

PROPOSED DRAFT AMENDMENTS TO S.1564

Real Property

In Sec. 2(a) at the end of new Sec. 168(f)(13)(C)(iv) on Page 6 at the end of line 15, the following should be inserted: "For purposes of this subparagraph, improvements to a property (other than land) shall not be treated as a separate property."

new Sec. 168(f)(13)(C)(v) should be deleted on lines 16-22 on Page 6 and the following inserted in lieu thereof:

"(v) Exception where property used in unrelated trade or business or where property is a qualified rehabilitation. - The term 'tax-exempt use property' shall not include:

"(I) any portion of a property predominantly used by the tax-exempt entity in an unrelated trade or business the income of which is subject to tax under section 511, or

"(II) any portion of the basis of property which is attributable to qualified rehabilitation expenditures, provided that the use of such property does not consist of uses described in subparagraph (C)(iv)(I), (II), or (IV) of this paragraph."

On page 9, line 15, amend Sec. 2(b) by deleting paragraph (2) and renumbering accordingly, and deleting section 2(c), redesignating the subsequent section accordingly

#### Service Contracts

On page 8, in Section 2(a), amend new subparagraph Sec. 168(f)(13)(F)(i) on line 8 by deleting "controls or", and inserting at the end of the sentence "and," at the end of line 9 and amend new Sec. 168(f)(13)(F) by deleting Sec. 168(f)(13)(F)(ii) on lines 10-12 and renumbering the subsequent subparagraphs accordingly.

#### Personal Property

Amend Sec. 2(a) on page 4, lines 16-17 by deleting in new subparagraph Sec. 168(f)(13)(C)(ii) "short term leases of", and on line 20 in the following sentence, delete "if" and all that follows thereafter in that sentence and the subsequent paragraph "(iii)" through page 5, line 10 and insert the following in lieu thereof and renumber accordingly:

"unless such entity leases such property where—"

"(I) the property is financed by obligations the interest on which is exempt from tax under section 103



and such entity or a related entity participated in such financing,

"(II) such use is pursuant to a lease under which there is a fixed price purchase or sale option which involves such entity (or a related entity),

"(III) such use is pursuant to a lease the term of which (counting renewal options and successive leases) is in excess of 80 percent of the property's useful life, or

"(IV) such use occurs after a sale or lease of the property by such entity (or a related entity) and a lease-back.