

(b) Special exempt facility bond rules For purposes of subsection (a)—

(1) Certain facilities must be governmentally owned

(A) In general

A facility shall be treated as described in paragraph (1), (2), (3), or (12) of subsection (a) only if all of the **property** to be financed by the **net proceeds** of the issue is to be owned by a **governmental unit**.

(B) Safe harbor for leases and management contracts For purposes of subparagraph (A), **property** leased by a **governmental unit** shall be treated as owned by such **governmental unit** if—

(i)

the lessee makes an irrevocable **election** (binding on the lessee and all successors in **interest** under the lease) not to claim depreciation or an investment credit with respect to such **property**,

(ii)

the **lease** term (as defined in section 168(i)(3)) is not more than 80 percent of the reasonably expected economic life of the **property** (as determined under section 147(b)), and

(iii)

the lessee has no option to **purchase** the **property** other than at fair market value (as of the time such option is exercised).

Rules similar to the rules of the preceding sentence shall apply to management **contracts** and similar types of operating agreements.