

103D CONGRESS
1ST SESSION

H. R. 1051

To amend the Internal Revenue Code of 1986 to provide for the designation of turbo enterprise zones to assist areas of high unemployment and severe economic blight.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 23, 1993

Mr. COX introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide for the designation of turbo enterprise zones to assist areas of high unemployment and severe economic blight.

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 “Turbo Enterprise Zone
5 Act”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—Congress finds that:

8 (1) It is the Federal Government’s responsibil-
9 ity to create the conditions in which enterprise can

1 once again flourish in our inner cities, and to help
2 create jobs where now there is only unemployment.

3 (2) Enterprise zones will reduce taxes, regula-
4 tions, and other government burdens on economic
5 activity in the Nation's most economically depressed
6 areas. If properly implemented, this concept can and
7 will work over a period of several years. Because the
8 problem in our inner cities is more urgent and more
9 immediate, however, it requires a more aggressive
10 reform, designated the "turbo enterprise zone".

11 (3) To suit the current emergency, the enter-
12 prise zone concept is supercharged: first, it is tar-
13 geted on especially hard-hit areas bereft of current
14 tax revenue production; and, second, the incentives
15 are extraordinary. Specifically, local governments
16 will be asked to "green line" the most depressed
17 areas. Within the green line, city, county, State, and
18 Federal governments will cooperate to implement a
19 zero tax rate regime for 5 years: No sales taxes,
20 payroll withholding taxes, property taxes, excise
21 taxes, or income taxes. To obtain these benefits, 90
22 percent of a business's employees and managers
23 must live within the green line.

24 (4) Under current circumstances, the hardest-
25 hit areas of our Nation's inner cities are tax burdens

1 rather than tax producers. By offering striking in-
2 centives for capital to locate within the turbo enter-
3 prise zone, however, it is realistically to be antici-
4 pated that enormous economic activity will occur in
5 this area within the 5-year period. As a consequence,
6 at the end of that time, it is anticipated that a stur-
7 dy tax-generating infrastructure will be firmly in
8 place.

9 (b) PURPOSE.—The purpose of this Act is to inspire
10 renewed confidence in the blighted areas within America’s
11 inner cities, without requiring enormous amounts of new
12 taxes and borrowing.

13 **SEC. 3. NO FEDERAL TAXES IN TURBO ENTERPRISE ZONES**
14 **FOR 5 YEARS.**

15 (a) INCOME, EMPLOYMENT, AND SELF-EMPLOYMENT
16 TAXES.—No tax shall be imposed under subtitle A or C
17 of the Internal Revenue Code of 1986 with respect to—

- 18 (1) any income received or accrued by—
19 (A) any individual who is a qualified resi-
20 dent of a turbo enterprise zone, or
21 (B) any qualified business, or
22 (2) any remuneration paid by a qualified busi-
23 ness for services performed by a qualified resident.

24 This subsection shall not apply for purposes of determin-
25 ing benefits under the Social Security Act.

1 (b) EXCISE TAXES.—No tax shall be imposed under
2 subtitle D or E of such Code with respect to any taxable
3 event transacted in a turbo enterprise zone by a qualified
4 business or by a qualified resident for his own account.

5 (c) TURBO ENTERPRISE ZONE.—For purposes of
6 this section—

7 (1) IN GENERAL.—The term “turbo enterprise
8 zone” means any area in the United States if—

9 (A) such area is specifically designated for
10 purposes of this section by the State and each
11 local government having jurisdiction over such
12 area as being—

13 (i) afflicted with especially high unem-
14 ployment, to the extent such information is
15 available;

16 (ii) subject to severe economic blight
17 as measured by per capita income and
18 number of persons below the Federal pov-
19 erty level; and

20 (iii) nonproductive of material tax rev-
21 enues to the city, county, State, or Federal
22 governments; and

23 (B) the designation of such area is ap-
24 proved by the Secretary of Housing and Urban
25 Development.

1 (2) APPROVAL OF DESIGNATION.—The Sec-
2 retary of Housing and Urban Development shall ap-
3 prove any designation under paragraph (1) if such
4 Secretary determines that—

5 (A) the area meets the criteria specified in
6 paragraph (1)(A), and

7 (B) there is in effect (subject to and effec-
8 tive upon the condition of approval by the Sec-
9 retary as provided in this section) by the State
10 and each of local government having jurisdic-
11 tion over such area an irrevocable 5-year waiver
12 of all tax levies of any kind (including but not
13 limited to property taxes, sales taxes, payroll
14 withholding taxes, income taxes, excise taxes,
15 and license fees) that would otherwise be appli-
16 cable to or collectible by qualified residents and
17 qualified businesses.

18 (d) QUALIFIED RESIDENT.—For purposes of this
19 section, the term “qualified resident” means any individ-
20 ual whose domicile and principal residence is, and has
21 been for at least 6 continuous months, located within a
22 turbo enterprise zone.

23 (e) QUALIFIED BUSINESS.—For purposes of this sec-
24 tion, the term “qualified business” means any firm which
25 meets the following criteria:

1 (1) the principal place of business of such firm
2 is within a turbo enterprise zone;

3 (2) 90 percent of the remuneration paid by
4 such firm to employees, consultants, contract labor,
5 or other individual providers is to qualified residents;
6 and

7 (3) 90 percent of the number of employees of
8 such firm are qualified residents.

9 (f) APPLICATION OF SECTION.—

10 (1) IN GENERAL.—This section shall irrevocably
11 apply to any turbo enterprise zone during the 5-year
12 period beginning on the date the Secretary of Hous-
13 ing and Urban Development approves the designa-
14 tion of such zone under subsection (c)(2).

15 (2) EXTENSION OF 5-YEAR PERIOD.—

16 (A) IN GENERAL.—If, as of the close of
17 the 5-year period referred in paragraph (1) with
18 respect to any turbo enterprise zone, the Sec-
19 retary of Housing and Urban Development de-
20 termines that—

21 (i) during such period the average
22 percentage increase in per capita income
23 for such zone is at least twice the average
24 percentage increase in per capita income
25 for the surrounding area, and

1 (ii) the governmental units referred to
2 in subsection (c)(2)(B) have extended the
3 waiver referred to in such subsection for at
4 least an additional 2 years,
5 then this section shall remain in effect for an
6 additional 2 years with respect to such zone.

7 (B) ADDITIONAL EXTENSIONS PER-
8 MITTED.—If, as of the close of any extension of
9 the 5-year period referred to in paragraph (1)
10 with respect to any turbo enterprise zone, the
11 Secretary of Housing and Urban Development
12 determines that—

13 (i) during the preceding 2-year exten-
14 sion the average percentage increase in per
15 capita income for such zone is at least
16 twice the average percentage increase in
17 per capita income for the surrounding
18 area, and

19 (ii) the governmental units referred to
20 in subsection (c)(2)(B) have extended the
21 waiver referred to in such subsection for at
22 least an additional 2 years,
23 then this section shall remain in effect for an
24 additional 2 years with respect to such zone.

1 (C) EXTENSIONS LIMITED TO 6 YEARS.—

2 Extensions under this paragraph shall not ex-
3 ceed 6 years.

4 (g) PARTICIPATION BY STATE AND LOCAL GOVERN-
5 MENTS.—It is the sense of the Congress that each State
6 and local government having jurisdiction over areas sig-
7 nificantly and adversely affected by unemployment, gang
8 violence, riots, and looting should take immediate steps
9 to eliminate all taxes on qualified residents and qualified
10 businesses for the 5-year period described in subsection
11 (f).

12 (h) TREATMENT OF CARRYOVERS DURING PERIOD
13 TAXES SUSPENDED.—For purposes of determining the
14 application of any deduction, credit, or capital loss carry-
15 over under the Internal Revenue Code of 1986, the taxable
16 income of the taxpayer on whom no tax is imposed by rea-
17 son of this section for any period shall be treated as zero
18 for such period.

19 **SEC. 4. HIRING INCENTIVES FOR BUSINESSES LOCATED IN**
20 **TURBO ENTERPRISE ZONE THAT ARE MANU-**
21 **FACTURING PRODUCTS OR PROVIDING SERV-**
22 **ICES OUTSIDE SUCH A ZONE.**

23 (a) IN GENERAL.—Subpart D of part IV of sub-
24 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end thereof the follow-
2 ing new section:

3 **“SEC. 45. TURBO ENTERPRISE ZONE EMPLOYMENT CREDIT.**

4 “(a) GENERAL RULE.—For purposes of section 38,
5 in the case of a qualified productive business, the turbo
6 enterprise zone employment credit for any taxable year is
7 an amount equal to the applicable percentage of the quali-
8 fied first-year wages for the taxable year.

9 “(b) LIMITATION.—The credit allowed under sub-
10 section (a) with respect to the qualified first-year wages
11 paid to an employee shall not exceed \$1,000.

12 “(c) DEFINITIONS.—For purposes of this section—

13 “(1) QUALIFIED PRODUCTIVE BUSINESS.—The
14 term ‘qualified productive business’ means any quali-
15 fied business that—

16 “(A) is engaged in the manufacture or pro-
17 duction of any tangible personal property in a
18 turbo enterprise zone for use outside such a
19 zone, or

20 “(B) is providing services performed out-
21 side such a zone by qualified residents.

22 “(2) APPLICABLE PERCENTAGE.—The term
23 ‘applicable percentage’ means, with respect to any
24 taxable year, the percentage of the gross receipts of
25 the taxpayer for such year which is attributable to—

1 “(A) property manufactured or produced
2 by the taxpayer in a turbo enterprise zone and
3 sold for use outside such a zone, or

4 “(B) services performed outside such a
5 zone by qualified residents.

6 “(3) QUALIFIED FIRST-YEAR WAGES.—The
7 term ‘qualified first-year wages’ means wages (as de-
8 fined in section 51(d)) paid by the taxpayer to a
9 qualified resident that are attributable to service by
10 such resident during the 1-year period beginning on
11 the day such resident begins work for the employer.

12 “(4) QUALIFIED BUSINESS; QUALIFIED RESI-
13 DENT.—The terms ‘qualified business’ and ‘qualified
14 resident’ have the respective meanings given such
15 terms by section 3 of the Turbo Enterprise Zone
16 Act.

17 “(5) TURBO ENTERPRISE ZONE.—The term
18 ‘turbo enterprise zone’ has the meaning given such
19 term by section 3 of the Turbo Enterprise Zone Act.

20 “(d) APPLICATION OF SECTION.—This section shall
21 apply to qualified residents of a turbo enterprise zone that
22 are hired during the period that no tax is imposed on the
23 employer by reason of section 3 of the Turbo Enterprise
24 Zone Act.”

1 (b) CREDIT TO BE PART OF GENERAL BUSINESS
2 CREDIT.—Subsection (b) of section 38 of such Code is
3 amended by striking “plus” at the end of paragraph (6),
4 by striking the period at the end of paragraph (7) and
5 inserting “, plus”, and by adding at the end thereof the
6 following new paragraph:

7 “(8) in the case of a qualified productive busi-
8 ness (as defined in section 45), the turbo enterprise
9 zone employment credit under section 45(a).”

10 (c) CLERICAL AMENDMENT.—The table of sections
11 for subpart D of part IV of subchapter A of chapter 1
12 of such Code is amended by adding at the end thereof
13 the following new item:

“Sec. 45. Turbo enterprise zone employment credit.”

14 (d) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 the date of the enactment of this Act.

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