such State.

“(2) 40 PERCENT OF LIMITATION ALLOCATED AMONG LARGEST SCHOOL DISTRICTS.—

“(A) IN GENERAL.—40 percent of the limitation applicable under subsection (c) for any calendar year shall be allocated under subparagraph (B) by the Secretary among local educational agencies which are large local educational agencies for such year.

“(B) ALLOCATION FORMULA.—The amount to be allocated under subparagraph (A) for any calendar year shall be allocated among large local educational agencies in proportion to the respective amounts each such agency received under section 1124 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6333) for the most recent fiscal year ending before such calendar year.

“(C) REDUCTION IN STATE ALLOCATION.—The allocation to any State under paragraph (1) shall be reduced by the aggregate amount of the allocations under this paragraph to large local educational agencies within such State.

“(D) ALLOCATION OF UNUSED LIMITATION TO STATE.—The amount allocated under this paragraph to a large local educational agency for any calendar year may be reallocated by such agency to the State in which such agency is located for such calendar year. Any amount reallocated to a State under the preceding sentence may be allocated as provided in paragraph (1).

“(E) LARGE LOCAL EDUCATIONAL AGENCY.—For purposes of this paragraph, the term ‘large local educational agency’ means, with respect to a calendar year, any local educational agency if such agency is—

“(i) among the 100 local educational agencies with the largest numbers of children aged 5 through 17 from families living below the poverty level, as determined by the Secretary using the most recent data available from the Department of Commerce that are satisfactory to the Secretary, or

“(ii) 1 of not more than 25 local educational agencies (other than those described in clause (i)) that the Secretary of Education determines (based on the

most recent data available satisfactory to the Secretary) are in particular need of assistance, based on a low level of resources for school construction, a high level of enrollment growth, or such other factors as the Secretary deems appropriate.

“(3) ALLOCATIONS TO CERTAIN POSSESSIONS.—The amount to be allocated under paragraph (1) to any possession of the United States other than Puerto Rico shall be the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). In making other allocations, the amount to be allocated under paragraph (1) shall be reduced by the aggregate amount allocated under this paragraph to possessions of the United States.

“(4) ALLOCATIONS FOR INDIAN SCHOOLS.—In addition to the amounts otherwise allocated under this subsection, \$200,000,000 for calendar year 2009, and \$200,000,000 for calendar year 2010, shall be allocated by the Secretary of the Interior for purposes of the construction, rehabilitation, and repair of schools funded by the Bureau of Indian Affairs. In the case of amounts allocated under the preceding sentence, Indian tribal governments (as defined in section 7701(a)(40)) shall be treated as qualified issuers for purposes of this subchapter.

“(e) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

“(1) the amount allocated under subsection (d) to any State, exceeds

“(2) the amount of bonds issued during such year which are designated under subsection (a) pursuant to such allocation, the limitation amount under such subsection for such State for the following calendar year shall be increased by the amount of such excess. A similar rule shall apply to the amounts allocated under subsection (d)(4).”

Applicability.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d) is amended by striking “or” at the end of subparagraph (C), by inserting “or” at the end of subparagraph (D), and by inserting after subparagraph (D) the following new subparagraph:

26 USC 54.

“(E) a qualified school construction bond.”

(2) Subparagraph (C) of section 54A(d)(2) is amended by striking “and” at the end of clause (iii), by striking the period at the end of clause (iv) and inserting “, and”, and by adding at the end the following new clause:

“(v) in the case of a qualified school construction bond, a purpose specified in section 54F(a)(1).”

(3) The table of sections for subpart I of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 54F. Qualified school construction bonds.”

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

26 USC 54A note.

**SEC. 1522. EXTENSION AND EXPANSION OF QUALIFIED ZONE ACADEMY BONDS.**

26 USC 54.

(a) **IN GENERAL.**—Section 54E(c)(1) is amended by striking “and 2009” and inserting “and \$1,400,000,000 for 2009 and 2010”.

26 USC 54E note.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to obligations issued after December 31, 2008.

**PART IV—BUILD AMERICA BONDS****SEC. 1531. BUILD AMERICA BONDS.**

(a) **IN GENERAL.**—Part IV of subchapter A of chapter 1 is amended by adding at the end the following new subpart:

**“Subpart J—Build America Bonds**

“Sec. 54AA. Build America bonds.

**“SEC. 54AA. BUILD AMERICA BONDS.**

“(a) **IN GENERAL.**—If a taxpayer holds a build America bond on one or more interest payment dates of the bond during any taxable year, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to such dates.

“(b) **AMOUNT OF CREDIT.**—The amount of the credit determined under this subsection with respect to any interest payment date for a build America bond is 35 percent of the amount of interest payable by the issuer with respect to such date .

“(c) **LIMITATION BASED ON AMOUNT OF TAX.**—

“(1) **IN GENERAL.**—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

“(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(B) the sum of the credits allowable under this part (other than subpart C and this subpart).

“(2) **CARRYOVER OF UNUSED CREDIT.**—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year (determined before the application of paragraph (1) for such succeeding taxable year).

“(d) **BUILD AMERICA BOND.**—

“(1) **IN GENERAL.**—For purposes of this section, the term ‘build America bond’ means any obligation (other than a private activity bond) if—

“(A) the interest on such obligation would (but for this section) be excludable from gross income under section 103,

“(B) such obligation is issued before January 1, 2011, and

“(C) the issuer makes an irrevocable election to have this section apply.

“(2) **APPLICABLE RULES.**—For purposes of applying paragraph (1)—