

103^D CONGRESS
1ST SESSION

H. R. 1008

To amend the Internal Revenue Code of 1986 to stimulate employment in, and to promote revitalization of, targeted urban areas designated as targeted urban areas, by providing Federal tax relief for employment and investments, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 18, 1993

Mr. SHAYS (for himself and Mr. MFUME) introduced the following bill; which was referred jointly to the Committees on Ways and Means, the Judiciary, and Banking, Finance and Urban Affairs

A BILL

To amend the Internal Revenue Code of 1986 to stimulate employment in, and to promote revitalization of, targeted urban areas designated as targeted urban areas, by providing Federal tax relief for employment and investments, and for other purposes.

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. SHORT TITLE.**

4 This Act may be cited as the “Business and Urban
5 Partnership Act”.

1 **SEC. 2. PURPOSE.**

2 It is the purpose of this Act to provide for the estab-
3 lishment of targeted urban areas in order to restore the
4 economic base of targeted urban areas by bringing people,
5 businesses, and jobs back to them primarily by providing
6 or encouraging—

7 (1) tax relief at the Federal, State, and local
8 levels;

9 (2) regulatory relief at the Federal, State, and
10 local levels; and

11 (3) coordination and cooperation among Fed-
12 eral, State, and local officials to promote economic
13 development in targeted cities.

14 **SEC. 3. AMENDMENT OF THE 1986 CODE.**

15 Except as otherwise expressly provided, whenever in
16 this Act an amendment or repeal is expressed in terms
17 of an amendment to, or repeal of, a section or other provi-
18 sion, the reference shall be considered to be made to a
19 section or other provision of the Internal Revenue Code
20 of 1986.

21 **TITLE I—DESIGNATION OF**
22 **TARGETED URBAN AREAS**

23 **SEC. 101. DESIGNATION OF ZONES.**

24 (a) GENERAL RULE.—Chapter 80 (relating to gen-
25 eral rules) is amended by adding at the end thereof the
26 following new subchapter:

1 urban area and not later than 4 months follow-
2 ing the date of the enactment of this section,
3 the Secretary of Housing and Urban Develop-
4 ment shall prescribe by regulations—

5 “(i) the procedures for nominating an
6 area, and

7 “(ii) the procedures for designation as
8 a targeted urban area.

9 “(B) TIME LIMITATIONS.—The Secretary
10 of Housing and Urban Development shall des-
11 ignate nominated areas as targeted urban area
12 only during the 48-month period beginning on
13 the first day of the first month following the
14 month in which the effective date of the regula-
15 tions described in subparagraph (A) occurs.

16 “(C) PROCEDURAL RULES.—The Secretary
17 of Housing and Urban Development shall not
18 make any designation under this section un-
19 less—

20 “(i) the local government and the
21 State in which the nominated area is lo-
22 cated have the authority to—

23 “(I) nominate such area for des-
24 ignation as a targeted urban area,

1 “(II) make the State and local
2 commitments under subsection (d),
3 and

4 “(III) provide assurances satis-
5 factory to the Secretary of Housing
6 and Urban Development that such
7 commitments will be fulfilled,

8 “(ii) the State and local governments
9 in which the nominated area is located will
10 establish a commission (consisting of State
11 and local governmental officials, represent-
12 atives of local businesses, and community
13 leaders) which shall have the responsibility
14 for making allocations under section 1394
15 (relating to overall limitations on targeted
16 urban area incentives), and

17 “(iii) a nomination therefor is submit-
18 ted by such State and local governments in
19 such a manner and in such form, and con-
20 tains such information, as the Secretary of
21 Housing and Urban Development shall
22 prescribe by regulations.

23 “(D) REQUIREMENT OF ALLOCATION FOR-
24 MULA.—The Secretary of Housing and Urban
25 Development shall not designate any nominated

1 area as a targeted urban area unless the State
2 and local governments in which the nominated
3 area is located have established allocation pro-
4 cedures to be used by the commission estab-
5 lished pursuant to subparagraph (C)(ii) in mak-
6 ing allocations under section 1394. Such proce-
7 dures—

8 “(i) shall provide that allocations
9 under section 1394 will be based on the
10 following criteria:

11 “(I) the additional investment in
12 the targeted urban area that will re-
13 sult from the allocation,

14 “(II) the additional jobs in the
15 targeted urban area that will result
16 from the allocation,

17 “(III) the levels of compensation
18 for the additional jobs referred to in
19 subclause (II),

20 “(IV) the amount of additional
21 job-training that will result from the
22 allocation, and

23 “(V) the number of residents of
24 the targeted urban area employed as a
25 result of the allocation, and

1 “(ii) shall provide for a system of
2 weighting the criteria referred to in clause
3 (i).

4 Such procedures may provide that allocations
5 are to be limited to taxpayers in specified cat-
6 egories of businesses and may be revised with
7 the approval of the Secretary of Housing and
8 Urban Development.

9 “(b) TIME PERIOD FOR WHICH DESIGNATION IS IN
10 EFFECT—

11 “(1) IN GENERAL.—Any designation of an area
12 as a targeted urban area shall remain in effect dur-
13 ing the period beginning on the date of the designa-
14 tion and ending on the earliest of—

15 “(A) December 31 of the 20th calendar
16 year following the calendar year in which such
17 date occurs,

18 “(B) the termination date specified by the
19 State and local governments as provided in the
20 nomination submitted in accordance with sub-
21 section (a)(3)(C)(iii),

22 “(C) such other date as the Secretary of
23 Housing and Urban Development shall specify
24 as a condition of designation, or

1 “(D) the date upon which the Secretary of
2 Housing and Urban Development revokes such
3 designation.

4 “(2) REVOCATION OF DESIGNATION.—The Sec-
5 retary of Housing and Urban Development may re-
6 voke the designation of an area if the Secretary of
7 Housing and Urban Development determines that
8 the State or a local government in which the area
9 is located is not complying substantially with the
10 agreed course of action for the area.

11 “(c) AREA AND ELIGIBILITY REQUIREMENTS—

12 “(1) IN GENERAL.—A nominated area meets
13 the requirements of this subsection if it is within the
14 jurisdiction of a qualified city and if it is the only
15 area in such city nominated as a targeted urban
16 area.

17 “(2) QUALIFIED CITY.—For purposes of para-
18 graph (1), the term ‘qualified city’ means any city—

19 “(A) which is a metropolitan city (as de-
20 fined in section 102(a)(4) of the Housing and
21 Community Development Act of 1974 (42
22 U.S.C. 5302(a)(4)),

23 “(B) which is eligible to receive an alloca-
24 tion of funds under section 106(a)(3) of the
25 Housing and Community Development Act of

1 1974 for the most recent fiscal year ending be-
2 fore the date on which the nomination was sub-
3 mitted under subsection (a), and

4 “(C) which has a need adjusted per capita
5 income factor equal to or less than .7 (as deter-
6 mined under section 1394(b)(7) on the basis of
7 the most recent data available before the date
8 on which the nomination was submitted under
9 subsection (a).

10 “(d) REQUIRED STATE AND LOCAL COMMIT-
11 MENTS.—

12 “(1) IN GENERAL.—A nominated area meets
13 the requirements of this subsection if the State and
14 the local government or governments of the jurisdic-
15 tions in which the nominated area is located agree
16 in writing that, during any period during which the
17 nominated area is a targeted urban area, such gov-
18 ernments will follow a specified course of action de-
19 signed to reduce the various burdens borne by em-
20 ployers or employees in such area.

21 “(2) COURSE OF ACTION.—The course of action
22 under paragraph (1)—

23 “(A) shall include—

24 “(i) modifications to (or waivers of)
25 zoning requirements to permit multiple use

1 of appropriate areas within the targeted
2 urban area; except that this clause shall
3 not be construed to require waivers for
4 gambling or other adult-only entertainment
5 businesses,

6 “(ii) procedures under which a busi-
7 ness can obtain all required State and local
8 permits from 1 agency in the city in which
9 the targeted urban area is located,

10 “(iii) actions to reduce, remove, sim-
11 plify, or streamline governmental require-
12 ments applying within the targeted urban
13 area, and

14 “(iv) procedures for involvement in
15 the program by private entities, organiza-
16 tions, neighborhood associations, and com-
17 munity groups, particularly those within
18 the nominated area, including a commit-
19 ment from such private entities to provide
20 jobs and job training for, and technical, fi-
21 nancial or other assistance to, employers,
22 employees, and residents of the nominated
23 area, and

24 “(B) may include 1 or more of the follow-
25 ing:

1 “(i) State sales tax exemptions for
2 property purchased for use in the targeted
3 urban area,

4 “(ii) property tax exemptions or re-
5 ductions within the targeted urban area or
6 taxes guaranteed to be used for infrastruc-
7 ture or crime-prevention projects benefiting
8 the targeted urban area,

9 “(iii) enhanced crime prevention
10 measures in the targeted urban area such
11 as ‘crime free zones’,

12 “(iv) the reduction or elimination of
13 other taxes or fees applying within the tar-
14 geted urban area,

15 “(v) an increase in the level or effi-
16 ciency of local services within the targeted
17 urban area, for example, crime prevention,
18 and drug enforcement prevention and
19 treatment,

20 “(vi) donation (or sale below market
21 value) of land and buildings to benefit low
22 and moderate income people,

23 “(vii) linkages to—

24 “(I) job training,

25 “(II) transportation,

1 “(III) education,

2 “(IV) day care,

3 “(V) health care, and

4 “(VI) other social service sup-
5 port,

6 “(viii) provision of supporting public
7 facilities, and infrastructure improvements,

8 “(ix) encouragement of local entrepre-
9 neurship; and

10 “(x) other factors determined essen-
11 tial to support targeted urban area activi-
12 ties and increase livability or quality of life.

13 “(3) LATER MODIFICATION OF A COURSE OF
14 ACTION.—The Secretary of Housing and Urban De-
15 velopment may by regulations prescribe procedures
16 to permit or require a course of action to be updated
17 or modified during the time that a designation is in
18 effect.

19 “(e) DEFINITIONS.—For the purposes of this title—

20 “(1) GOVERNMENTS.—If more than one govern-
21 ment seeks to nominate an area as a targeted urban
22 area, any reference to, or requirement of, this sec-
23 tion shall apply to all such governments.

24 “(2) LOCAL GOVERNMENT.—The term ‘local
25 government’ means—

1 “(A) any county, city, town, township, par-
2 ish, village, or other general purpose political
3 subdivision of a State,

4 “(B) any combination of political subdivi-
5 sions described in subparagraph (A) recognized
6 by the Secretary of Housing and Urban Devel-
7 opment, and

8 “(C) the District of Columbia.”

9 (b) CLERICAL AMENDMENT.—The table of sub-
10 chapters for chapter 80 is amended by adding at the end
11 thereof the following new item:

 “SUBCHAPTER D. Designation of targeted urban areas.”.

12 **SEC. 102. REPORTING REQUIREMENTS.**

13 Not later than the close of the second calendar year
14 after the calendar year in which the Secretary of Housing
15 and Urban Development first designates areas as targeted
16 urban areas, and at the close of each second calendar year
17 thereafter, the Secretary of Housing and Urban Develop-
18 ment shall submit to the Congress a report on the effects
19 of such designation in accomplishing the purposes of this
20 Act.

21 **SEC. 103. INTERACTION WITH OTHER FEDERAL PROGRAMS.**

22 (a) COORDINATION WITH RELOCATION ASSIST-
23 ANCE.—The designation of a targeted urban area under
24 section 7880 of the Internal Revenue Code of 1986 (as
25 added by this Act) shall not—

1 (1) constitute approval of a Federal or federally
 2 assisted program or project (within the meaning of
 3 the Uniform Relocation Assistance and Real Prop-
 4 erty Acquisition Policies Act of 1970 (42 U.S.C.
 5 4601)); or

6 (2) entitle any person displaced from real prop-
 7 erty located in such targeted urban areas to any
 8 rights or any benefits under such Act.

9 (b) COORDINATION WITH ENVIRONMENTAL POL-
 10 ICY.—Designation of a targeted urban area under section
 11 7880 of such Code shall not constitute a Federal action
 12 for purposes of applying the procedural requirements of
 13 the National Environmental Policy Act of 1969 (42 U.S.C.
 14 4341) or other provisions of Federal law relating to the
 15 protection of the environment.

16 **TITLE II—FEDERAL INCOME TAX**
 17 **INCENTIVES**

18 **SEC. 201. TAX INCENTIVES.**

19 (a) GENERAL RULE.—Chapter 1 (relating to normal
 20 tax and surtax rules) is amended by inserting after sub-
 21 chapter T the following new subchapter:

22 **Subchapter U—Tax Incentives for Targeted Urban**
 23 **Areas**

“Sec. 1391. Credit for health, day care, and job training expenses
 of targeted urban area employers.

“Sec. 1392. Expense treatment for cost of qualified targeted
 urban area property.

“Sec. 1393. Deduction for targeted urban area stock.

“Sec. 1394. Overall limitation on targeted urban area incentives.

1 **“SEC. 1391. CREDIT FOR HEALTH, DAY CARE, AND JOB**
2 **TRAINING EXPENSES OF TARGETED URBAN**
3 **AREA EMPLOYERS.**

4 “(a) ALLOWANCE OF CREDIT.—There shall be al-
5 lowed as a credit against the tax imposed by this subtitle
6 for the taxable year an amount equal to 50 percent of the
7 qualified expenses of the taxpayer for such taxable year.

8 “(b) LIMITATION.—The amount of the credit allow-
9 able under subsection (a) to any taxpayer for any taxable
10 year with respect to any targeted urban area shall not ex-
11 ceed the credit amount allocated to the taxpayer under
12 section 1394 with respect to such targeted urban area for
13 such taxable year.

14 “(c) QUALIFIED EXPENSES.—For purposes of this
15 section, the term ‘qualified expenses’ means—

16 “(1) any amount paid or incurred by the tax-
17 payer for coverage under an accident or health plan
18 of any qualified targeted urban area employee,

19 “(2) any amount paid or incurred by the tax-
20 payer for dependent care assistance (as defined in
21 section 129(e)(1)) with respect to any qualified tar-
22 geted urban area employee, and

23 “(3) any job training expenses paid or incurred
24 by the taxpayer with respect to any qualified tar-
25 geted urban area employee.

1 “(d) QUALIFIED TARGETED URBAN AREA EM-
2 PLOYEE.—For purposes of this section—

3 “(1) IN GENERAL.—Except as otherwise pro-
4 vided in this subsection, the term ‘qualified targeted
5 urban area employee’ means, with respect to any pe-
6 riod, any employee of the taxpayer if—

7 “(A) substantially all of the services per-
8 formed during such period by such employee for
9 the taxpayer are performed within a targeted
10 urban area in a trade or business of the tax-
11 payer, and

12 “(B) the principal place of abode of such
13 employee while performing such services is
14 within a city which includes any portion of such
15 targeted urban area.

16 “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—
17 The term ‘qualified targeted urban area employee’
18 shall not include—

19 “(A) any individual described in subpara-
20 graph (A), (B), or (C) of section 51(i)(1), and

21 “(B) any 5-percent owner (as defined in
22 section 416(i)(1)(B)).

23 “(e) CREDIT REFUNDABLE.—For purposes of section
24 6401(b), the credit under this section shall be treated as

1 a credit allowable under subpart C of part IV of sub-
2 chapter A of this chapter.

3 **“SEC. 1392. EXPENSE TREATMENT FOR COST OF QUALIFIED**
4 **ZONE PROPERTY.**

5 “(a) TREATMENT AS EXPENSES.—A taxpayer may
6 elect to treat the cost of any qualified targeted urban area
7 property as an expense which is not chargeable to capital
8 account. Any cost so treated shall be allowed as a deduc-
9 tion for the taxable year in which the qualified targeted
10 urban area property is placed in service.

11 “(b) LIMITATION.—The amount allowed as a deduc-
12 tion under subsection (a) to any taxpayer for any taxable
13 year with respect to any targeted urban area shall not ex-
14 ceed the expense treatment amount allocated to the tax-
15 payer under section 1394 for such taxable year with re-
16 spect to such targeted urban area.

17 “(c) QUALIFIED TARGETED URBAN AREA PROP-
18 erty.—For purposes of this section—

19 “(1) IN GENERAL.—The term ‘qualified tar-
20 geted urban area property’ means any property to
21 which section 168 applies and which is acquired by
22 purchase if—

23 “(A) such property is real property located
24 in a targeted urban area and used by the tax-

1 payer in the active conduct of a trade or busi-
2 ness, or

3 “(B) such property is other tangible prop-
4 erty substantially all the use of which by the
5 taxpayer is used in a targeted urban area in the
6 active conduct of a trade or business.

7 Determinations of whether an area is a targeted
8 urban area shall be made as of the time the property
9 is placed in service.

10 “(2) TREATMENT OF PROPERTY HELD FOR
11 RENT.—The term ‘qualified targeted urban area
12 property’ shall not include any property with respect
13 to which the taxpayer is a lessor.

14 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—

15 “(1) PURCHASE AND COST.—The terms ‘pur-
16 chase’ and ‘cost’ have the respective meanings given
17 such terms by section 179(d).

18 “(2) ELECTION.—An election under this sec-
19 tion—

20 “(A) shall specify the property to which
21 the election applies, and

22 “(B) shall be made on the taxpayer’s re-
23 turn for the taxable year in which the property
24 is placed in service.

1 Any such election, once made, may be revoked only
2 with the consent of the Secretary.

3 “(3) RECAPTURE.—The Secretary shall, by reg-
4 ulations, provide for recapturing the benefit of any
5 deduction allowable under subsection (a) with re-
6 spect to any property which ceases to be qualified
7 targeted urban area property.

8 **“SEC. 1393. DEDUCTION FOR ENTERPRISE ZONE STOCK.**

9 “(a) GENERAL RULE.—There shall be allowed as a
10 deduction an amount equal to the aggregate amount paid
11 in cash by the taxpayer during the taxable year for the
12 purchase of targeted urban area stock.

13 “(b) LIMITATIONS.—

14 “(1) CEILING.—

15 “(A) IN GENERAL.—The maximum
16 amount allowed as a deduction under subsection
17 (a) to a taxpayer shall not exceed the least of:

18 “(i) \$100,000,

19 “(ii) the targeted urban area stock
20 amount allocated under section 1294 to
21 the taxpayer for the taxable year, or

22 “(iii) the excess of \$500,000 over the
23 amount allowed as a deduction under this
24 section to the taxpayer for all prior taxable
25 years.

1 “(B) EXCESS AMOUNTS.—If the amount
2 otherwise deductible by any person under sub-
3 section (a) exceeds the limitation under sub-
4 paragraph (A)—

5 “(i) the amount of such excess shall
6 be treated as an amount paid to which
7 subsection (a) applies during the next tax-
8 able year, and

9 “(ii) the deduction allowed for any
10 taxable year shall be allocated among the
11 targeted urban area stock purchased by
12 such person in accordance with the pur-
13 chase price per share.

14 “(2) AGGREGATION RULES.—All persons who
15 are members of the same family (as defined in sec-
16 tion 267(c)(4) or who are under common control
17 shall be treated as one person for purposes of
18 clauses (i) and (iii) of paragraph (1)(A), and the
19 limitations contained in such clauses shall be allo-
20 cated among such persons in accordance with their
21 respective purchases of targeted urban area stock.

22 “(c) DISPOSITIONS OF STOCK.—

23 “(1) GAIN TREATED AS ORDINARY INCOME.—
24 Except as otherwise provided in regulations, if a tax-
25 payer disposes of any targeted urban area stock with

1 respect to which a deduction was allowed under sub-
2 section (a), the amount realized on such disposi-
3 tion—

4 “(A) shall be recognized notwithstanding
5 any other provision of this subtitle, and

6 “(B) to the extent such amount does not
7 exceed the amount allowed as a deduction
8 under subsection (a) with respect to such stock,
9 shall be treated as ordinary income.

10 “(2) INTEREST CHARGED IF DISPOSITION
11 WITHIN 5 YEARS OF PURCHASE.—

12 “(A) IN GENERAL.—If a taxpayer disposes
13 of any targeted urban area stock with respect
14 to which a deduction was allowed under sub-
15 section (a) before the end of the 5-year period
16 beginning on the date such stock was purchased
17 by the taxpayer, the tax imposed by this chap-
18 ter for the taxable year in which such disposi-
19 tion occurs shall be increased by the amount
20 determined under subparagraph (B).

21 “(B) ADDITIONAL AMOUNT.—For purposes
22 of subparagraph (A), the additional amount
23 shall be equal to the amount of interest (deter-
24 mined at the rate applicable under section
25 6621(a)(2)) that would accrue—

1 “(i) during the period beginning on
2 the date the stock was purchased by the
3 taxpayer and ending on the date such
4 stock was disposed of by the taxpayer,

5 “(ii) on an amount equal to the aggregate
6 decrease in tax of the taxpayer resulting
7 from the deduction allowed under this
8 subsection (a) with respect to the stock so
9 disposed of.

10 “(C) SPECIAL RULE.—Any increase in tax
11 under subparagraph (A) shall not be treated as
12 a tax imposed by this chapter for purposes of—

13 “(i) determining the amount of any
14 credit allowable under this chapter, and

15 “(ii) determining the amount of the
16 tax imposed by section 55.

17 “(3) EXCEPTION FOR TRANSFERS AT DEATH.—
18 This subsection shall not apply to a transfer at
19 death.

20 “(d) DISQUALIFICATION.—

21 “(1) ISSUER OR STOCK CEASES TO QUALIFY.—
22 If, during the 10-year period beginning on the date
23 targeted urban area stock was purchased by the tax-
24 payer—

1 “(A) the issuer of such stock ceases to be
2 a qualified issuer (determined without regard to
3 subsection (f)(1)(C)), or

4 “(B) the proceeds from the issuance of
5 such stock fail or otherwise cease to be invested
6 by the issuer in qualified targeted urban area
7 property,

8 then, notwithstanding any provision of this subtitle
9 other than paragraph (2), the taxpayer shall be
10 treated for purposes of subsection (c) as disposing of
11 such stock during the taxable year during which
12 such cessation or failure occurs at its fair market
13 value as of 1st day of such taxable year.

14 “(2) CESSATION OF TARGETED URBAN AREA
15 STATUS NOT TO CAUSE RECAPTURE.—A corporation
16 shall not fail to be treated as a qualified issuer for
17 purposes of paragraph (1) solely by reason of the
18 termination or revocation of a tax targeted urban
19 area designation.

20 “(e) TARGETED URBAN AREA STOCK.—For purposes
21 of this section,

22 “(1) IN GENERAL.—The term ‘targeted urban
23 area stock’ means stock of a corporation if—

24 “(A) such stock was acquired on original
25 issue from the corporation, and

1 “(B) such corporation was, at the time of
2 issue, a qualified issuer.

3 “(2) PROCEEDS MUST BE INVESTED IN QUALI-
4 FIED TARGETED URBAN AREA PROPERTY.—Such
5 term shall include such stock only to the extent that
6 the amount of proceeds of such issuance are used by
7 such issuer during the 12-month period beginning on
8 the date of issuance to acquire qualified targeted
9 urban area property.

10 “(3) \$5,000,000 LIMIT.—Not more than
11 \$5,000,000 of stock of such corporation and all re-
12 lated persons may be targeted urban area stock.

13 “(f) QUALIFIED ISSUER.—For purposes of this sec-
14 tion—

15 “(1) IN GENERAL.—The term ‘qualified issuer’
16 means any domestic C corporation if—

17 “(A) such corporation does not have more
18 than one class of stock,

19 “(B) such corporation meets the targeted
20 urban area business requirements of paragraph
21 (2),

22 “(C) the sum of—

23 “(i) the money,

1 “(ii) the aggregate unadjusted bases
2 of property owned by such corporation,
3 and

4 “(iii) the value of property leased to
5 the corporation (as determined under regu-
6 lations prescribed by the Secretary),

7 does not exceed \$5,000,000, and

8 “(D) more than 20 percent of the total
9 voting power, and 20 percent of the total value,
10 of the stock of such corporation is owned by in-
11 dividuals or estates or indirectly by individuals
12 through partnerships or trusts.

13 “(2) TARGETED URBAN AREA BUSINESS RE-
14 QUIREMENTS.—

15 “(A) IN GENERAL.—A corporation meets
16 the targeted urban area business requirements
17 of this paragraph for any taxable year if—

18 “(i) at least 80 percent of the total
19 gross income of such corporation for the
20 taxable year is derived from the active con-
21 duct of a trade or business within a tax
22 targeted urban area,

23 “(ii) less than 10 percent of the aver-
24 age of the aggregate unadjusted bases of
25 the property of the corporation during

1 such taxable year is attributable to securi-
2 ties (as defined in section 165(g)(2)),

3 “(iii) substantially all of the use of the
4 tangible property of the corporation
5 (whether owned or leased) is within a tax
6 targeted urban area,

7 “(iv) substantially all of the services
8 performed for the corporation by the em-
9 ployees of such corporation are performed
10 in a tax targeted urban area, and

11 “(v) no more than an insubstantial
12 portion of the property of the corporation
13 constitutes collectibles (as defined in sec-
14 tion 408(m)(2)), unless such collectibles
15 constitute property held primarily for sale
16 to customers in the ordinary course of such
17 trade or business.

18 “(B) SPECIAL RULES.—

19 “(i) RENTAL REAL PROPERTY.—For
20 purposes of subparagraph (A), real prop-
21 erty located within a tax targeted urban
22 area and held for use by customers other
23 than related persons shall be treated as the
24 active conduct of a trade or business.

1 “(ii) EXCESSIVE PROPERTY OR SERV-
2 ICES PROVIDED TO OR BY RELATED PER-
3 SONS.—A corporation shall cease to meet
4 the requirements of this paragraph if—

5 “(I) more than 50 percent (by
6 value) of the property or services ac-
7 quired by the corporation during the
8 taxable year are acquired from related
9 persons which do not meet the re-
10 quirements of this paragraph; or

11 “(II) more than 50 percent of
12 the gross income of the corporation
13 for the taxable year is attributable to
14 property or services provided to relat-
15 ed persons which do not meet the re-
16 quirements of this paragraph.

17 “(iii) NEW CORPORATIONS.—In the
18 case of a new corporation, clauses (i) and
19 (ii) of subparagraph (A) shall not apply to
20 the 1st taxable year of such corporation.

21 “(3) QUALIFIED TARGETED URBAN AREA PROP-
22 ERTY.—The term ‘targeted urban area property’
23 means property to which section 168 applies—

24 “(A) the original use of which commences
25 with the qualified issuer, and

1 “(3) targeted urban area stock deduction
2 amounts.

3 “(b) LIMITATION ON AGGREGATE AMOUNTS ALLO-
4 CATED.—

5 “(1) LIMITATION.—No amount may be allo-
6 cated under subsection (a) by the allocating commis-
7 sion of any tax targeted urban area if such alloca-
8 tion would result in the targeted urban area limit for
9 the calendar year of the allocation being reduced
10 below zero.

11 “(2) TARGETED URBAN AREA LIMIT.—For pur-
12 poses of this section—

13 “(A) BASIC AMOUNT.—Except as other-
14 wise provided in this paragraph, the targeted
15 urban area limit for any tax targeted urban
16 area for any calendar year shall be determined
17 in accordance with the following formula:

$$A \left(\frac{X}{U} \right)$$

18 “(B) CARRYOVER OF UNUSED AMOUNTS.—

19 “(i) IN GENERAL.—Before the end of
20 any calendar year, the allocating commis-
21 sion of any targeted urban area may
22 elect—

1 “(I) to reduce the targeted urban
2 area limit applicable to such targeted
3 urban area for such year, and

4 “(II) to increase the targeted
5 urban area limit applicable to such
6 targeted urban area for the succeed-
7 ing calendar year by an amount equal
8 to such reduction.

9 “(ii) LIMITATION.—The increase in a
10 targeted urban area limit under clause
11 (i)(II) for any calendar year shall not ex-
12 ceed 70 percent of the targeted urban area
13 limit otherwise applicable to the targeted
14 urban area for such year.

15 “(C) SPECIAL RULE.—The targeted urban
16 area limits for any calendar year shall be deter-
17 mined by the Secretary of Housing and Urban
18 Development before the beginning of such cal-
19 endar year on the basis of the most recent data
20 available.

21 “(3) DETERMINATION OF TERM ‘A’.—For pur-
22 poses of paragraph (2), the term ‘A’ means—

23 “(A) \$500,000,000 in the case of calendar
24 year 1993,

1 “(B) \$1,000,000,000 in the case of cal-
2 endar year 1994,

3 “(C) \$2,000,000,000 in the case of cal-
4 endar years 1995, 1996, and 1997, and

5 “(D) in the case of any following calendar
6 year, the amount hereafter provided by law.

7 “(4) DETERMINATION OF TERM ‘U’.—For pur-
8 poses of paragraph (2), the term ‘U’ means the sum
9 of the respective terms ‘X’ determined for all quali-
10 fied cities (as defined in section 7880(c)(2)) under
11 paragraph (5).

12 “(5) DETERMINATION OF TERM ‘X’.—For pur-
13 poses of paragraph (2), the term ‘X’ means the
14 product of—

15 “(A) the total population of the city in-
16 volved, as determined by the Secretary using
17 the most recent data that is available from the
18 Secretary of Commerce pursuant to the decen-
19 nial census and pursuant to reasonable esti-
20 mates by such Secretary of changes occurring
21 in the data in the ensuing period;

22 “(B) the need index of such city, as deter-
23 mined under paragraph (6); and

1 “(C) the need adjusted per capita income
2 factor of such city, as determined under para-
3 graph (7).

4 “(6) DETERMINATION OF NEED INDEX.—

5 “(A) For purposes of paragraph (5)(B),
6 the term ‘need index’ means the number equal
7 to the quotient of—

8 “(i) the term ‘N’, as determined
9 under subparagraph (B); divided by

10 “(ii) the term ‘P’, as determined
11 under subparagraph (C).

12 “(B) For purposes of subparagraph (A)(i),
13 the term ‘N’ means the percentage constituted
14 by the ratio of—

15 “(i) the amount of funds allotted to
16 the city in the fiscal year in which the cal-
17 endar year begins under section 106(a)(3)
18 of the Housing and Community Develop-
19 ment Act of 1974; to

20 “(ii) the sum of the amount of funds
21 received by all eligible cities in such fiscal
22 year under section 106(a)(3) of the Hous-
23 ing and Community Development Act of
24 1974.

1 “(C) For purposes of subparagraph (A)(ii),
2 the term ‘P’ means the percentage constituted
3 by the ratio of—

4 “(i) the amount equal to the total
5 population of the city, as determined by
6 the Secretary using the most recent data
7 that is available from the Secretary of
8 Commerce pursuant to the decennial cen-
9 sus and pursuant to reasonable estimates
10 by such Secretary of changes occurring in
11 the data in the ensuing period; to

12 “(ii) the amount equal to the total
13 population of all eligible cities in the cur-
14 rent fiscal year.

15 “(D) For purposes of this paragraph, the
16 term “eligible cities” means those cities which
17 meet the requirements of subparagraphs (A)
18 and (B) of section 7880(c)(2).

19 “(7) DETERMINATION OF NEED ADJUSTED PER
20 CAPITA INCOME FACTOR.—

21 “(A) For purposes of paragraph (5)(C)
22 (and subject to subparagraph (D)), the term
23 ‘need adjusted per capita income factor’ means
24 the amount equal to the percentage determined

1 for the city in accordance with the following
2 formula:

$$1 - .15 \left(\frac{I}{Q} \right)$$

3 “(B) For purposes of subparagraph (A),
4 the term ‘I’ means the per capita income of the
5 city for the most recent year for which data is
6 available, as determined by the Secretary of
7 Commerce.

8 “(C) For purposes of subparagraph (A),
9 the term ‘Q’ means the product of—

10 “(i) the need index of such city, as de-
11 termined under paragraph (6); and

12 “(ii) the amount equal to the per cap-
13 ita income of the United States for the
14 most recent year for which data is avail-
15 able, as determined by the Secretary of
16 Commerce.

17 “(D) In the case of a city for which the
18 quotient of the term ‘I’ (as determined under
19 subparagraph (B)) divided by the term ‘Q’ (as
20 determined under subparagraph (C)) is less
21 than 0.2, then such quotient shall be deemed to
22 be equal to 0.2 for such city for purposes of the
23 formula under subparagraph (A).

1 “(c) PROCEDURAL RULE.—The allocating commis-
2 sion of each targeted urban area shall make allocations
3 under subsection (a) in accordance with the procedures es-
4 tablished under section 7880(a)(3)(D).

5 “(d) ALLOCATING COMMISSION.—For purposes of
6 this section, the term ‘allocating commission’ means the
7 commission established pursuant to section
8 7880(a)(3)(C)(ii).

9 “(e) OPERATING RULES.—For purposes of this sec-
10 tion—

11 “(1) CREDIT AMOUNT.—Any allocation of credit
12 amount—

13 “(A) shall specify the employer and taxable
14 year to which such allocation applies, and

15 “(B) shall reduce the targeted urban area
16 limit for the calendar year in which such tax-
17 able year begins by 1 dollar for each dollar of
18 the amount so allocated.

19 “(2) EXPENSE TREATMENT AMOUNT.—Any al-
20 location of an expense treatment amount—

21 “(A) shall specify the adjusted basis of the
22 property to which such allocation applies, and

23 “(B) shall reduce the targeted urban area
24 limit for the calendar year in which the prop-

1 erty is placed in service by 35 cents for each
2 dollar so allocated.

3 “(3) ZONE STOCK DEDUCTION AMOUNT.—Any
4 allocation of a targeted urban area stock deduction
5 amount—

6 “(A) shall specify the stock purchases to
7 which the allocation relates, and

8 “(B) shall reduce the targeted urban area
9 limit for the calendar year in which such tax-
10 able year begins by 35 cents for each dollar of
11 the amount so allocated.

12 “(f) RETROACTIVE ALLOCATIONS NOT EFFECTIVE.—

13 “(1) IN GENERAL.—No retroactive allocation
14 under subsection (a) shall be effective.

15 “(2) RETROACTIVE ALLOCATION.—For pur-
16 poses of subsection (a), the term ‘retroactive alloca-
17 tion’ means any allocation of—

18 “(A) an employment credit amount after
19 the beginning of the taxable year to which such
20 allocation applies,

21 “(B) an expense treatment amount after
22 the property involved is placed in service, or

23 “(C) a targeted urban area stock deduction
24 amount after the stock involved is acquired.”

1 (b) TECHNICAL AMENDMENT.—Subsection (a) of
2 section 1016 (relating to adjustments to basis) is amended
3 by striking out “and” at the end of paragraph (23); by
4 striking out the period at the end of paragraph (24) and
5 inserting in lieu thereof “; and”; and by adding at the
6 end thereof the following new paragraph:

7 “(25) to the extent provided in section 1393(g),
8 in the case of stock with respect to which a deduc-
9 tion was allowed or allowable under section
10 1393(a).”

11 (c) CLERICAL AMENDMENT.—The table of sub-
12 chapters for chapter 1 is amended by inserting after the
13 item relating to subchapter T the following new item:

“SUBCHAPTER U. Targeted Urban Area.”

14 **SEC. 202. ALTERNATIVE MINIMUM TAX.**

15 Subsection (a) of section 56 (relating to adjustments
16 applicable to all taxpayers) is amended by adding at the
17 end thereof the following new paragraph:

18 “(9) TARGETED URBAN AREA INCENTIVES AL-
19 LOWED.—The provisions of subchapter U shall
20 apply, including for purposes of determining ad-
21 justed current earnings under subsection (g).”.

22 **SEC. 203. ADJUSTED GROSS INCOME DEFINED.**

23 Section 62(a) (relating to the definition of adjusted
24 gross income) is amended by inserting after paragraph
25 (13) the following new paragraph:

1 “(14) TARGETED URBAN AREA STOCK.—The
2 deduction allowed by section 1393.”.

3 **SEC. 204. EFFECTIVE DATE.**

4 The amendments made by this title shall apply to tax-
5 able years ending after December 31, 1992.

6 **TITLE III—REGULATORY**
7 **FLEXIBILITY**

8 **SEC. 301. DEFINITION OF SMALL ENTITIES IN TARGETED**
9 **URBAN AREA FOR PURPOSES OF ANALYSIS**
10 **OF REGULATORY FUNCTIONS.**

11 Section 601 of title 5, United States Code, is amend-
12 ed by—

13 (1) striking out “and” at the end of paragraph
14 (5); and

15 (2) striking out paragraph (6) and inserting in
16 lieu thereof the following:

17 “(6) the term ‘small entity’ means—

18 “(A) a small business, small organization,
19 or small governmental jurisdiction defined in
20 paragraphs (3), (4), and (5) of this section, re-
21 spectively; and

22 “(B) any qualified targeted urban area
23 business; any unit of government that nomi-
24 nated an area which the Secretary of Housing
25 and Urban Development designates as a tar-

1 geted urban area (within the meaning of section
2 7880 of the Internal Revenue Code of 1986)
3 that has a rule pertaining to the carrying out
4 of any project, activity, or undertaking within
5 such targeted urban area; and any not-for-prof-
6 it enterprise carrying out a significant portion
7 of its activities within such a targeted urban
8 area; and

9 “(7) the term ‘qualified targeted urban area
10 business’ means any person, corporation, or other
11 entity—

12 “(A) which is engaged in the active con-
13 duct of a trade or business within an targeted
14 urban area (within the meaning of section 7880
15 of the Internal Revenue Code of 1986); and

16 “(B) for whom at least 50 percent of its
17 employees perform substantially all of their
18 services for the employer in a targeted urban
19 area (as so defined).”

20 **SEC. 302. WAIVER OR MODIFICATION OF AGENCY RULES IN**
21 **TARGETED URBAN AREAS.**

22 (a) Chapter 6 of title 5, United States Code, is
23 amended by redesignating sections 611 and 612 as sec-
24 tions 612 and 613, respectively, and inserting the follow-
25 ing new section immediately after section 610:

1 **“§ 611. Waiver or modification of agency rules in tar-**
2 **geted urban areas**

3 “(a) Upon the written request of any government
4 which nominated an area that the Secretary of Housing
5 and Urban Development has designated as a targeted
6 urban area under section 7880 of the Internal Revenue
7 Code of 1986, an agency is authorized, in order to further
8 the job creation, community development, or economic re-
9 vitalization objectives with respect to such targeted urban
10 area, to waive or modify all or part of any rule which it
11 has authority to promulgate, as such rule pertains to the
12 carrying out of projects, activities, or undertakings within
13 such targeted urban area.

14 “(b) Nothing in this section shall authorize an agency
15 to waive or modify any rule adopted to carry out a statute
16 or Executive order which prohibits, or the purpose of
17 which is to protect persons against, discrimination on the
18 basis of race, color, religion, sex, familial status, national
19 origin, age, or handicap.

20 “(c) A request under subsection (a) shall specify the
21 rule or rules to be waived or modified and the change pro-
22 posed, and shall briefly describe why the change would
23 promote the achievement of the job creation, community
24 development, or economic revitalization objectives of the
25 targeted urban area. If such a request is made to any
26 agency other than the Department of Housing and Urban

1 Development, the requesting government shall send a copy
2 of the request to the Secretary of Housing and Urban De-
3 velopment at the time the request is made.

4 “(d) In considering a request, the agency shall weigh
5 the extent to which the proposed change is likely to further
6 job creation, community development, or economic revital-
7 ization within the targeted urban area against the effect
8 the change is likely to have on the underlying purposes
9 of applicable statutes in the geographic area which would
10 be affected by the change. The agency shall approve the
11 request whenever it finds, in its discretion, that the public
12 interest which the proposed change would serve in further-
13 ing such job creation, community development, or eco-
14 nomic revitalization outweighs the public interest which
15 continuation of the rule unchanged would serve. The agen-
16 cy shall not approve any request to waive or modify a rule
17 if that waiver or modification would—

18 “(1) violate a statutory requirement (including
19 any requirements of the Fair Labor Standards Act
20 of 1938 (52 Stat. 1060; 29 U.S.C. 201 et seq.)); or

21 “(2) be likely to present a significant risk to the
22 public health, including environmental or occupa-
23 tional health or safety, or of environmental pollution.

24 “(e) If a request is disapproved, the agency shall in-
25 form all the requesting governments, and the Department

1 of Housing and Urban Development, in writing of the rea-
2 sons therefor and shall, to the maximum extent possible,
3 work with such governments to develop an alternative,
4 consistent with the standards contained in subsection (d).

5 “(f) Agencies shall discharge their responsibilities
6 under this section in an expeditious manner, and shall
7 make a determination on requests not later than 90 days
8 after their receipt.

9 “(g) A waiver or modification of a rule under sub-
10 section (a) shall not be considered to be a rule, rule-
11 making, or regulation under chapter 5 of this title. To fa-
12 cilitate reaching its decision on any requested waiver or
13 modification, the agency may seek the views of interested
14 parties and, if the views are to be sought, determine how
15 they should be obtained and to what extent, if any, they
16 should be taken into account in considering the request.
17 The agency shall publish a notice in the Federal Register
18 stating any waiver or modification of a rule under this
19 section, the time such waiver or modification takes effect
20 and its duration, and the scope of applicability of such
21 waiver or modification.

22 “(h) In the event that an agency proposes to amend
23 a rule for which a waiver or modification under this sec-
24 tion is in effect, the agency shall not change the waiver
25 or modification to impose additional requirements unless

1 it determines, consistent with standards contained in sub-
2 section (d), that such action is necessary. Such determina-
3 tions shall be published with the proposal to amend such
4 rule.

5 “(i) No waiver or modification of a rule under this
6 section shall remain in effect with respect to a targeted
7 urban area after the targeted urban area designation has
8 expired or has been revoked.

9 “(j) For purposes of this section, the term ‘rule’
10 means (1) any rule as defined in section 551(4) of this
11 title or (2) any rulemaking conducted on the record after
12 opportunity for an agency hearing pursuant to sections
13 556 and 557 of this title.”

14 (b) The analysis for chapter 6 of title 5, United
15 States Code, is amended by redesignating the items relat-
16 ing to sections 611 and 612 as items relating to sections
17 612 and 613, respectively, and by inserting after the item
18 relating to section 610 the following new item:

“611. Waiver or modification of agency rules in targeted urban
areas.”.

19 (c) Section 601(2) of such title 5 is amended by in-
20 serting “(except for purposes of section 611” immediately
21 before “means”.

22 (d) Section 613 of such title 5, as redesignated by
23 subsection (a), is amended—

1 (1) in subsection (a) by inserting “(except sec-
2 tion 611)” immediately after “chapter”; and

3 (2) in subsection (b) by inserting “as defined in
4 section 601(2)” immediately before the period at the
5 end of the first sentence.

6 **SEC. 303. FEDERAL AGENCY SUPPORT OF TARGETED**
7 **URBAN AREAS.**

8 In order to maximize all agencies’ support of targeted
9 urban areas, the Secretary of Housing and Urban Devel-
10 opment is authorized to convene regional and local coordi-
11 nating councils of any appropriate agencies to assist State
12 and local governments to achieve the objectives agreed to
13 in the course of action under section 7880 of the Internal
14 Revenue Code of 1986.

15 **TITLE IV—ESTABLISHMENT OF**
16 **FOREIGN-TRADE ZONES IN**
17 **TARGETED URBAN AREAS**

18 **SEC. 401. FOREIGN-TRADE ZONE PREFERENCES.**

19 (a) PREFERENCE IN ESTABLISHMENT OF FOREIGN-
20 TRADE ZONES IN TARGETED URBAN AREAS.—In process-
21 ing applications for the establishment of foreign-trade
22 zones pursuant to an Act “To provide for the establish-
23 ment, operation, and maintenance of foreign-trade zones
24 in ports of entry of the United States, to expedite and
25 encourage foreign commerce, and for other purposes”, ap-

1 proved June 18, 1934 (48 Stat. 998), the Foreign-Trade
2 Zone Board shall consider on a priority basis and expedite,
3 to the maximum extent possible, the processing of any ap-
4 plication involving the establishment of a foreign-trade
5 zone within a targeted urban area designated pursuant to
6 section 7880 of the Internal Revenue Code of 1986.

7 (b) APPLICATION PROCEDURE.—In processing appli-
8 cations for the establishment of ports of entry pursuant
9 to “An Act making appropriations for sundry civil ex-
10 penses of the Government for the fiscal year ending June
11 thirtieth, nineteen hundred and fifteen, and for other pur-
12 poses”, approved August 1, 1914 (38 Stat. 609), the Sec-
13 retary of the Treasury shall consider on a priority basis
14 and expedite, to the maximum extent possible, the process-
15 ing of any application involving the establishment of a port
16 of entry which is necessary to permit the establishment
17 of a foreign-trade zone within a targeted urban area so
18 designated.

19 (c) APPLICATION EVALUATION.—In evaluating appli-
20 cations for the establishment of foreign-trade zones and
21 ports of entry in connection with targeted urban areas so
22 designated, the Foreign-Trade Zone Board and the Sec-
23 retary of the Treasury shall approve the applications, to
24 the maximum extent practicable, consistent with their re-
25 spective statutory responsibilities.

1 **TITLE V—REPEAL OF TITLE VII**
2 **OF THE HOUSING AND COM-**
3 **MUNITY DEVELOPMENT ACT**
4 **OF 1987**

5 **SEC. 501. REPEAL.**

6 Title VII of the Housing and Community Develop-
7 ment Act of 1987 is hereby repealed.

○

HR 1008 IH—2

HR 1008 IH—3

HR 1008 IH—4