

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 157

To amend the Internal Revenue Code of 1986 to permit interest on Federally guaranteed water, wastewater, and essential community facilities loans to be tax exempt.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 25, 2005

Mr. KOHL introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to permit interest on Federally guaranteed water, wastewater, and essential community facilities loans to be tax exempt.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TAX-EXEMPT INTEREST ON FEDERALLY GUAR-**  
4 **ANTEED WATER, WASTEWATER, AND FEDER-**  
5 **ALLY GUARANTEED ESSENTIAL COMMUNITY**  
6 **FACILITIES LOANS.**

7 (a) IN GENERAL.—Section 149(b)(3)(A) of the Inter-  
8 nal Revenue Code 1986 (relating to certain insurance pro-  
9 grams) is amended by striking “or” at the end of clause

1 (ii), by striking period at the end of clause (iii) and insert-  
2 ing “, or”, and by adding at the end the following new  
3 clause:

4                   “(iv) any guarantee by the Secretary  
5                   of Agriculture pursuant to section  
6                   306(a)(1) of the Consolidated Farm and  
7                   Rural Development Act (7 U.S.C.  
8                   1926(a)(1)) to finance water, wastewater,  
9                   and essential community facilities.”.

10           (b) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to bonds issued after the date of  
12 the enactment of this Act.

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109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2378

To amend the Internal Revenue Code of 1986 to permit interest on Federally guaranteed water, wastewater, and essential community facilities loans to be tax exempt.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 16, 2005

Mr. LEWIS of Kentucky (for himself and Mr. BOUCHER) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

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12 the enactment of this Act.

○

# National Rural Water Association

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July 15, 2005

The Honorable Chuck Grassley  
Chairman  
U.S. Senate Committee on Finance  
Washington, DC 20510

The Honorable Max Baucus  
Ranking Member  
U.S. Senate Committee on Finance  
Washington, DC 20510

Dear Chairman Grassley and Ranking Senator Baucus,

The National Rural Water Association (NRWA), a nonprofit, community-based rural water development organization of 22,147 rural and small communities, urges your support and cosponsorship of S. 157, to amend the Internal Revenue Code of 1986 to permit interest on federally guaranteed water, wastewater, and essential community facilities' loans to be tax exempt.

**On behalf of NRWA's membership, we support Senator Kohl's legislation and encourage its passage as expeditiously as possible.**

Many rural communities can't afford to provide water service to all residents—leaving thousands of U.S. families to haul water, rely on shallow wells, or use unsafe supplies. More than 93% of the country's 54,000 community water systems serve fewer than 10,000 homes. These communities have the greatest difficulty providing safe and affordable public drinking water and sewer services because of their economies of scale and lack of technical expertise. To overcome the lack of density in rural areas, rural communities have turned to the USDA rural water & wastewater loan and grant program to build or extend water systems and repay the loans at affordable rates and terms. Without this financial assistance, these small towns and rural water and wastewater districts could not construct new systems, expand existing utilities, or comply with EPA mandates. Unlike other environmental funding programs, USDA targets its funds to the smallest, most economically disadvantaged communities.

There is an extreme shortfall in USDA water funding available to meet rural water communities' demonstrated needs. Presently, hundreds of communities are on the long waiting list for funding, which includes a backlog of over \$2 billion in eligible grants. The average wait for available funding is now more than three years. The multibillion-dollar backlog in the USDA program is the most accurate indicator of need, because all systems on backlog have applied for funding and have met the USDA strict needs requirement (including lack of commercial funding availability and high ratios of median household income to water rates). In addition to this present need, the EPA is proposing more federal water and sewer regulations that will force small towns to come up with millions in financing. Many systems will be stressed to comply with the following rules: arsenic, ground water, disinfection byproduct, radon, TMDLs, and the ever-changing and tightening of wastewater permits, etc.

Without cost to the U.S. Treasury, S. 157 would allow for additional subsidized funding to be available to small and rural water supplies that are in need. The funding is only available to a limited group of small communities that have no chance of obtaining commercial funding, are economically disadvantaged, and have documented environmental or public health needs. No other federal funding effort meets these rigorous requirements to ensure that funding is targeted to the communities most in need. If enacted, there is no cost to the Treasury with this legislation, because it only provides loans to communities that cannot obtain commercial loans. Therefore, it would not replace any potential commercial loans that generate federal tax revenue to the Treasury.

Thank you, Mr. Chairman, for your continued support and assistance. If enacted, S. 157 would have a very positive impact on improving the lives of numerous rural families and enhancing rural community development. Please contact us with any questions, and we look forward to using our grassroots network of over 22,000 small and rural communities to advance the legislation in the Congress.

Sincerely,

A handwritten signature in blue ink that reads "John Montgomery". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

John Montgomery & Mike Keegan