

103^D CONGRESS
1ST SESSION

S. 100

To provide tax incentives for the establishment of tax enterprise zones, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 21 (legislative day, JANUARY 5), 1993

Mr. RIEGLE (for himself, Mr. KENNEDY, Mr. KERRY, and Mr. BIDEN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide tax incentives for the establishment of tax enterprise zones, 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 “Enhanced Enterprise
5 Zones Act of 1993”.

1 **TITLE I—URBAN TAX ENTER-**
2 **PRISE ZONES AND RURAL DE-**
3 **VELOPMENT INVESTMENT**
4 **ZONES**

5 **SEC. 100. AMENDMENT OF 1986 CODE.**

6 Except as otherwise expressly provided, whenever in
7 this title an amendment to or repeal is expressed in terms
8 of an amendment to, or repeal of, a section or other provi-
9 sion, the reference shall be considered to be made to sec-
10 tion or other provision of the Internal Revenue Code of
11 1986.

12 **SEC. 101. STATEMENT OF PURPOSE.**

13 It is the purpose of this title to establish a demonstra-
14 tion program of providing incentives for the creation of
15 tax enterprise zones in order—

16 (1) to revitalize economically and physically dis-
17 tressed areas, primarily by encouraging the forma-
18 tion of new businesses and the retention and expan-
19 sion of existing businesses,

20 (2) to promote meaningful employment for tax
21 enterprise zone residents, and

22 (3) to encourage individuals to reside in the tax
23 enterprise zones in which they are employed.

1 **Subtitle A—Designation and Tax**
 2 **Incentives**

3 **SEC. 102. DESIGNATION AND TREATMENT OF URBAN TAX**
 4 **ENTERPRISE ZONES AND RURAL DEVELOP-**
 5 **MENT INVESTMENT ZONES.**

6 (a) IN GENERAL.—Chapter 1 (relating to normal
 7 taxes and surtaxes) is amended by inserting after sub-
 8 chapter T the following new subchapter:

9 **“Subchapter U—Designation and Treatment**
 10 **of Tax Enterprise Zones**

“Part I. Designation of tax enterprise zones.

“Part II. Incentives for tax enterprise zones.

11 **“PART I—DESIGNATION OF TAX ENTERPRISE**
 12 **ZONES**

“Sec. 1391. Designation procedure.

“Sec. 1392. Eligibility and selection criteria.

“Sec. 1393. Definitions and special rules.

13 **“SEC. 1391. DESIGNATION PROCEDURE.**

14 “(a) IN GENERAL.—For purposes of this title, the
 15 term ‘tax enterprise zone’ means any area which is, under
 16 this part—

17 “(1) nominated by 1 or more local governments
 18 and the State in which it is located for designation
 19 as a tax enterprise zone, and

20 “(2) designated by—

1 “(A) the Secretary of Housing and Urban
2 Development in the case of an urban tax enter-
3 prise zone, or

4 “(B) the Secretary of Agriculture, in con-
5 sultation with the Secretary of Commerce, in
6 the case of a rural development investment
7 zone.

8 “(b) NUMBER OF DESIGNATIONS.—

9 “(1) AGGREGATE LIMIT.—The appropriate Sec-
10 retaries may designate in the aggregate 50 nomi-
11 nated areas as tax enterprise zones under this sec-
12 tion, subject to the availability of eligible nominated
13 areas. Not more than 25 urban tax enterprise zones
14 may be designated and not more than 25 rural de-
15 velopment investment zones may be designated.
16 Such designations may be made only during cal-
17 endar years after 1992 and before 1997.

18 “(2) ANNUAL LIMITS.—

19 “(A) URBAN TAX ENTERPRISE ZONES.—
20 The number of urban tax enterprise zones des-
21 ignated under paragraph (1)—

22 “(i) before 1994 shall not exceed 8,

23 “(ii) before 1995 shall not exceed 15,

24 and

25 “(iii) before 1996 shall not exceed 21.

1 “(B) RURAL DEVELOPMENT INVESTMENT
2 ZONES.—The number of rural development in-
3 vestment zones designated under paragraph
4 (1)—

5 “(i) before 1994 shall not exceed 8,

6 “(ii) before 1995 shall not exceed 15,

7 and

8 “(iii) before 1996 shall not exceed 21.

9 “(3) ADVANCE DESIGNATIONS PERMITTED.—
10 For purposes of this subchapter, a designation dur-
11 ing any calendar year shall be treated as made on
12 January 1 of the following calendar year if the ap-
13 propriate Secretary, in making such designation,
14 specifies that such designation is effective as
15 of such January 1.

16 “(c) LIMITATIONS ON DESIGNATIONS.—The appro-
17 priate Secretary may not make any designation under sub-
18 section (a) unless—

19 “(1) the local governments and the State in
20 which the nominated area is located have the au-
21 thority—

22 “(A) to nominate the area for designation
23 as a tax enterprise zone, and

1 “(B) to provide assurances satisfactory to
2 the appropriate Secretary that the commit-
3 ments under section 1392(c) will be fulfilled,

4 “(2) a nomination of the area is submitted
5 within a reasonable time before the calendar year for
6 which designation as a tax enterprise zone is sought
7 (or, if later, a reasonable time after the date of the
8 enactment of this subchapter),

9 “(3) the appropriate Secretary determines that
10 any information furnished is reasonably accurate,
11 and

12 “(4) the State and local governments certify
13 that no portion of the area nominated is already in-
14 cluded in a tax enterprise zone or in an area other-
15 wise nominated to be a tax enterprise zone.

16 “(d) PERIOD FOR WHICH DESIGNATION IS IN EF-
17 fect.—

18 “(1) IN GENERAL.—Any designation of an area
19 as a tax enterprise zone shall remain in effect during
20 the period beginning on the date of the designation
21 and ending on the earliest of—

22 “(A) December 31 of the 15th calendar
23 year following the calendar year in which such
24 date occurs,

1 “(B) the termination date designated by
2 the State and local governments as provided for
3 in their nomination, or

4 “(C) the date the appropriate Secretary re-
5 vokes the designation under paragraph (2).

6 “(2) REVOCATION OF DESIGNATION.—

7 “(A) IN GENERAL.—The appropriate Sec-
8 retary shall revoke the designation of an area
9 as a tax enterprise zone if such Secretary deter-
10 mines that the local government or the State in
11 which it is located—

12 “(i) has modified the boundaries of
13 the area, or

14 “(ii) is not complying substantially
15 with the State and local commitments pur-
16 suant to section 1392(c).

17 “(B) APPLICABLE PROCEDURES.—A des-
18 ignation may be revoked by the appropriate
19 Secretary under subparagraph (A) only after a
20 hearing on the record involving officials of the
21 State or local government involved.

22 **“SEC. 1392. ELIGIBILITY AND SELECTION CRITERIA.**

23 “(a) IN GENERAL.—The appropriate Secretary may
24 make a designation of any nominated area under section

1 1391 only on the basis of the eligibility and selection cri-
2 teria set forth in this section.

3 “(b) ELIGIBILITY CRITERIA.—

4 “(1) URBAN TAX ENTERPRISE ZONES.—A nom-
5 inated area which is not a rural area shall be eligible
6 for designation under section 1391 only if it meets
7 the following criteria:

8 “(A) POPULATION.—The nominated area
9 has a population (as determined by the most re-
10 cent census data available) of not less than
11 4,000.

12 “(B) DISTRESS.—The nominated area is
13 one of pervasive poverty, unemployment, and
14 general distress.

15 “(C) SIZE.—The nominated area—

16 “(i) does not exceed 20 square miles,

17 “(ii) has a boundary which is continu-
18 ous, or consists of not more than 3 non-
19 contiguous parcels within the same metro-
20 politan area,

21 “(iii) is located entirely within 1
22 State, and

23 “(iv) does not include any portion of
24 a central business district (as such term is

1 used for purposes of the most recent Cen-
2 sus of Retail Trade).

3 “(D) UNEMPLOYMENT RATE.—The unem-
4 ployment rate (as determined by the appro-
5 priate available data) is not less than 1.5 times
6 the national unemployment rate.

7 “(E) POVERTY RATE.—The poverty rate
8 (as determined by the most recent census data
9 available) for not less than 90 percent of the
10 population census tracts (or where not tracted,
11 the equivalent county divisions as defined by
12 the Bureau of the Census for the purposes of
13 defining poverty areas) within the nominated
14 area is not less than 20 percent.

15 “(F) COURSE OF ACTION.—There has been
16 adopted for the nominated area a course of ac-
17 tion which meets the requirements of subsection
18 (c).

19 “(2) RURAL DEVELOPMENT INVESTMENT
20 ZONES.—A nominated area which is a rural area
21 shall be eligible for designation under section 1391
22 only if it meets the following criteria:

23 “(A) POPULATION.—The nominated area
24 has a population (as determined by the most re-

1 cent census data available) of not less than
2 1,000.

3 “(B) DISTRESS.—The nominated area is
4 one of general distress.

5 “(C) SIZE.—The nominated area—

6 “(i) does not exceed 10,000 square
7 miles,

8 “(ii) consists of areas within not more
9 than 4 contiguous counties,

10 “(iii) has a boundary which is contin-
11 uous, or consists of not more than 3 non-
12 contiguous parcels, and

13 “(iv) is located entirely within 1
14 State.

15 “(D) ADDITIONAL CRITERIA.—Not less
16 than 2 of the following criteria:

17 “(i) UNEMPLOYMENT RATE.—The cri-
18 terion set forth in paragraph (1)(D).

19 “(ii) POVERTY RATE.—The criterion
20 set forth in paragraph (1)(E).

21 “(iii) JOB LOSS.—The amount of
22 wages attributable to employment in the
23 area, and subject to tax under section
24 3301 during the preceding calendar year,

1 is not more than 95 percent of such wages
2 during the 5th preceding calendar year.

3 “(iv) OUT-MIGRATION.—The popu-
4 lation of the area decreased (as determined
5 by the most recent census data available)
6 by 10 percent or more between 1980 and
7 1990.

8 “(E) COURSE OF ACTION.—There has been
9 adopted for the nominated area a course of ac-
10 tion which meets the requirements of subsection
11 (c).

12 “(3) AREAS WITHIN INDIAN RESERVATIONS IN-
13 ELIGIBLE.—A nominated area shall not be eligible
14 for designation under section 1391 if any portion of
15 such area is within an Indian reservation.

16 “(c) REQUIRED STATE AND LOCAL COURSE OF AC-
17 TION.—

18 “(1) IN GENERAL.—No nominated area may be
19 designated as a tax enterprise zone unless the local
20 government and the State in which it is located
21 agree in writing that, during any period during
22 which the area is a tax enterprise zone, the govern-
23 ments will follow a specified course of action de-
24 signed to reduce the various burdens borne by em-
25 ployers or employees in the area.

1 “(2) COURSE OF ACTION.—The course of action
2 under paragraph (1) may be implemented by both
3 governments and private nongovernmental entities,
4 may not be funded from proceeds of any Federal
5 program (other than discretionary proceeds), and
6 may include—

7 “(A) a certification by the State insurance
8 commissioner (or similar State official) that
9 basic commercial property insurance of a type
10 comparable to that insurance generally in force
11 in urban or rural areas, whichever is applicable,
12 throughout the State is available to businesses
13 within the tax enterprise zone,

14 “(B) a reduction of tax rates or fees apply-
15 ing within the tax enterprise zone,

16 “(C) an increase in the level, or efficiency
17 of delivery, of local public services within the
18 tax enterprise zone,

19 “(D) actions to reduce, remove, simplify,
20 or streamline government paperwork require-
21 ments applicable within the tax enterprise zone,

22 “(E) the involvement in the program by
23 public authorities or private entities, organiza-
24 tions, neighborhood associations, and commu-
25 nity groups, particularly those within the nomi-

1 nated area, including a written commitment to
2 provide jobs and job training for, and technical,
3 financial, or other assistance to, employers, em-
4 ployees, and residents of the nominated area,

5 “(F) the giving of special preference to
6 contractors owned and operated by members of
7 any socially and economically disadvantaged
8 group (within the meaning of section 8(a) of
9 the Small Business Act (15 U.S.C. 637(a)),

10 “(G) the gift (or sale at below fair market
11 value) of surplus land in the tax enterprise zone
12 to neighborhood organizations agreeing to oper-
13 ate a business on the land,

14 “(H) the establishment of a program
15 under which employers within the tax enterprise
16 zone may purchase health insurance for their
17 employees on a pooled basis,

18 “(I) the establishment of a program to en-
19 courage local financial institutions to satisfy
20 their obligations under the Community Rein-
21 vestment Act of 1977 (12 U.S.C. 2901 et seq.)
22 by making loans to enterprise zone businesses,
23 with emphasis on startup and other small-busi-
24 ness concerns (as defined in section 3(a) of the
25 Small Business Act (15 U.S.C. 632(a)),

1 “(J) the giving of special preference to
2 qualified low-income housing projects located in
3 tax enterprise zones, in the allocation of the
4 State housing credit ceiling applicable under
5 section 42, and

6 “(K) the giving of special preference to fa-
7 cilities located in tax enterprise zones, in the al-
8 location of the State ceiling on private activity
9 bonds applicable under section 146.

10 “(3) RECOGNITION OF PAST EFFORTS.—In
11 evaluating courses of action agreed to by any State
12 or local government, the appropriate Secretary shall
13 take into account the past efforts of the State or
14 local government in reducing the various burdens
15 borne by employers and employees in the area in-
16 volved.

17 “(4) PROHIBITION OF ASSISTANCE FOR BUSI-
18 NESS RELOCATIONS.—

19 “(A) IN GENERAL.—The course of action
20 implemented under paragraph (1) may not in-
21 clude any action to assist any establishment in
22 relocating from 1 area to another area.

23 “(B) EXCEPTION.—The limitation estab-
24 lished in subparagraph (A) shall not be con-
25 strued to prohibit assistance for the expansion

1 of an existing business entity through the estab-
2 lishment of a new branch, affiliate, or subsidi-
3 ary if—

4 “(i) the establishment of the new
5 branch, affiliate, or subsidiary will not re-
6 sult in an increase in unemployment in the
7 area of original location or in any other
8 area where the existing business entity
9 conducts business operations, and

10 “(ii) there is no reason to believe that
11 the new branch, affiliate, or subsidiary is
12 being established with the intention of clos-
13 ing down the operations of the existing
14 business entity in the area of its original
15 location or in any other area where the ex-
16 isting business entity conducts business op-
17 erations.

18 “(d) SELECTION CRITERIA.—From among the nomi-
19 nated areas eligible for designation under subsection (b)
20 by the appropriate Secretary, such appropriate Secretary
21 shall make designations of tax enterprise zones on the
22 basis of the following factors (each of which is to be given
23 equal weight):

24 “(1) STATE AND LOCAL COMMITMENTS.—The
25 strength and quality of the commitments which have

1 been promised as part of the course of action rel-
2 ative to the fiscal ability of the nominating State
3 and local governments.

4 “(2) IMPLEMENTATION OF COURSE OF AC-
5 TION.—The effectiveness and enforceability of the
6 guarantees that the course of action will actually be
7 carried out, including the specificity with which the
8 commitments under paragraph (1) are described in
9 order that the applicable Secretary will be better
10 able to determine annually under section
11 1391(d)(2)(A)(ii) whether the commitments are
12 being carried out.

13 “(3) PRIVATE COMMITMENTS.—The level of
14 commitments by private entities of additional re-
15 sources and contributions to the economy of the
16 nominated area, including the creation of new or ex-
17 panded business activities.

18 “(4) AVERAGE RANKINGS.—The average rank-
19 ing with respect to—

20 “(A) the criteria set forth in subpara-
21 graphs (D) and (E) of subsection (b)(1), in the
22 case of an area which is not a rural area, or

23 “(B) the 2 criteria set forth in subsection
24 (b)(2)(D) that give the area a higher average
25 ranking, in the case of a rural area.

1 “(5) REVITALIZATION POTENTIAL.—The poten-
2 tial for the revitalization of the nominated area as
3 a result of zone designation, taking into account
4 particularly the number of jobs to be created and re-
5 tained.

6 **“SEC. 1393. DEFINITIONS AND SPECIAL RULES.**

7 For purposes of this subchapter—

8 “(1) URBAN TAX ENTERPRISE ZONE.—The
9 term ‘urban tax enterprise zone’ means a tax enter-
10 prise zone which meets the requirements of section
11 1392(b)(1).

12 “(2) RURAL DEVELOPMENT INVESTMENT
13 ZONE.—The term ‘rural development investment
14 zone’ means a tax enterprise zone which meets the
15 requirements of section 1392(b)(2).

16 “(3) GOVERNMENTS.—If more than 1 local gov-
17 ernment seeks to nominate an area as a tax enter-
18 prise zone, any reference to, or requirement of, this
19 subchapter shall apply to all such governments.

20 “(4) LOCAL GOVERNMENT.—The term ‘local
21 government’ means—

22 “(A) any county, city, town, township, par-
23 ish, village, or other general purpose political
24 subdivision of a State, and

1 “(B) any combination of political subdivi-
2 sions described in subparagraph (A) recognized
3 by the appropriate Secretary.

4 “(5) NOMINATED AREA.—The term ‘nominated
5 area’ means an area which is nominated by 1 or
6 more local governments and the State in which it is
7 located for designation as a tax enterprise zone
8 under this subchapter.

9 “(6) RURAL AREA.—The term ‘rural area’
10 means any area which is—

11 “(A) outside of a metropolitan statistical
12 area (within the meaning of section
13 143(k)(2)(B)), or

14 “(B) determined by the Secretary of Agri-
15 culture, after consultation with the Secretary of
16 Commerce, to be a rural area.

17 “(7) APPROPRIATE SECRETARY.—The term ‘ap-
18 propriate Secretary’ means—

19 “(A) the Secretary of Housing and Urban
20 Development in the case of urban tax enterprise
21 zones, and

22 “(B) the Secretary of Agriculture in the
23 case of rural development investment zones.

24 “(8) STATE-CHARTERED DEVELOPMENT COR-
25 PORATIONS.—An area shall be treated as nominated

1 by a State and a local government if it is nominated
 2 by an economic development corporation chartered
 3 by the State.

4 **“PART II—INCENTIVES FOR TAX ENTERPRISE**
 5 **ZONES**

“Subpart A. Enterprise zone employment credit.

“Subpart B. Investment incentives.

“Subpart C. Regulations.

6 **“Subpart A—Enterprise Zone Employment Credit**

“Sec. 1394. Enterprise zone employment credit.

“Sec. 1395. Other definitions and special rules.

7 **“SEC. 1394. ENTERPRISE ZONE EMPLOYMENT CREDIT.**

8 “(a) AMOUNT OF CREDIT.—For purposes of section
 9 38, the amount of the enterprise zone employment credit
 10 determined under this section with respect to any em-
 11 ployer for any taxable year is 15 percent of the qualified
 12 zone wages paid or incurred during such taxable year.

13 “(b) QUALIFIED ZONE WAGES.—

14 “(1) IN GENERAL.—For purposes of this sec-
 15 tion, the term ‘qualified zone wages’ means any
 16 wages paid or incurred by an employer for services
 17 performed by an employee while such employee is a
 18 qualified zone employee.

19 “(2) ONLY FIRST \$20,000 OF WAGES PER YEAR
 20 TAKEN INTO ACCOUNT.—With respect to each quali-
 21 fied zone employee, the amount of qualified zone

1 wages which may be taken into account for the tax-
2 able year shall not exceed \$20,000.

3 “(3) COORDINATION WITH TARGETED JOBS
4 CREDIT.—The term ‘qualified zone wages’ shall not
5 include wages attributable to service rendered during
6 the 1-year period beginning with the day the individ-
7 ual begins work for the employer if any portion of
8 such wages is taken into account in determining the
9 credit under section 51.

10 “(c) QUALIFIED ZONE EMPLOYEE.—For purposes of
11 this section—

12 “(1) IN GENERAL.—Except as otherwise pro-
13 vided in this subsection, the term ‘qualified zone em-
14 ployee’ means, with respect to any period, any em-
15 ployee of an employer if—

16 “(A) substantially all of the services per-
17 formed during such period by such employee for
18 such employer are performed within a tax en-
19 terprise zone in a trade or business of the em-
20 ployer, and

21 “(B) the principal place of abode of such
22 employee while performing such services is
23 within such tax enterprise zone.

1 “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—
2 The term ‘qualified zone employee’ shall not in-
3 clude—

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

6 “(B) any 5-percent owner (as defined in
7 section 416(i)(1)(B)),

8 “(C) any individual employed by the em-
9 ployer at any facility described in section
10 144(c)(6)(B), and

11 “(D) any individual employed by the em-
12 ployer in a trade or business the principal activ-
13 ity of which is farming (within the meaning of
14 subparagraphs (A) or (B) of section
15 2032A(e)(5)), but only if, as of the close of the
16 taxable year, the sum of—

17 “(i) the aggregate unadjusted bases
18 (or, if greater, the fair market value) of
19 the assets owned by the employer which
20 are used in such a trade or business, and

21 “(ii) the aggregate value of assets
22 leased by the employer which are used in
23 such a trade or business (as determined
24 under regulations prescribed by the Sec-
25 retary),

1 exceeds \$500,000.

2 “(d) EARLY TERMINATION OF EMPLOYMENT BY EM-
3 PLOYER.—

4 “(1) IN GENERAL.—If the employment of any
5 employee is terminated by the taxpayer before the
6 day 1 year after the day on which such employee
7 began work for the employer—

8 “(A) no wages with respect to such em-
9 ployee shall be taken into account under sub-
10 section (a) for the taxable year in which such
11 employment is terminated, and

12 “(B) the tax under this chapter for the
13 taxable year in which such employment is ter-
14 minated shall be increased by the aggregate
15 credits (if any) allowed under section 38(a) for
16 prior taxable years by reason of wages taken
17 into account with respect to such employee.

18 “(2) CARRYBACKS AND CARRYOVERS AD-
19 JUSTED.—In the case of any termination of employ-
20 ment to which paragraph (1) applies, the carrybacks
21 and carryovers under section 39 shall be properly
22 adjusted.

23 “(3) SUBSECTION NOT TO APPLY IN CERTAIN
24 CASES.—

1 “(A) IN GENERAL.—Paragraph (1) shall
2 not apply to—

3 “(i) a termination of employment of
4 an employee who voluntarily leaves the em-
5 ployment of the taxpayer,

6 “(ii) a termination of employment of
7 an individual who before the close of the
8 period referred to in paragraph (1) be-
9 comes disabled to perform the services of
10 such employment unless such disability is
11 removed before the close of such period
12 and the taxpayer fails to offer reemploy-
13 ment to such individual, or

14 “(iii) a termination of employment of
15 an individual if it is determined under the
16 applicable State unemployment compensa-
17 tion law that the termination was due to
18 the misconduct of such individual.

19 “(B) CHANGES IN FORM OF BUSINESS.—
20 For purposes of paragraph (1), the employment
21 relationship between the taxpayer and an em-
22 ployee shall not be treated as terminated—

23 “(i) by a transaction to which section
24 381(a) applies if the employee continues to

1 be employed by the acquiring corporation,
2 or

3 “(ii) by reason of a mere change in
4 the form of conducting the trade or busi-
5 ness of the taxpayer if the employee con-
6 tinues to be employed in such trade or
7 business and the taxpayer retains a sub-
8 stantial interest in such trade or business.

9 “(4) SPECIAL RULE.—Any increase in tax
10 under paragraph (1) shall not be treated as a tax
11 imposed by this chapter for purposes of—

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

14 “(B) determining the amount of the tax
15 imposed by section 55.

16 **“SEC. 1395. OTHER DEFINITIONS AND SPECIAL RULES.**

17 “(a) WAGES.—For purposes of this subpart, the term
18 ‘wages’ has the same meaning as when used in section
19 51.

20 “(b) CONTROLLED GROUPS.—For purposes of this
21 subpart—

22 “(1) all employers treated as a single employer
23 under subsection (a) or (b) of section 52 shall be
24 treated as a single employer for purposes of this
25 subpart, and

1 “(b) LIMITATION.—

2 “(1) IN GENERAL.—The maximum amount al-
3 lowed as a deduction under subsection (a) to a tax-
4 payer for the taxable year shall not exceed the lesser
5 of—

6 “(A) \$25,000, or

7 “(B) the excess of \$250,000 over the
8 amount allowed as a deduction under this sec-
9 tion to the taxpayer for all prior taxable years.

10 “(2) EXCESS AMOUNTS.—If the amount other-
11 wise deductible by any person under subsection (a)
12 exceeds the limitation under paragraph (1)(A)—

13 “(A) the amount of such excess shall be
14 treated as an amount paid to which subsection
15 (a) applies during the next taxable year, and

16 “(B) the deduction allowed for any taxable
17 year shall be allocated proportionately among
18 the enterprise zone stock purchased by such
19 person on the basis of the respective purchase
20 prices per share.

21 “(3) AGGREGATION WITH FAMILY MEMBERS.—

22 The taxpayer and members of the taxpayer’s family
23 shall be treated as one person for purposes of para-
24 graph (1), and the limitations contained in such
25 paragraph shall be allocated among the taxpayer and

1 such members in accordance with their respective
2 purchases of enterprise zone stock. For purposes of
3 this paragraph, an individual's family includes only
4 such individual's spouse and minor children.

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

7 “(1) IN GENERAL.—The term ‘enterprise zone
8 stock’ means stock of a corporation if—

9 “(A) such stock is acquired on original
10 issue from the corporation, and

11 “(B) such corporation is, at the time of
12 issue, a qualified enterprise zone issuer.

13 “(2) PROCEEDS MUST BE INVESTED IN QUALI-
14 FIED ENTERPRISE ZONE PROPERTY.—

15 “(A) IN GENERAL.—Such term shall in-
16 clude such stock only to the extent that the pro-
17 ceeds of such issuance are used by such issuer
18 during the 12-month period beginning on the
19 date of issuance to purchase (as defined in sec-
20 tion 179(d)(2)) qualified enterprise zone prop-
21 erty.

22 “(B) QUALIFIED ENTERPRISE ZONE PROP-
23 erty.—For purposes of this section, the term
24 ‘qualified enterprise zone property’ means prop-
25 erty to which section 168 applies—

1 “(i) the original use of which in a tax
2 enterprise zone commences with the issuer,
3 and

4 “(ii) substantially all of the use of
5 which is in a tax enterprise zone.

6 “(3) REDEMPTIONS.—The term ‘enterprise
7 zone stock’ shall not include any stock acquired from
8 a corporation which made a substantial stock re-
9 demption or distribution (without a bona fide busi-
10 ness purpose therefor) in an attempt to avoid the
11 purposes of this section.

12 “(d) QUALIFIED ENTERPRISE ZONE ISSUER.—For
13 purposes of this section, the term ‘qualified enterprise
14 zone issuer’ means any domestic C corporation if—

15 “(1) such corporation is an enterprise zone
16 business or, in the case of a new corporation, such
17 corporation is being organized for purposes of being
18 an enterprise zone business,

19 “(2) such corporation does not have more than
20 one class of stock,

21 “(3) the sum of—

22 “(A) the money,

23 “(B) the aggregate unadjusted bases of
24 property owned by such corporation, and

1 “(C) the value of property leased to the
2 corporation (as determined under regulations
3 prescribed by the Secretary),
4 does not exceed \$5,000,000, and

5 “(4) more than 20 percent of the total voting
6 power, and 20 percent of the total value, of the
7 stock of such corporation is owned directly by indi-
8 viduals or estates or indirectly by individuals
9 through partnerships or trusts.

10 The determination under paragraph (3) shall be made as
11 of the time of issuance of the stock in question but shall
12 include amounts received for such stock.

13 “(e) DISPOSITIONS OF STOCK.—

14 “(1) BASIS REDUCTION.—For purposes of this
15 title, the basis of any enterprise zone stock shall be
16 reduced by the amount of the deduction allowed
17 under this section with respect to such stock.

18 “(2) DEDUCTION RECAPTURED AS ORDINARY
19 INCOME.—For purposes of section 1245—

20 “(A) any stock the basis of which is re-
21 duced under paragraph (1) (and any other
22 property the basis of which is determined in
23 whole or in part by reference to the adjusted
24 basis of such stock) shall be treated as section
25 1245 property, and

1 “(B) any reduction under paragraph (1)
2 shall be treated as a deduction allowed for de-
3 preciation.

4 If an exchange of any stock described in paragraph
5 (1) qualifies under section 354(a), 355(a), or
6 356(a), the amount of gain recognized under section
7 1245 by reason of this paragraph shall not exceed
8 the amount of gain recognized in the exchange (de-
9 termined without regard to this paragraph).

10 “(3) CERTAIN EVENTS TREATED AS DISPOSI-
11 TIONS.—For purposes of determining the amount
12 treated as ordinary income under section 1245 by
13 reason of paragraph (2), paragraph (3) of section
14 1245(b) (relating to certain tax-free transactions)
15 shall not apply.

16 “(4) INTEREST CHARGED IF DISPOSITION
17 WITHIN 5 YEARS OF PURCHASE.—

18 “(A) IN GENERAL.—If—

19 “(i) a taxpayer disposes of any enter-
20 prise zone stock with respect to which a
21 deduction was allowed under subsection (a)
22 (or any other property the basis of which
23 is determined in whole or in part by ref-
24 erence to the adjusted basis of such stock)
25 before the end of the 5-year period begin-

1 ning on the date such stock was purchased
2 by the taxpayer, and

3 “(ii) section 1245(a) applies to such
4 disposition by reason of paragraph (2),
5 then the tax imposed by this chapter for the
6 taxable year in which such disposition occurs
7 shall be increased by the amount determined
8 under subparagraph (B).

9 “(B) ADDITIONAL AMOUNT.—For purposes
10 of subparagraph (A), the additional amount
11 shall be equal to the amount of interest (deter-
12 mined at the rate applicable under section
13 6621(a)(2)) that would accrue—

14 “(i) during the period beginning on
15 the date the stock was purchased by the
16 taxpayer and ending on the date of such
17 disposition by the taxpayer,

18 “(ii) on an amount equal to the aggre-
19 gate decrease in tax of the taxpayer result-
20 ing from the deduction allowed under this
21 subsection (a) with respect to such stock.

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

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

3 “(ii) determining the amount of the
4 tax imposed by section 55.

5 “(f) DISQUALIFICATION.—

6 “(1) ISSUER CEASES TO QUALIFY.—If, during
7 the 10-year period beginning on the date enterprise
8 zone stock was purchased by the taxpayer, the issuer
9 of such stock ceases to be a qualified enterprise zone
10 issuer (determined without regard to subsection
11 (d)(3)), then notwithstanding any provision of this
12 subtitle other than paragraph (2), the taxpayer shall
13 be treated for purposes of subsection (e) as dispos-
14 ing of such stock (and any other property the basis
15 of which is determined in whole or in part by ref-
16 erence to the adjusted basis of such stock) during
17 the taxable year during which such cessation occurs
18 at its fair market value as of the 1st day of such
19 taxable year.

20 “(2) CESSATION OF ENTERPRISE ZONE STATUS
21 NOT TO CAUSE RECAPTURE.—A corporation shall
22 not fail to be treated as a qualified enterprise zone
23 issuer for purposes of paragraph (1) solely by reason
24 of the termination or revocation of a tax enterprise
25 zone designation.

1 “(g) OTHER SPECIAL RULES.—

2 “(1) APPLICATION OF LIMITS TO PARTNER-
3 SHIPS AND S CORPORATIONS.—In the case of a part-
4 nership or an S corporation, the limitations under
5 subsection (b) shall apply at the partner and share-
6 holder level and shall not apply at the partnership
7 or corporation level.

8 “(2) DEDUCTION NOT ALLOWED TO ESTATES
9 AND TRUSTS.—Estates and trusts shall not be treat-
10 ed as individuals for purposes of this section.

11 **“SEC. 1397. 50 PERCENT EXCLUSION FOR GAIN FROM NEW**
12 **ZONE INVESTMENTS.**

13 “(a) GENERAL RULE.—In the case of an individual,
14 gross income shall not include 50 percent of any qualified
15 capital gain recognized on the sale or exchange of a quali-
16 fied zone asset held for more than 5 years.

17 “(b) QUALIFIED ZONE ASSET.—For purposes of this
18 section—

19 “(1) IN GENERAL.—The term ‘qualified zone
20 asset’ means—

21 “(A) any qualified zone stock,

22 “(B) any qualified zone business property,

23 and

24 “(C) any qualified zone partnership inter-

25 est.

1 “(2) QUALIFIED ZONE STOCK.—

2 “(A) IN GENERAL.—Except as provided in
3 subparagraph (B), the term ‘qualified zone
4 stock’ means any stock in a domestic corpora-
5 tion if—

6 “(i) such stock is acquired by the tax-
7 payer on original issue from the corpora-
8 tion solely in exchange for cash,

9 “(ii) as of the time such stock was is-
10 sued, such corporation was an enterprise
11 zone business (or, in the case of a new cor-
12 poration, such corporation was being orga-
13 nized for purposes of being an enterprise
14 zone business), and

15 “(iii) during substantially all of the
16 taxpayer’s holding period for such stock,
17 such corporation qualified as an enterprise
18 zone business.

19 “(B) EXCLUSION OF STOCK FOR WHICH
20 DEDUCTION UNDER SECTION 1396 ALLOWED.—
21 The term ‘qualified zone stock’ shall not include
22 any stock the basis of which is reduced under
23 section 1396(e)(1).

24 “(C) REDEMPTIONS.—The term ‘qualified
25 zone stock’ shall not include any stock acquired

1 from a corporation which made a substantial
2 stock redemption or distribution (without a
3 bona fide business purpose therefor) in an at-
4 tempt to avoid the purposes of this section.

5 “(3) QUALIFIED ZONE BUSINESS PROPERTY.—

6 “(A) IN GENERAL.—The term ‘qualified
7 zone business property’ means tangible property
8 if—

9 “(i) such property was acquired by
10 the taxpayer by purchase (as defined in
11 section 179(d)(2)) after the date on which
12 the designation of the tax enterprise zone
13 took effect,

14 “(ii) the original use of such property
15 in a tax enterprise zone commences with
16 the taxpayer, and

17 “(iii) during substantially all of the
18 taxpayer’s holding period for such prop-
19 erty, substantially all of the use of such
20 property was in a tax enterprise zone and
21 in an enterprise zone business of the tax-
22 payer.

23 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
24 PROVEMENTS.—The requirements of clauses (i)

1 and (ii) of subparagraph (A) shall be treated as
2 satisfied with respect to—

3 “(i) property which is substantially
4 improved by the taxpayer, and

5 “(ii) any land on which such property
6 is located.

7 For purposes of the preceding sentence, prop-
8 erty shall be treated as substantially improved
9 by the taxpayer if, during any 24-month period
10 beginning after the date on which the designa-
11 tion of the tax enterprise zone took effect, addi-
12 tions to basis with respect to such property in
13 the hands of the taxpayer exceed the greater of
14 (i) an amount equal to the adjusted basis at the
15 beginning of such 24-month period in the hands
16 of the taxpayer, or (ii) \$5,000.

17 “(C) LIMITATION ON LAND.—The term
18 ‘qualified zone business property’ shall not in-
19 clude land which is not an integral part of a
20 qualified business (as defined in section
21 1397C(c)).

22 “(4) QUALIFIED ZONE PARTNERSHIP INTER-
23 EST.—The term ‘qualified zone partnership interest’
24 means any interest in a partnership if—

1 “(A) such interest is acquired by the tax-
2 payer from the partnership solely in exchange
3 for cash,

4 “(B) as of the time such interest was ac-
5 quired, such partnership was an enterprise zone
6 business (or, in the case of a new partnership,
7 such partnership was being organized for pur-
8 poses of being an enterprise zone business), and

9 “(C) during substantially all of the tax-
10 payer’s holding period for such interest, such
11 partnership qualified as an enterprise zone
12 business.

13 A rule similar to the rule of paragraph (2)(C) shall
14 apply for purposes of this paragraph.

15 “(5) TREATMENT OF SUBSEQUENT PUR-
16 CHASERS.—The term ‘qualified zone asset’ includes
17 any property which would be a qualified zone asset
18 but for paragraph (2)(A)(i), (3)(A)(ii), or (4)(A) in
19 the hands of the taxpayer if such property was a
20 qualified zone asset in the hands of any prior holder.

21 “(6) 10-YEAR SAFE HARBOR.—If any property
22 ceases to be a qualified zone asset by reason of para-
23 graph (2)(A)(iii), (3)(A)(iii), or (4)(C) after the 10-
24 year period beginning on the date the taxpayer ac-
25 quired such property, such property shall continue to

1 be treated as meeting the requirements of such
2 paragraph; except that the amount of gain to which
3 subsection (a) applies on any sale or exchange of
4 such property shall not exceed the amount which
5 would be qualified capital gain had such property
6 been sold on the date of such cessation.

7 “(7) TREATMENT OF ZONE TERMINATIONS.—
8 The termination of any designation of an area as a
9 tax enterprise zone shall be disregarded for purposes
10 of determining whether any property is a qualified
11 zone asset.

12 “(c) OTHER DEFINITIONS AND SPECIAL RULES.—
13 For purposes of this section—

14 “(1) QUALIFIED CAPITAL GAIN.—Except as
15 otherwise provided in this subsection, the term
16 ‘qualified capital gain’ means any long-term capital
17 gain.

18 “(2) CERTAIN GAIN ON REAL PROPERTY NOT
19 QUALIFIED.—The term ‘qualified capital gain’ shall
20 not include any gain which would be treated as ordi-
21 nary income under section 1250 if section 1250 ap-
22 plied to all depreciation rather than the additional
23 depreciation.

24 “(3) GAIN ATTRIBUTABLE TO PERIODS AFTER
25 TERMINATION OF ZONE DESIGNATION NOT QUALI-

1 FIED.—The term ‘qualified capital gain’ shall not in-
2 clude any gain attributable to periods after the ter-
3 mination of any designation of an area as a tax en-
4 terprise zone.

5 “(d) TREATMENT OF PASS-THRU ENTITIES.—

6 “(1) SALES AND EXCHANGES.—Gain on the
7 sale or exchange of an interest in a pass-thru entity
8 held by the taxpayer (other than an interest in an
9 entity which was an enterprise zone business during
10 substantially all of the period the taxpayer held such
11 interest) for more than 5 years shall be treated as
12 gain described in subsection (a) to the extent such
13 gain is attributable to amounts which would be
14 qualified capital gain on qualified zone assets (deter-
15 mined as if such assets had been sold on the date
16 of the sale or exchange) held by such entity for more
17 than 5 years and throughout the period the taxpayer
18 held such interest. A rule similar to the rule of para-
19 graph (2)(C) shall apply for purposes of the preced-
20 ing sentence.

21 “(2) INCOME INCLUSIONS.—

22 “(A) IN GENERAL.—Any amount included
23 in income by reason of holding an interest in a
24 pass-thru entity (other than an entity which
25 was an enterprise zone business during substan-

1 tially all of the period the taxpayer held the in-
2 terest to which such inclusion relates) shall be
3 treated as gain described in subsection (a) if
4 such amount meets the requirements of sub-
5 paragraph (B).

6 “(B) REQUIREMENTS.—An amount meets
7 the requirements of this subparagraph if—

8 “(i) such amount is attributable to
9 qualified capital gain recognized on the
10 sale or exchange by the pass-thru entity of
11 property which is a qualified zone asset in
12 the hands of such entity and which was
13 held by such entity for the period required
14 under subsection (a), and

15 “(ii) such amount is includible in the
16 gross income of the taxpayer by reason of
17 the holding of an interest in such entity
18 which was held by the taxpayer on the date
19 on which such pass-thru entity acquired
20 such asset and at all times thereafter be-
21 fore the disposition of such asset by such
22 pass-thru entity.

23 “(C) LIMITATION BASED ON INTEREST
24 ORIGINALLY HELD BY TAXPAYER.—Subpara-
25 graph (A) shall not apply to any amount to the

1 extent such amount exceeds the amount to
2 which subparagraph (A) would have applied if
3 such amount were determined by reference to
4 the interest the taxpayer held in the pass-thru
5 entity on the date the qualified zone asset was
6 acquired.

7 “(3) PASS-THRU ENTITY.—For purposes of this
8 subsection, the term ‘pass-thru entity’ means—

9 “(A) any partnership,

10 “(B) any S corporation,

11 “(C) any regulated investment company,

12 and

13 “(D) any common trust fund.

14 “(e) SALES AND EXCHANGES OF INTERESTS IN
15 PARTNERSHIPS AND S CORPORATIONS WHICH ARE
16 QUALIFIED ZONE BUSINESSES.—In the case of the sale
17 or exchange of an interest in a partnership, or of stock
18 in an S corporation, which was an enterprise zone business
19 during substantially all of the period the taxpayer held
20 such interest or stock, the amount of qualified capital gain
21 shall be determined without regard to—

22 “(1) any intangible, and any land, which is not
23 an integral part of any qualified business (as defined
24 in section 1397C(b)), and

1 “(2) gain attributable to periods before the des-
2 ignation of an area as a tax enterprise zone.

3 “(f) CERTAIN TAX-FREE AND OTHER TRANSFERS.—
4 For purposes of this section—

5 “(1) IN GENERAL.—In the case of a transfer of
6 a qualified zone asset to which this subsection ap-
7 plies, the transferee shall be treated as—

8 “(A) having acquired such asset in the
9 same manner as the transferor, and

10 “(B) having held such asset during any
11 continuous period immediately preceding the
12 transfer during which it was held (or treated as
13 held under this subsection) by the transferor.

14 “(2) TRANSFERS TO WHICH SUBSECTION AP-
15 PLIES.—This subsection shall apply to any trans-
16 fer—

17 “(A) by gift,

18 “(B) at death, or

19 “(C) from a partnership to a partner
20 thereof of a qualified zone asset with respect to
21 which the requirements of subsection (d)(2) are
22 met at the time of the transfer (without regard
23 to the 5-year holding requirement).

1 “(1) IN GENERAL.—The term ‘qualified zone
2 asset’ has the meaning given such term by section
3 1397.

4 “(2) TIME FOR TESTING.—

5 “(A) SALES.—In the case of a sale or ex-
6 change of property, the determination of wheth-
7 er such property is a qualified zone asset shall
8 be made as of the time of the sale or exchange.

9 “(B) PURCHASES.—In the case of a pur-
10 chase of property, the determination of whether
11 such property is a qualified zone asset shall be
12 made as of the time of such purchase.

13 “(c) OTHER DEFINITIONS.—For purposes of this
14 section—

15 “(1) REINVESTMENT PERIOD.—The term ‘rein-
16 vestment period’ means, with respect to any sale or
17 exchange, the 6-month period beginning on the date
18 of such sale or exchange.

19 “(2) PURCHASE.—The term ‘purchase’ has the
20 meaning given to such term by section 179(d)(2).

21 “(d) BUSINESS OR PROPERTY CEASES TO QUAL-
22 IFY.—

23 “(1) IN GENERAL.—If, during the 10-year pe-
24 riod beginning on the date any qualified zone re-
25 placement asset was purchased by the taxpayer,

1 such asset ceases to be a qualified zone asset, not-
2 withstanding any provision of this subtitle other
3 than paragraph (3), the taxpayer shall be treated as
4 disposing of such asset during the taxable year dur-
5 ing which such cessation occurs at its fair market
6 value as of the 1st day of such taxable year.

7 “(2) LIMITATION ON GAIN RECOGNIZED.—The
8 amount of gain recognized pursuant to paragraph
9 (1) with respect to any asset shall not exceed the
10 lesser of—

11 “(A) the amount of gain which was not
12 recognized under subsection (a) by the reason
13 of the purchase of such asset, or

14 “(B) the excess of the fair market value
15 referred to in paragraph (1) over the adjusted
16 basis of such asset.

17 “(3) CESSATION OF ENTERPRISE ZONE STATUS
18 NOT TO CAUSE RECAPTURE.—An asset shall not fail
19 to be treated as a qualified zone asset for purposes
20 of paragraph (1) solely by reason of the termination
21 of a tax enterprise zone designation.

22 “(4) QUALIFIED ZONE REPLACEMENT ASSET.—
23 For purposes of paragraph (1), the term ‘qualified
24 zone replacement asset’ means any qualified zone
25 asset the purchase of which resulted in the non-

1 recognition of gain under subsection (a) with respect
2 to any other property.

3 “(e) BASIS OF QUALIFIED ZONE REPLACEMENT
4 ASSET.—If gain from the sale or exchange of any property
5 is not recognized by reason of subsection (a), such gain
6 shall be applied to reduce (in the order acquired) the basis
7 of any qualified zone replacement asset (as defined in sub-
8 section (d)(4)) purchased during the reinvestment period.

9 “(f) COORDINATION WITH INSTALLMENT METHOD
10 REPORTING.—This section shall not apply to any gain
11 from any installment sale (as defined in section 453(b))
12 if section 453(a) applies to such sale.

13 “(g) STATUTE OF LIMITATIONS.—If any gain is real-
14 ized by the taxpayer on any sale or exchange to which
15 an election under this section applies, then—

16 “(1) the statutory period for the assessment of
17 any deficiency with respect to such gain shall not ex-
18 pire before the expiration of 3 years from the date
19 the Secretary is notified by the taxpayer (in such
20 manner as the Secretary may by regulations pre-
21 scribe) of—

22 “(A) the taxpayer’s cost of purchasing any
23 qualified zone replacement asset,

1 “(B) the taxpayer’s intention not to pur-
2 chase qualified zone replacement asset within
3 the reinvestment period, or

4 “(C) a failure to make such purchase with-
5 in the reinvestment period, and

6 “(2) such deficiency may be assessed before the
7 expiration of such 3-year period notwithstanding the
8 provisions of any law or rule of law which would oth-
9 erwise prevent such assessment.

10 **“SEC. 1397B. ADDITIONAL INCENTIVES.**

11 “(a) INCREASE IN EXPENSING UNDER SECTION
12 179.—In the case of an enterprise zone business, section
13 179(b)(1) shall be applied by substituting ‘\$20,000’ for
14 ‘\$10,000’.

15 “(b) ORDINARY LOSS TREATMENT FOR CERTAIN
16 PROPERTY.—

17 “(1) IN GENERAL.—Loss on any qualified zone
18 asset (as defined in section 1397(b)) held for more
19 than 2 years (5 years in the case of real property)
20 shall be treated as an ordinary loss.

21 “(2) REAL PROPERTY.—For purposes of para-
22 graph (1), the term ‘real property’ means any prop-
23 erty which is section 1250 property (as defined in
24 section 1250(c)).

25 “(3) SPECIAL RULES.—

1 “(A) CERTAIN RULES MADE APPLICA-
2 BLE.—For purposes of this subsection, rules
3 similar to the following rules shall apply:

4 “(i) Paragraphs (1), (2), and (3) of
5 section 1244(d).

6 “(ii) Subsections (b)(6), (c)(3), (d),
7 (e), and (f) of section 1397.

8 “(B) COORDINATION WITH SECTION
9 1231.—Losses treated as ordinary losses by rea-
10 son of this subsection shall not be taken into
11 account in applying section 1231.

12 **“SEC. 1397C. ENTERPRISE ZONE BUSINESS DEFINED.**

13 “(a) IN GENERAL.—For purposes of this subpart, the
14 term ‘enterprise zone business’ means—

15 “(1) any qualified business entity, and

16 “(2) any qualified proprietorship.

17 “(b) QUALIFIED BUSINESS ENTITY.—For purposes
18 of this section, the term ‘qualified business entity’ means,
19 with respect to any taxable year, any corporation or part-
20 nership if for such year—

21 “(1)(A) every trade or business of such entity
22 is the active conduct of a qualified business within
23 a tax enterprise zone, and

1 “(B) at least 80 percent of the total gross in-
2 come of such entity is derived from the active con-
3 duct of such business,

4 “(2) substantially all of the use of the tangible
5 property of such entity (whether owned or leased) is
6 within a tax enterprise zone,

7 “(3) substantially all of the intangible property
8 of such entity is used in, and exclusively related to,
9 the active conduct of any such business,

10 “(4) substantially all of the services performed
11 for such entity by its employees are performed in a
12 tax enterprise zone,

13 “(5) at least $\frac{1}{3}$ of its employees are residents
14 of a tax enterprise zone,

15 “(6) less than 5 percent of the average of the
16 aggregate unadjusted bases of the property of such
17 entity is attributable to collectibles (as defined in
18 section 408(m)(2)) other than collectibles that are
19 held primarily for sale to customers in the ordinary
20 course of such business, and

21 “(7) less than 5 percent of the average of the
22 aggregate unadjusted bases of the property of such
23 entity is attributable to nonqualified financial prop-
24 erty.

1 “(c) QUALIFIED PROPRIETORSHIP.—For purposes of
2 this section, the term ‘qualified proprietorship’ means,
3 with respect to any taxable year, any qualified business
4 carried on by an individual as a proprietorship if for such
5 year—

6 “(1) at least 80 percent of the total gross in-
7 come of such individual from such business is de-
8 rived from the active conduct of such business in a
9 tax enterprise zone,

10 “(2) substantially all of the use of the tangible
11 property of such individual in such business (wheth-
12 er owned or leased) is within a tax enterprise zone,

13 “(3) substantially all of the intangible property
14 of such business is used in, and exclusively related
15 to, the active conduct of such business,

16 “(4) substantially all of the services performed
17 for such individual in such business by employees of
18 such business are performed in a tax enterprise
19 zone,

20 “(5) at least $\frac{1}{3}$ of such employees are residents
21 of a tax enterprise zone,

22 “(6) less than 5 percent of the average of the
23 aggregate unadjusted bases of the property of such
24 individual which is used in such business is attrib-
25 utable to collectibles (as defined in section

1 408(m)(2)) other than collectibles that are held pri-
2 marily for sale to customers in the ordinary course
3 of such business, and

4 “(7) less than 5 percent of the average of the
5 aggregate unadjusted bases of the property of such
6 individual which is used in such business is attrib-
7 utable to nonqualified financial property.

8 For purposes of this subsection, the term ‘employee’ in-
9 cludes the proprietor.

10 “(d) QUALIFIED BUSINESS.—For purposes of this
11 section—

12 “(1) IN GENERAL.—Except as otherwise pro-
13 vided in this subsection, the term ‘qualified business’
14 means any trade or business.

15 “(2) RENTAL OF REAL PROPERTY.—The rental
16 to others of real property located in a tax enterprise
17 zone shall be treated as a qualified business if and
18 only if—

19 “(A) in the case of real property which is
20 not residential rental property (as defined in
21 section 168(e)(2)), the lessee is an enterprise
22 zone business, or

23 “(B) in the case of residential rental prop-
24 erty (as so defined)—

1 “(i) such property was originally
2 placed in service after the date the tax en-
3 terprise zone was designated, or

4 “(ii) such property is rehabilitated
5 after such date in a rehabilitation which
6 meets requirements based on the principles
7 of section 42(e)(3).

8 “(3) RENTAL OF TANGIBLE PERSONAL PROP-
9 ERTY.—The rental to others of tangible personal
10 property shall be treated as a qualified business if
11 and only if substantially all of the rental of such
12 property is by enterprise zone businesses or by resi-
13 dents of a tax enterprise zone.

14 “(4) TREATMENT OF BUSINESS HOLDING IN-
15 TANGIBLES.—The term ‘qualified business’ shall not
16 include any trade or business consisting predomi-
17 nantly of the development or holding of intangibles
18 for sale or license.

19 “(5) CERTAIN BUSINESSES EXCLUDED.—The
20 term ‘qualified business’ shall not include—

21 “(A) any trade or business consisting of
22 the operation of any facility described in section
23 144(c)(6)(B), and

24 “(B) any trade or business the principal
25 activity of which is farming (within the meaning

1 of subparagraphs (A) or (B) of section
2 2032A(e)(5)), but only if, as of the close of the
3 preceding taxable year, the sum of—

4 “(i) the aggregate unadjusted bases
5 (or, if greater, the fair market value) of
6 the assets owned by the taxpayer which are
7 used in such a trade or business, and

8 “(ii) the aggregate value of assets
9 leased by the taxpayer which are used in
10 such a trade or business,

11 exceeds \$500,000.

12 For purposes of subparagraph (B), rules similar to
13 the rules of section 1395(b) shall apply.

14 “(e) NONQUALIFIED FINANCIAL PROPERTY.—For
15 purposes of this section, the term ‘nonqualified financial
16 property’ means debt, stock, partnership interests, op-
17 tions, futures contracts, forward contracts, warrants, no-
18 tional principal contracts, annuities, and other similar
19 property specified in regulations; except that such term
20 shall not include—

21 “(1) reasonable amounts of working capital
22 held in cash, cash equivalents, or debt instruments
23 with a term of 18 months or less, or

24 “(2) debt instruments described in section
25 1221(4).

1 **“Subpart C—Regulations**

 “Sec. 1397C. Regulations.

2 **“SEC. 1397C. REGULATIONS.**

3 “The Secretary shall prescribe such regulations as
4 may be necessary or appropriate to carry out the purposes
5 of this part, including—

6 “(1) regulations limiting the benefit of this part
7 in circumstances where such benefits, in combination
8 with benefits provided under other Federal pro-
9 grams, would result in an activity being 100 percent
10 or more subsidized by the Federal Government,

11 “(2) regulations preventing abuse of the provi-
12 sions of this part, and

13 “(3) regulations dealing with inadvertent fail-
14 ures of entities to be qualified zone businesses.”

15 (b) CLERICAL AMENDMENT.—The table of sub-
16 chapters for chapter 1 is amended by inserting after the
17 item relating to subchapter T the following new item:

 “Subchapter U. Designation and treatment of tax enterprise
 zones.”

18 **SEC. 103. TECHNICAL AND CONFORMING AMENDMENTS.**

19 (a) ENTERPRISE ZONE EMPLOYMENT CREDIT PART
20 OF GENERAL BUSINESS CREDIT.—

21 (1) Subsection (b) of section 38 (relating to
22 current year business credit) is amended by striking
23 “plus” at the end of paragraph (7), by striking the

1 period at the end of paragraph (8) and inserting “,
2 plus”, and by adding at the end the following new
3 paragraph:

4 “(9) the enterprise zone employment credit de-
5 termined under section 1394(a).”

6 (2) Subsection (d) of section 39 is amended by
7 adding at the end thereof the following new para-
8 graph:

9 “(4) NO CARRYBACK OF SECTION 1394 CREDIT
10 BEFORE ENACTMENT.—No portion of the unused
11 business credit for any taxable year which is attrib-
12 utable to the enterprise zone employment credit de-
13 termined under section 1394 may be carried to a
14 taxable year ending before the date of the enactment
15 of section 1394.”

16 (b) NONITEMIZERS ALLOWED DEDUCTION FOR EN-
17 TERPRISE ZONE STOCK.—Subsection (a) of section 62 is
18 amended by adding at the end thereof the following new
19 paragraph:

20 “(15) ENTERPRISE ZONE STOCK.—The deduc-
21 tion allowed by section 1396.”

22 (c) DENIAL OF DEDUCTION FOR PORTION OF WAGES
23 EQUAL TO ENTERPRISE ZONE EMPLOYMENT CREDIT.—

24 (1) Subsection (a) of section 280C (relating to
25 rule for targeted jobs credit) is amended—

1 (A) by striking “the amount of the credit
2 determined for the taxable year under section
3 51(a)” and inserting “the sum of the credits
4 determined for the taxable year under sections
5 51(a) and 1394(a)”, and

6 (B) by striking “TARGETED JOBS CRED-
7 IT” in the subsection heading and inserting
8 “EMPLOYMENT CREDITS”.

9 (2) Subsection (c) of section 196 (relating to
10 deduction for certain unused business credits) is
11 amended by striking “and” at the end of paragraph
12 (4), by striking the period at the end of paragraph
13 (5) and inserting “, and”, and by adding at the end
14 the following new paragraph:

15 “(6) the enterprise zone employment credit de-
16 termined under section 1394(a).”

17 (d) OTHER AMENDMENTS.—

18 (1)(A) Section 172(d)(2) (relating to modifica-
19 tions with respect to net operating loss deduction) is
20 amended to read as follows:

21 “(2) CAPITAL GAINS AND LOSSES OF TAX-
22 PAYERS OTHER THAN CORPORATIONS.—In the case
23 of a taxpayer other than a corporation—

24 “(A) the amount deductible on account of
25 losses from sales or exchanges of capital assets

1 shall not exceed the amount includable on ac-
2 count of gains from sales or exchanges of cap-
3 ital assets; and

4 “(B) the exclusion provided by section
5 1397 shall not be allowed.”

6 (B) Subparagraph (B) of section 172(d)(4) is
7 amended by inserting “, (2)(B),” after “paragraph
8 (1)”.

9 (2) Subsection (c) of section 381 (relating to
10 carryovers in certain corporate acquisitions) is
11 amended by adding at the end the following new
12 paragraph:

13 “(26) ENTERPRISE ZONE PROVISIONS.—The
14 acquiring corporation shall take into account (to the
15 extent proper to carry out the purposes of this sec-
16 tion and subchapter U, and under such regulations
17 as may be prescribed by the Secretary) the items re-
18 quired to be taken into account for purposes of sub-
19 chapter U in respect of the distributor or transferor
20 corporation.”

21 (3) Paragraph (4) of section 642(c) is amended
22 to read as follows:

23 “(4) ADJUSTMENTS.—To the extent that the
24 amount otherwise allowable as a deduction under
25 this subsection consists of gain described in section

1 1397(a), proper adjustment shall be made for any
2 exclusion allowable to the estate or trust under sec-
3 tion 1397. In the case of a trust, the deduction al-
4 lowed by this subsection shall be subject to section
5 681 (relating to unrelated business income).”

6 (4) Paragraph (3) of section 643(a) is amended
7 by adding at the end thereof the following new sen-
8 tence: “The exclusion under section 1397 shall not
9 be taken into account.”

10 (5) Paragraph (4) of section 691(c) is amended
11 by striking “1201, and 1211” and inserting “1201,
12 1397, and 1211”.

13 (6) The second sentence of paragraph (2) of
14 section 871(a) is amended by inserting “such gains
15 and losses shall be determined without regard to sec-
16 tion 1397 and” after “except that”.

17 (7) Paragraph (1) of section 1371(d) (relating
18 to coordination with investment credit recapture) is
19 amended by inserting before the period at the end
20 the following “and for purposes of section
21 1394(d)(3)”.

22 (8) Subsection (a) of section 1016 (relating to
23 adjustments to basis) is amended by striking “and”
24 at the end of paragraph (23), by striking the period
25 at the end of paragraph (24) and inserting a semi-

1 colon, and by adding at the end thereof the following
2 new paragraphs:

3 “(25) in the case of stock with respect to which
4 a deduction was allowed under section 1396(a), to
5 the extent provided in section 1396(e); and

6 “(26) in the case of property the acquisition of
7 which resulted under section 1397A in the non-
8 recognition of any part of the gain realized on the
9 sale or exchange of other property, to the extent pro-
10 vided in section 1397A(e).”

11 (9) Section 1223 (relating to holding period of
12 property) is amended by redesignating paragraph
13 (15) as paragraph (16) and by inserting after para-
14 graph (14) the following new paragraph:

15 “(15) In determining the period for which the
16 taxpayer has held property the acquisition of which
17 resulted under section 1397A in the nonrecognition
18 of any part of the gain realized on the sale or ex-
19 change of any qualified zone asset (as defined in sec-
20 tion 1397A(b)), there shall be included the period
21 for which such asset had been held as of the date
22 of such sale or exchange.”

1 **SEC. 104. EFFECTIVE DATE.**

2 (a) GENERAL RULE.—The amendments made by this
3 subtitle shall take effect on the date of the enactment of
4 this Act.

5 (b) REQUIREMENT FOR RULES.—Not later than the
6 date 4 months after the date of the enactment of this Act,
7 the appropriate Secretaries shall issue rules—

8 (1) establishing the procedures for nominating
9 areas for designation as tax enterprise zones,

10 (2) establishing a method for comparing the
11 factors listed in section 1392(d) of the Internal Rev-
12 enue Code of 1986 (as added by this subtitle),

13 (3) establishing recordkeeping requirements
14 necessary or appropriate to assist the studies re-
15 quired by subtitle E, and

16 (4) providing that State and local governments
17 shall have at least 30 days after such rules are pub-
18 lished to file applications for nominated areas before
19 such applications are evaluated and compared and
20 any area designated as a tax enterprise zone.

1 **Subtitle B—Redevelopment Bonds**
2 **for Tax Enterprise Zones**

3 **SEC. 111. SPECIAL RULES FOR REDEVELOPMENT BONDS**
4 **PROVIDING FINANCING FOR TAX ENTER-**
5 **PRISE ZONES.**

6 (a) IN GENERAL.—Subsection (c) of section 144 (re-
7 relating to qualified redevelopment bonds) is amended by
8 adding at the end thereof the following new paragraph:

9 “(9) SPECIAL RULES FOR TAX ENTERPRISE
10 ZONES.—For purposes of this subsection, in the case
11 of bonds issued during the 60-month period begin-
12 ning on the date a tax enterprise zone is des-
13 ignated—

14 “(A) TREATMENT AS DESIGNATED
15 BLIGHTED AREA.—Such tax enterprise zone
16 shall be treated as a designated blighted area
17 during such 60-month period (or, if shorter, the
18 period such designation is in effect). Any area
19 designated by reason of the preceding sentence
20 shall not be taken into account in applying
21 paragraph (4)(C).

22 “(B) SECURITY FOR BONDS.—The require-
23 ments of paragraph (2)(B) shall be treated as
24 met with respect to a financed area that is
25 within a tax enterprise zone if the general pur-

1 pose governmental unit guarantees the payment
2 of principal and interest on the issue either di-
3 rectly or through insurance, a letter of credit,
4 or a similar agreement but only if the cost
5 thereof is financed other than with proceeds of
6 any tax-exempt private activity bond or earn-
7 ings on such proceeds.

8 “(C) EXPANSION OF REDEVELOPMENT
9 PURPOSES.—

10 “(i) IN GENERAL.—The term ‘revel-
11 opment purposes’ includes the making of
12 loans to any enterprise zone business (as
13 defined in section 1397B) for—

14 “(I) the acquisition of land with-
15 in the tax enterprise zone for use in
16 such business, or

17 “(II) the acquisition, construc-
18 tion, reconstruction, or improvement
19 by such business of land, or property
20 of a character subject to the allowance
21 for depreciation, for use in such busi-
22 ness.

23 “(ii) \$2,500,000 LIMITATION.—Clause
24 (i) shall apply to loans made to any enter-
25 prise zone business only if the aggregate

1 principal amount of such loans (whether or
2 not financed by the same issue) does not
3 exceed \$2,500,000. For purposes of the
4 preceding sentence, all persons treated as a
5 single employer under subsection (a) or (b)
6 of section 52 shall be treated as 1 person.

7 “(iii) LOANS MUST BE MADE WITHIN
8 18 MONTHS AFTER BONDS ISSUED; REPAY-
9 MENTS MUST BE USED FOR REDEMP-
10 TIONS.—Clause (i) shall apply only to
11 loans—

12 “(I) made during the 18-month
13 period beginning on the date of issu-
14 ance of the issue financing such loan,

15 “(II) repayments of principal on
16 which are used not later than the
17 close of the 1st semiannual period be-
18 ginning after the date the repayment
19 is received to redeem bonds which are
20 part of such issue, and

21 “(III) the effective rate of inter-
22 est on which does not exceed the yield
23 on the issue by more than 0.125 per-
24 centage points.

1 In determining the effective rate of interest
2 for purposes of subclause (III), there shall
3 be taken into account all fees, charges, and
4 other amounts (other than amounts for
5 any credit report) borne by the borrower
6 which are attributable to the loan or the
7 bond issue.

8 “(iv) HOUSING LOANS EXCLUDED.—
9 Clause (i) shall not apply to any loan to be
10 used directly or indirectly to provide resi-
11 dential real property.

12 “(v) COORDINATION WITH RESTRIC-
13 TIONS ON USE OF PROCEEDS.—Paragraphs
14 (6) and (8) shall apply notwithstanding
15 clause (i); except that in applying para-
16 graph (6), subsection (a)(8) shall be treat-
17 ed as not including a reference to a facility
18 the primary purpose of which is retail food
19 services.

20 “(D) ISSUER TO DESIGNATE AMOUNT OF
21 ISSUE TO BE USED FOR LOANS.—Subparagraph
22 (C) shall not apply with respect to any issue
23 unless the issuer designates before the date of
24 issuance the amount of the proceeds of such
25 issue which is to be used for loans to which

1 subparagraph (C)(i) applies. If such amount ex-
2 ceeds the principal amount of loans to which
3 subparagraph (C)(i) applies, an amount of pro-
4 ceeds equal to such excess shall be used not
5 later than the close of the 1st semiannual pe-
6 riod beginning after the close of the 18-month
7 period referred to in subparagraph (C)(iii) to
8 redeem bonds which are part of such issue.

9 “(E) DE MINIMIS REDEMPTIONS NOT RE-
10 QUIRED.—Subparagraphs (C)(iii) and (D) shall
11 not be construed to require amounts of less
12 than \$250,000 to be used to redeem bonds. The
13 Secretary may by regulation treat related issues
14 as 1 issue for purposes of the preceding sen-
15 tence.

16 “(F) PENALTY.—

17 “(i) IN GENERAL.—In the case of
18 property with respect to which financing
19 was provided under this paragraph, if at
20 any time during the 10-period beginning
21 on the date such financing was provided—

22 “(I) such property ceases to be in
23 use in an enterprise zone business (as
24 defined in section 1397B), or

1 “(II) substantially all of the use
2 of such property ceases to be in a tax
3 enterprise zone,
4 there is hereby imposed on the trade or
5 business to which such financing was pro-
6 vided a penalty equal to 1.25 percent of so
7 much of the face amount of all financing
8 provided (whether or not from the same
9 issue and whether or not such issue is out-
10 standing) before such cessation to the
11 trade or business using such property.

12 “(ii) NO PENALTY BY REASON OF
13 ZONE TERMINATION.—No penalty shall be
14 imposed under clause (i) solely by reason
15 of the termination or revocation of a tax
16 enterprise zone designation.

17 “(iii) EXCEPTION FOR BANK-
18 RUPTCY.—Clause (i) shall not apply to any
19 cessation resulting from bankruptcy.”

20 (b) VOLUME CAP ONLY CHARGED WITH 50 PER-
21 CENT OF TAX ENTERPRISE ZONE REDEVELOPMENT
22 BONDS.—Subsection (g) of section 146 is amended by
23 striking “and” at the end of paragraph (3), by striking
24 the period at the end of paragraph (4) and inserting “,

1 and”, and by adding at the end thereof the following new
2 paragraph:

3 “(5) 50 percent of any qualified redevelopment
4 bond issued—

5 “(A) as part of an issue 95 percent or
6 more of the net proceeds of which are to be
7 used for 1 or more redevelopment purposes (as
8 defined in section 144(c)) in a tax enterprise
9 zone, and

10 “(B) during the 60-month period begin-
11 ning on the date of the designation of such
12 zone.”

13 (c) PENALTIES FOR LOANS MADE TO BUSINESSES
14 THAT CEASE TO BE ENTERPRISE ZONE BUSINESSES,
15 ETC.—Subsection (b) of section 150 is amended by adding
16 at the end thereof the following new paragraph:

17 “(6) ENTERPRISE ZONE REDEVELOPMENT
18 BONDS.—In the case of any financing provided by
19 an issue the interest on which is exempt from tax by
20 reason of section 144(c)(9)—

21 “(A) IN GENERAL.—No deduction shall be
22 allowed under this chapter for interest on such
23 financing which accrues during the period be-
24 ginning on the first day of the calendar year
25 which includes the date on which—

1 “(i) the trade or business to which the
2 financing was provided ceases to be an en-
3 terprise zone business (as defined in sec-
4 tion 1397B), or

5 “(ii) substantially all of the use of the
6 property (determined in accordance with
7 subchapter U) with respect to which the fi-
8 nancing was provided ceases to be in a tax
9 enterprise zone.

10 The preceding sentence shall not apply solely by
11 reason of the termination or revocation of a tax
12 enterprise zone designation.

13 “(B) EXCEPTION FOR BANKRUPTCY.—This
14 paragraph shall not apply to any cessation re-
15 sulting from bankruptcy.”

16 **Subtitle C—Credit for Contribu-**
17 **tions to Certain Community De-**
18 **velopment Corporations**

19 **SEC. 121. CREDIT FOR CONTRIBUTIONS TO CERTAIN COM-**
20 **MUNITY DEVELOPMENT CORPORATIONS.**

21 (a) IN GENERAL.—For purposes of section 38 of the
22 Internal Revenue Code of 1986, the current year business
23 credit shall include the credit determined under this sec-
24 tion.

1 (b) DETERMINATION OF CREDIT.—The credit deter-
2 mined under this section for each taxable year in the credit
3 period with respect to any qualified CDC contribution
4 made by the taxpayer is an amount equal to 5 percent
5 of such contribution.

6 (c) CREDIT PERIOD.—For purposes of this section,
7 the credit period with respect to any qualified CDC con-
8 tribution is the period of 10 taxable years beginning with
9 the taxable year during which such contribution was made.

10 (d) QUALIFIED CDC CONTRIBUTION.—For purposes
11 of this section—

12 (1) IN GENERAL.—The term “qualified CDC
13 contribution” means any transfer of cash—

14 (A) which is made to a selected community
15 development corporation during the 5-year pe-
16 riod beginning on the date such corporation was
17 selected for purposes of this section,

18 (B) the amount of which is available for
19 use by such corporation for at least 10 years,

20 (C) which is to be used by such corpora-
21 tion for qualified low-income assistance within
22 its operational area, and

23 (D) which is designated by such corpora-
24 tion for purposes of this section.

1 (2) LIMITATIONS ON AMOUNT DESIGNATED.—

2 The aggregate amount of contributions to a selected
3 community development corporation which may be
4 designated by such corporation shall not exceed
5 \$2,000,000.

6 (e) SELECTED COMMUNITY DEVELOPMENT COR-
7 PORATIONS.—

8 (1) IN GENERAL.—For purposes of this section,
9 the term “selected community development corpora-
10 tion” means any corporation—

11 (A) which is described in section 501(c)(3)
12 of such Code and exempt from tax under sec-
13 tion 501(a) of such Code,

14 (B) the principal purposes of which include
15 promoting employment of, and business oppor-
16 tunities for, low-income individuals who are
17 residents of the operational area, and

18 (C) which is selected by the Secretary of
19 Housing and Urban Development for purposes
20 of this section.

21 (2) ONLY 10 CORPORATIONS MAY BE SE-
22 LECTED.—

23 (A) IN GENERAL.—The Secretary of Hous-
24 ing and Urban Development may select 10 cor-
25 porations for purposes of this section, subject to

1 the availability of eligible corporations. Such se-
2 lections may be made only before January 1,
3 1994. At least 4 of the operational areas of the
4 corporations selected must be rural areas (as
5 defined by section 1393(6) of such Code).

6 (B) PRIORITY OF DESIGNATIONS.—In se-
7 lecting corporations for purposes of this section,
8 such Secretary shall give priority to corpora-
9 tions with a demonstrated record of perform-
10 ance in administering community development
11 programs which target at least 75 percent of
12 the jobs emanating from their investment funds
13 to low income or unemployed individuals.

14 (3) OPERATIONAL AREAS MUST HAVE CERTAIN
15 CHARACTERISTICS.—A corporation may be selected
16 for purposes of this section only if its operational
17 area meets the following criteria:

18 (A) The area meets the size requirements
19 under paragraph (1)(C) or (2)(C) of section
20 1391(b) which would apply if such area were to
21 be designated as a tax enterprise zone.

22 (B) The unemployment rate (as deter-
23 mined by the appropriate available data) is not
24 less than the national unemployment rate.

1 (C) The median family income of residents
 2 of such area does not exceed 80 percent of the
 3 median gross income of residents of the juris-
 4 diction of the local government which includes
 5 such area.

6 (f) QUALIFIED LOW-INCOME ASSISTANCE.—For pur-
 7 poses of this section, the term “qualified low-income as-
 8 sistance” means assistance—

9 (1) which is designed to provide employment of,
 10 and business opportunities for, low-income individ-
 11 uals who are residents of the operational area of the
 12 community development corporation, and

13 (2) which is approved by the Secretary of Hous-
 14 ing and Urban Development.

15 **Subtitle D—Indian Employment** 16 **and Investment**

17 **SEC. 131. INVESTMENT TAX CREDIT FOR PROPERTY ON IN-** 18 **DIAN RESERVATIONS.**

19 (a) ALLOWANCE OF INDIAN RESERVATION CRED-
 20 IT.—Section 46 (relating to investment credits) is amend-
 21 ed by striking “and” at the end of paragraph (2), by strik-
 22 ing the period at the end of paragraph (3) and inserting
 23 “, and”, and by adding after paragraph (3) the following
 24 new paragraph:

25 “(4) the Indian reservation credit.”

1 (b) AMOUNT OF INDIAN RESERVATION CREDIT.—

2 (1) IN GENERAL.—Section 48 (relating to the
3 energy credit and the reforestation credit) is amend-
4 ed by adding after subsection (b) the following new
5 subsection:

6 “(c) INDIAN RESERVATION CREDIT.—

7 “(1) IN GENERAL.—For purposes of section 46,
8 the Indian reservation credit for any taxable year is
9 the Indian reservation percentage of the qualified in-
10 vestment in qualified Indian reservation property
11 placed in service during such taxable year, deter-
12 mined in accordance with the following table:

“In the case of qualified

Indian reservation property which is:	The Indian reservation percentage is:
Reservation personal property	10
New reservation construction property	15
Reservation infrastructure investment	15.

13 “(2) QUALIFIED INVESTMENT IN QUALIFIED
14 INDIAN RESERVATION PROPERTY DEFINED.—For
15 purposes of this subpart—

16 “(A) IN GENERAL.—The term ‘qualified
17 Indian reservation property’ means property—

18 “(i) which is—

19 “(I) reservation personal prop-
20 erty,

21 “(II) new reservation construc-
22 tion property, or

1 “(III) reservation infrastructure
2 investment, and

3 “(ii) not acquired (directly or indi-
4 rectly) by the taxpayer from a person who
5 is related to the taxpayer (within the
6 meaning of section 465(b)(3)(C)).

7 The term ‘qualified Indian reservation property’
8 does not include any property (or any portion
9 thereof) placed in service for purposes of con-
10 ducting or housing class I, II, or III gaming (as
11 defined in section 4 of the Indian Regulatory
12 Act (25 U.S.C. 2703)).

13 “(B) QUALIFIED INVESTMENT.—The term
14 ‘qualified investment’ means—

15 “(i) in the case of reservation infra-
16 structure investment, the amount expended
17 by the taxpayer for the acquisition or con-
18 struction of the reservation infrastructure
19 investment; and

20 “(ii) in the case of all other qualified
21 Indian reservation property, the tax-
22 payer’s basis for such property.

23 “(C) RESERVATION PERSONAL PROP-
24 erty.—The term ‘reservation personal prop-
25 erty’ means qualified personal property which is

1 used by the taxpayer predominantly in the ac-
2 tive conduct of a trade or business within an
3 Indian reservation. Property shall not be treat-
4 ed as ‘reservation personal property’ if it is
5 used or located outside the Indian reservation
6 on a regular basis.

7 “(D) QUALIFIED PERSONAL PROPERTY.—
8 The term ‘qualified personal property’ means
9 property—

10 “(i) for which depreciation is allow-
11 able under section 168,

12 “(ii) which is not—

13 “(I) nonresidential real property,

14 “(II) residential rental property,

15 or

16 “(III) real property which is not
17 described in (I) or (II) and which has
18 a class life of more than 12.5 years.

19 For purposes of this subparagraph, the terms
20 ‘nonresidential real property’, ‘residential rental
21 property’, and ‘class life’ have the respective
22 meanings given such terms by section 168.

23 “(E) NEW RESERVATION CONSTRUCTION
24 PROPERTY.—The term ‘new reservation con-

1 struction property’ means qualified real prop-
2 erty—

3 “(i) which is located in an Indian res-
4 ervation,

5 “(ii) which is used by the taxpayer
6 predominantly in the active conduct of a
7 trade or business within an Indian reserva-
8 tion, and

9 “(iii) which is originally placed in
10 service by the taxpayer.

11 “(F) QUALIFIED REAL PROPERTY.—The
12 term ‘qualified real property’ means property
13 for which depreciation is allowable under sec-
14 tion 168 and which is described in clause (I),
15 (II), or (III) of subparagraph (D)(ii).

16 “(G) RESERVATION INFRASTRUCTURE IN-
17 VESTMENT.—

18 “(i) IN GENERAL.—The term ‘reserva-
19 tion infrastructure investment’ means
20 qualified personal property or qualified real
21 property which—

22 “(I) benefits the tribal infrastruc-
23 ture,

24 “(II) is available to the general
25 public, and

1 “(III) is placed in service in con-
2 nection with the taxpayer’s active con-
3 duct of a trade or business within an
4 Indian reservation.

5 “(ii) PROPERTY MAY BE LOCATED
6 OUTSIDE THE RESERVATION.—Qualified
7 personal property and qualified real prop-
8 erty used or located outside an Indian res-
9 ervation shall be reservation infrastructure
10 investment only if its purpose is to connect
11 to existing tribal infrastructure in the res-
12 ervation, and shall include, but not be lim-
13 ited to, roads, power lines, water systems,
14 railroad spurs, and communications facili-
15 ties.

16 “(H) COORDINATION WITH OTHER CRED-
17 ITS.—The term ‘qualified Indian reservation
18 property’ shall not include any property with re-
19 spect to which the energy credit or the rehabili-
20 tation credit is allowed.

21 “(3) REAL ESTATE RENTALS.—For purposes of
22 this section, the rental to others of real property lo-
23 cated within an Indian reservation shall be treated
24 as the active conduct of a trade or business in an
25 Indian reservation.

1 “(4) INDIAN RESERVATION DEFINED.—For
2 purposes of this subpart, the term ‘Indian reserva-
3 tion’ means a reservation, as defined in—

4 “(A) section 3(d) of the Indian Financing
5 Act of 1974 (25 U.S.C. 1452(d)), or

6 “(B) section 4(10) of the Indian Child
7 Welfare Act of 1978 (25 U.S.C. 1903(10)).

8 “(5) LIMITATION BASED ON UNEMPLOY-
9 MENT.—

10 “(A) GENERAL RULE.—The Indian res-
11 ervation credit allowed under section 46 for any
12 taxable year shall equal—

13 “(i) if the Indian unemployment rate
14 on the applicable Indian reservation for
15 which the credit is sought exceeds 300 per-
16 cent of the national average unemployment
17 rate at any time during the calendar year
18 in which the property is placed in service
19 or during the immediately preceding 2 cal-
20 endar years, 100 percent of such credit,

21 “(ii) if such Indian unemployment
22 rate exceeds 150 percent but not 300 per-
23 cent, 50 percent of such credit, and

1 “(iii) if such Indian unemployment
2 rate does not exceed 150 percent, 0 per-
3 cent of such credit.

4 “(B) SPECIAL RULE FOR LARGE
5 PROJECTS.—In the case of a qualified Indian
6 reservation property which has (or is a compo-
7 nent of a project which has) a projected con-
8 struction period of more than 2 years or a cost
9 of more than \$1,000,000, subparagraph (A)
10 shall apply by substituting ‘during the earlier of
11 the calendar year in which the taxpayer enters
12 into a binding agreement to make a qualified
13 investment or the first calendar year in which
14 the taxpayer has expended at least 10 percent
15 of the taxpayer’s qualified investment, or the
16 preceding calendar year’ for ‘during the cal-
17 endar year in which the property is placed in
18 service or during the immediately preceding 2
19 calendar years’.

20 “(C) DETERMINATION OF INDIAN UNEM-
21 PLOYMENT.—For purposes of this paragraph,
22 with respect to any Indian reservation, the In-
23 dian unemployment rate shall be based upon
24 Indians unemployed and able to work, and shall
25 be certified by the Secretary of the Interior.

1 “(6) COORDINATION WITH NONREVENUE
2 LAWS.—Any reference in this subsection to a provi-
3 sion not contained in this title shall be treated for
4 purposes of this subsection as a reference to such
5 provision as in effect on the date of the enactment
6 of this paragraph.”

7 (2) LODGING TO QUALIFY.—Paragraph (2) of
8 section 50(b) (relating to property used for lodging)
9 is amended—

10 (A) by striking “and” at the end of sub-
11 paragraph (C),

12 (B) by striking the period at the end of
13 subparagraph (D) and inserting “; and” and

14 (C) by adding at the end thereof the fol-
15 lowing subparagraph:

16 “(E) new reservation construction prop-
17 erty.”

18 (c) RECAPTURE.—Subsection (a) of section 50 (relat-
19 ing to recapture in case of dispositions, etc.), is amended
20 by adding at the end thereof the following new paragraph:

21 “(6) SPECIAL RULES FOR INDIAN RESERVATION
22 PROPERTY.—

23 “(A) IN GENERAL.—If, during any taxable
24 year, property with respect to which the tax-
25 payer claimed an Indian reservation credit—

1 “(i) is disposed of, or

2 “(ii) in the case of reservation per-
3 sonal property—

4 “(I) otherwise ceases to be in-
5 vestment credit property with respect
6 to the taxpayer, or

7 “(II) is removed from the Indian
8 reservation, converted or otherwise
9 ceases to be Indian reservation prop-
10 erty,

11 the tax under this chapter for such taxable year
12 shall be increased by the amount described in
13 subparagraph (B).

14 “(B) AMOUNT OF INCREASE.—The in-
15 crease in tax under subparagraph (A) shall
16 equal the aggregate decrease in the credits al-
17 lowed under section 38 by reason of section
18 48(c) for all prior taxable years which would
19 have resulted had the qualified investment
20 taken into account with respect to the property
21 been limited to an amount which bears the
22 same ratio to the qualified investment with re-
23 spect to such property as the period such prop-
24 erty was held by the taxpayer bears to the ap-
25 plicable recovery period under section 168(g).

1 “(C) COORDINATION WITH OTHER RECAP-
2 TURE PROVISIONS.—In the case of property to
3 which this paragraph applies, paragraph (1)
4 shall not apply and the rules of paragraphs (3),
5 (4), and (5) shall apply.”

6 (d) BASIS ADJUSTMENT TO REFLECT INVESTMENT
7 CREDIT.—Paragraph (3) of section 50(c) (relating to
8 basis adjustment to investment credit property) is amend-
9 ed by striking “energy credit or reforestation credit” and
10 inserting “energy credit, reforestation credit, or Indian
11 reservation credit other than with respect to any expendi-
12 ture for new reservation construction property”.

13 (e) CERTAIN GOVERNMENTAL USE PROPERTY TO
14 QUALIFY.—Paragraph (4) of section 50(b) (relating to
15 property used by governmental units or foreign persons
16 or entities) is amended by redesignating subparagraphs
17 (D) and (E) as subparagraphs (E) and (F), respectively,
18 and inserting after subparagraph (C) the following new
19 subparagraph:

20 “(D) EXCEPTION FOR RESERVATION IN-
21 FRASTRUCTURE INVESTMENT.—This paragraph
22 shall not apply for purposes of determining the
23 Indian reservation credit with respect to res-
24 ervation infrastructure investment.”

1 (f) APPLICATION OF AT-RISK RULES.—Subpara-
 2 graph (C) of section 49(a)(1) is amended by striking
 3 “and” at the end of clause (ii), by striking the period at
 4 the end of clause (iii) and inserting “, and”, and by adding
 5 at the end the following new clause:

6 “(iv) the qualified investment in quali-
 7 fied Indian reservation property.”

8 (g) CLERICAL AMENDMENTS.—

9 (1) The caption of section 48 is amended by de-
 10 leting the period at the end thereof and adding “;
 11 **INDIAN RESERVATION CREDIT.**”

12 (2) The table of sections for subpart E of part
 13 IV of subchapter A of chapter 1 is amended by
 14 striking out the item relating to section 48 and in-
 15 serting the following:

“Sec. 48. Energy credit; reforestation credit; Indian reservation
 credit.”

16 (h) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to property placed in service after
 18 December 31, 1992.

19 **SEC. 132. INDIAN EMPLOYMENT CREDIT.**

20 (a) ALLOWANCE OF INDIAN EMPLOYMENT CRED-
 21 IT.—Section 38(b) (relating to general business credits),
 22 as amended by section 103, is amended by striking “plus”
 23 at the end of paragraph (8), by striking the period at the

1 end of paragraph (9) and inserting “, plus”, and by add-
2 ing after paragraph (9) the following new paragraph:

3 “(10) the Indian employment credit as deter-
4 mined under section 45A.”

5 (b) AMOUNT OF INDIAN EMPLOYMENT CREDIT.—
6 Subpart D of Part IV of subchapter A of chapter 1 (relat-
7 ing to business related credits) is amended by adding at
8 the end thereof the following new section:

9 **“SEC. 45A. INDIAN EMPLOYMENT CREDIT.**

10 “(a) AMOUNT OF CREDIT.—

11 “(1) IN GENERAL.—For purposes of section 38,
12 the amount of the Indian employment credit deter-
13 mined under this section with respect to any em-
14 ployer for any taxable year is 10 percent (30 percent
15 in the case of an employer with at least 85 percent
16 Indian employees throughout the taxable year) of
17 the sum of—

18 “(A) the qualified wages paid or incurred
19 during such taxable year, plus

20 “(B) qualified employee health insurance
21 costs paid or incurred during such taxable year.

22 In no event shall the amount of the Indian employ-
23 ment credit for any taxable year exceed the credit
24 limitation amount determined under subsection (e)
25 for such taxable year.

1 “(2) INDIAN EMPLOYEE.—For purposes of
2 paragraph (1), the term ‘Indian employee’ means an
3 employee who is an enrolled member of an Indian
4 tribe or the spouse of such a member.

5 “(b) QUALIFIED WAGES; QUALIFIED EMPLOYEE
6 HEALTH INSURANCE COSTS.—For purposes of this sec-
7 tion—

8 “(1) QUALIFIED WAGES.—

9 “(A) IN GENERAL.—The term ‘qualified
10 wages’ means any wages paid or incurred by an
11 employer for services performed by an employee
12 while such employee is a qualified employee.

13 “(B) COORDINATION WITH TARGETED
14 JOBS CREDIT.—The term ‘qualified wages’ shall
15 not include wages attributable to service ren-
16 dered during the 1-year period beginning with
17 the day the individual begins work for the em-
18 ployer if any portion of such wages is taken
19 into account in determining the credit under
20 section 51.

21 “(2) QUALIFIED EMPLOYEE HEALTH INSUR-
22 ANCE COSTS.—

23 “(A) IN GENERAL.—The term ‘qualified
24 employee health insurance costs’ means any
25 amount paid or incurred by an employer for

1 health insurance to the extent such amount is
2 attributable to coverage provided to any em-
3 ployee while such employee is a qualified em-
4 ployee.

5 “(B) EXCEPTION FOR AMOUNTS PAID
6 UNDER SALARY REDUCTION ARRANGEMENTS.—
7 No amount paid or incurred for health insur-
8 ance pursuant to a salary reduction arrange-
9 ment shall be taken into account under sub-
10 paragraph (A).

11 “(c) QUALIFIED EMPLOYEE.—For purposes of this
12 section—

13 “(1) IN GENERAL.—Except as otherwise pro-
14 vided in this subsection, the term ‘qualified em-
15 ployee’ means, with respect to any period, any em-
16 ployee of an employer if—

17 “(A) substantially all of the services per-
18 formed during such period by such employee for
19 such employer are performed within an Indian
20 reservation,

21 “(B) the principal place of abode of such
22 employee while performing such services is on
23 or near the reservation in which the services are
24 performed, and

1 “(C) the employee began work for such
2 employer on or after January 1, 1993.

3 “(2) CREDIT ALLOWED ONLY FOR FIRST 7
4 YEARS.—An employee shall not be treated as a
5 qualified employee for any period after the date 7
6 years after the day on which such employee first
7 began work for the employer.

8 “(3) INDIVIDUALS RECEIVING WAGES IN EX-
9 CESS OF \$30,000 NOT ELIGIBLE.—An employee shall
10 not be treated as a qualified employee for any tax-
11 able year of the employer if the total amount of the
12 wages paid or incurred by such employer to such
13 employee during such taxable year (whether or not
14 for services within an Indian reservation) exceeds
15 the amount determined at an annual rate of
16 \$30,000. The Secretary shall adjust the \$30,000
17 amount contained in the preceding sentence for
18 years beginning after 1992 at the same time and in
19 the same manner as under section 415(d).

20 “(4) EMPLOYMENT MUST BE TRADE OR BUSI-
21 NESS EMPLOYMENT.—An employee shall be treated
22 as a qualified employee for any taxable year of the
23 employer only if more than 50 percent of the wages
24 paid or incurred by the employer to such employee
25 during such taxable year are for services performed

1 in a trade or business of the employer. Any deter-
2 mination as to whether the preceding sentence ap-
3 plies with respect to any employee for any taxable
4 year shall be made without regard to subsection
5 (f)(2).

6 “(5) CERTAIN EMPLOYEES NOT ELIGIBLE.—
7 The term ‘qualified employee’ shall not include—

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

10 “(B) any 5-percent owner (as defined in
11 section 416(i)(1)(B)),

12 “(C) any individual who is neither an en-
13 rolled member of an Indian tribe nor the spouse
14 of an enrolled member of an Indian tribe, and

15 “(D) any individual if the services per-
16 formed by such individual for the employer in-
17 volve the conduct of class I, II, or III gaming
18 as defined in section 4 of the Indian Gaming
19 Regulatory Act (25 U.S.C. 2703), or are per-
20 formed in a building housing such gaming ac-
21 tivity.

22 “(6) INDIAN TRIBE DEFINED.—The term ‘In-
23 dian tribe’ means any Indian tribe, band, nation,
24 pueblo, or other organized group or community, in-
25 cluding any Alaska Native village, or regional or vil-

1 lage corporation, as defined in, or established pursu-
2 ant to, the Alaska Native Claims Settlement Act (43
3 U.S.C. 1601 et seq.) which is recognized as eligible
4 for the special programs and services provided by
5 the United States to Indians because of their status
6 as Indians.

7 “(7) INDIAN RESERVATION DEFINED.—The
8 term ‘Indian reservation’ means a reservation, as de-
9 fined in—

10 “(A) section 3(d) of the Indian Financing
11 Act of 1974 (25 U.S.C. 1452(d)), or

12 “(B) section 4(10) of the Indian Child
13 Welfare Act of 1978 (25 U.S.C. 1903 (10)).

14 “(d) EARLY TERMINATION OF EMPLOYMENT BY EM-
15 PLOYER.—

16 “(1) IN GENERAL.—If the employment of any
17 employee is terminated by the taxpayer before the
18 day 1 year after the day on which such employee
19 began work for the employer—

20 “(A) no wages (or qualified employee
21 health insurance costs) with respect to such em-
22 ployee shall be taken into account under sub-
23 section (a) for the taxable year in which such
24 employment is terminated, and

1 “(B) the tax under this chapter for the
2 taxable year in which such employment is ter-
3 minated shall be increased by the aggregate
4 credits (if any) allowed under section 38(a) for
5 prior taxable years by reason of wages (or
6 qualified employee health insurance costs) taken
7 into account with respect to such employee.

8 “(2) CARRYBACKS AND CARRYOVERS AD-
9 JUSTED.—In the case of any termination of employ-
10 ment to which paragraph (1) applies, the carrybacks
11 and carryovers under section 39 shall be properly
12 adjusted.

13 “(3) SUBSECTION NOT TO APPLY IN CERTAIN
14 CASES.—

15 “(A) IN GENERAL.—Paragraph (1) shall
16 not apply to—

17 “(i) a termination of employment of
18 an employee who voluntarily leaves the em-
19 ployment of the taxpayer,

20 “(ii) a termination of employment of
21 an individual who before the close of the
22 period referred to in paragraph (1) be-
23 comes disabled to perform the services of
24 such employment unless such disability is
25 removed before the close of such period

1 and the taxpayer fails to offer reemploy-
2 ment to such individual, or

3 “(iii) a termination of employment
4 of an individual if it is determined under
5 the applicable State unemployment com-
6 pensation law that the termination was due
7 to the misconduct of such individual.

8 “(B) CHANGES IN FORM OF BUSINESS.—
9 For purposes of paragraph (1), the employment
10 relationship between the taxpayer and an em-
11 ployee shall not be treated as terminated—

12 “(i) by a transaction to which section
13 381(a) applies if the employee continues to
14 be employed by the acquiring corporation,
15 or

16 “(ii) by reason of a mere change in
17 the form of conducting the trade or busi-
18 ness of the taxpayer if the employee con-
19 tinues to be employed in such trade or
20 business and the taxpayer retains a sub-
21 stantial interest in such trade or business.

22 “(4) SPECIAL RULE.—Any increase in tax
23 under paragraph (1) shall not be treated as a tax
24 imposed by this chapter for purposes of—

1 “(A) determining the amount of any credit
2 allowable under this chapter, and

3 “(B) determining the amount of the tax
4 imposed by section 55.

5 “(e) CREDIT LIMITATION AMOUNT.—For purposes of
6 this section—

7 “(1) CREDIT LIMITATION AMOUNT.—The credit
8 limitation amount for a taxable year shall be an
9 amount equal to the credit rate (10 or 30 percent
10 as determined under subsection (a)) multiplied by
11 the increased credit base.

12 “(2) INCREASED CREDIT BASE.—The increased
13 credit base for a taxable year shall be the excess
14 of—

15 “(A) the sum of any qualified wages and
16 qualified employee health insurance costs paid
17 or incurred by the employer during the taxable
18 year with respect to employees whose wages
19 (paid or incurred by the employer) during the
20 taxable year do not exceed the amount deter-
21 mined under paragraph (3) of subsection (c),
22 over

23 “(B) the sum of any qualified wages and
24 qualified employee health insurance costs paid
25 or incurred by the employer (or any prede-

1 cessor) during calendar year 1992 with respect
2 to employees whose wages (paid or incurred by
3 the employer or any predecessor) during 1992
4 did not exceed \$30,000.

5 “(3) SPECIAL RULE FOR SHORT TAXABLE
6 YEARS.—For any taxable year having less than 12
7 months—

8 “(A) the amounts paid or incurred by the
9 employer shall be annualized for purposes of de-
10 termining the increased credit base, and

11 “(B) the credit limitation amount shall be
12 multiplied by a fraction, the numerator of which
13 is the number of days in the taxable year and
14 the denominator of which is 365.

15 “(f) OTHER DEFINITIONS AND SPECIAL RULES.—
16 For purposes of this section—

17 “(1) WAGES.—The term ‘wages’ has the same
18 meaning given to such term in section 51.

19 “(2) CONTROLLED GROUPS.—

20 “(A) All employers treated as a single em-
21 ployer under section (a) or (b) of section 52
22 shall be treated as a single employer for pur-
23 poses of this section.

24 “(B) The credit (if any) determined under
25 this section with respect to each such employer

1 shall be its proportionate share of the wages
2 and qualified employee health insurance costs
3 giving rise to such credit.

4 “(3) CERTAIN OTHER RULES MADE APPLICA-
5 BLE.—Rules similar to the rules of section 51(k)
6 and subsections (c), (d), and (e) of section 52 shall
7 apply.

8 “(4) COORDINATION WITH NONREVENUE
9 LAWS.—Any reference in this section to a provision
10 not contained in this title shall be treated for pur-
11 poses of this section as a reference to such provision
12 as in effect on the date of the enactment of this
13 paragraph.”

14 (c) DENIAL OF DEDUCTION FOR PORTION OF WAGES
15 EQUAL TO INDIAN EMPLOYMENT CREDIT.—

16 (1) Subsection (a) of section 280C (relating to
17 rule for targeted jobs credit) is amended by striking
18 “51(a)” and inserting “45A(a), 51(a), and”.

19 (2) Subsection (c) of section 196 (relating to
20 deduction for certain unused business credits) is
21 amended by striking “and” at the end of paragraph
22 (5), by striking the period at the end of paragraph
23 (6) and inserting “, and”, and by adding at the end
24 the following new paragraph:

1 as added by this title), shall contract within 3 months of
2 the date of the enactment of this Act, with the National
3 Academy of Sciences (hereafter in this section referred to
4 as the “Academy”) to conduct a study of the relative effec-
5 tiveness of the incentives provided by this Act in achieving
6 the purposes of such subtitles in tax enterprise zones.

7 (b) CONDUCT OF STUDY.—If the Academy contracts
8 for the conduct of the study described in subsection (a),
9 the Academy shall develop a study methodology and shall
10 oversee and manage the conduct of such study.

11 (c) REPORTS.—The Academy shall submit to the
12 Committee on Ways and Means of the House of Rep-
13 resentatives and the Committee on Finance of the Sen-
14 ate—

15 (1) not later than July 1, 1997, an interim re-
16 port setting forth the findings as a result of such
17 study, and

18 (2) not later than July 1, 2002, a final report
19 setting forth the findings as a result of such study.

1 **TITLE II—AUTHORIZATION FOR**
2 **ADDITIONAL ASSISTANCE TO**
3 **DISTRESSED COMMUNITIES**

4 **Subtitle A—National Public-Private**
5 **Partnership Programs**

6 **SEC. 201. NATIONAL PUBLIC-PRIVATE PARTNERSHIP PRO-**
7 **GRAMS.**

8 (a) SENSE OF CONGRESS.—It is the sense of Con-
9 gress that public-private partnerships between government
10 and community-based organizations offer an opportunity
11 to empower residents of low-income distressed commu-
12 nities and to forge innovative solutions to the challenges
13 confronting these communities, and that increased re-
14 sources should be invested in such partnerships.

15 (b) AUTHORIZATION OF APPROPRIATIONS.—To pro-
16 mote national public-private partnerships, there are au-
17 thorized to be appropriated—

18 (1) with respect to the Head Start program
19 under the Head Start Act (42 U.S.C. 9831 et
20 seq.)—

21 (A) \$40,000,000 for fiscal year 1993;

22 (B) \$42,000,000 for fiscal year 1994;

23 (C) \$44,000,000 for fiscal year 1995;

24 (D) \$46,000,000 for fiscal year 1996;

25 (E) \$49,000,000 for fiscal year 1997;

- 1 (F) \$51,000,000 for fiscal year 1998;
2 (G) \$54,000,000 for fiscal year 1999;
3 (H) \$56,000,000 for fiscal year 2000;
4 (I) \$59,000,000 for fiscal year 2001; and
5 (J) \$62,000,000 for fiscal year 2002;

6 (2) with respect to the community health cen-
7 ters program under sections 329, 330, 340 and
8 340A of the Public Health Service Act (42 U.S.C.
9 254c)—

- 10 (A) \$20,000,000 for fiscal year 1993;
11 (B) \$21,000,000 for fiscal year 1994;
12 (C) \$22,000,000 for fiscal year 1995;
13 (D) \$23,000,000 for fiscal year 1996;
14 (E) \$24,000,000 for fiscal year 1997;
15 (F) \$26,000,000 for fiscal year 1998;
16 (G) \$27,000,000 for fiscal year 1999;
17 (H) \$28,000,000 for fiscal year 2000;
18 (I) \$30,000,000 for fiscal year 2001; and
19 (J) \$31,000,000 for fiscal year 2002;

20 (3) with respect to the National Community
21 Economic Partnership program established under
22 chapter 3 of subtitle C—

- 23 (A) \$40,000,000 for fiscal year 1993;
24 (B) \$42,000,000 for fiscal year 1994;
25 (C) \$44,000,000 for fiscal year 1995;

1 (D) \$46,000,000 for fiscal year 1996;

2 (E) \$49,000,000 for fiscal year 1997;

3 (F) \$51,000,000 for fiscal year 1998;

4 (G) \$54,000,000 for fiscal year 1999;

5 (H) \$56,000,000 for fiscal year 2000;

6 (I) \$59,000,000 for fiscal year 2001; and

7 (J) \$62,000,000 for fiscal year 2002;

8 (4) with respect to the Job Corps program
9 under part B of title IV of the Job Training Part-
10 nership Act (29 U.S.C. 1692 et seq.)—

11 (A) \$40,000,000 for fiscal year 1993;

12 (B) \$42,000,000 for fiscal year 1994;

13 (C) \$44,000,000 for fiscal year 1995;

14 (D) \$46,000,000 for fiscal year 1996;

15 (E) \$49,000,000 for fiscal year 1997;

16 (F) \$51,000,000 for fiscal year 1998;

17 (G) \$54,000,000 for fiscal year 1999;

18 (H) \$56,000,000 for fiscal year 2000;

19 (I) \$59,000,000 for fiscal year 2001; and

20 (J) \$62,000,000 for fiscal year 2002;

21 (5) with respect to the Enterprise Capital Ac-
22 cess Fund Demonstration Program established
23 under section 271—

24 (A) \$20,000,000 for fiscal year 1993;

25 (B) \$21,000,000 for fiscal year 1994;

- 1 (C) \$22,000,000 for fiscal year 1995;
2 (D) \$23,000,000 for fiscal year 1996;
3 (E) \$24,000,000 for fiscal year 1997;
4 (F) \$26,000,000 for fiscal year 1998;
5 (G) \$27,000,000 for fiscal year 1999;
6 (H) \$28,000,000 for fiscal year 2000;
7 (I) \$30,000,000 for fiscal year 2001; and
8 (J) \$31,000,000 for fiscal year 2002;

9 (6) with respect to the Youthbuild program
10 under subtitle D of title IV of the Cranston-Gon-
11 zalez National Affordable Housing Act—

- 12 (A) \$10,000,000 for fiscal year 1993;
13 (B) \$11,000,000 for fiscal year 1994;
14 (C) \$11,000,000 for fiscal year 1995;
15 (D) \$12,000,000 for fiscal year 1996;
16 (E) \$12,000,000 for fiscal year 1997;
17 (F) \$13,000,000 for fiscal year 1998;
18 (G) \$13,000,000 for fiscal year 1999;
19 (H) \$14,000,000 for fiscal year 2000;
20 (I) \$15,000,000 for fiscal year 2001; and
21 (J) \$16,000,000 for fiscal year 2002; and

22 (7) with respect to the Neighborhood Reinvest-
23 ment Corporation established under title VI of the
24 Housing and Community Development Act of
25 1978—

- 1 (A) \$10,000,000 for fiscal year 1993;
2 (B) \$11,000,000 for fiscal year 1994;
3 (C) \$11,000,000 for fiscal year 1995;
4 (D) \$12,000,000 for fiscal year 1996;
5 (E) \$12,000,000 for fiscal year 1997;
6 (F) \$13,000,000 for fiscal year 1998;
7 (G) \$13,000,000 for fiscal year 1999;
8 (H) \$14,000,000 for fiscal year 2000;
9 (I) \$15,000,000 for fiscal year 2001; and
10 (J) \$16,000,000 for fiscal year 2002.

11 (c) AVAILABILITY OF AMOUNTS.—The amounts ap-
12 propriated for programs pursuant to paragraphs (1), (2),
13 (4), (6), and (7) of subsection (b) shall be available only
14 for projects or activities that directly and principally bene-
15 fit the residents of tax enterprise zones designated pursu-
16 ant to section 1391 of the Internal Revenue Code of 1986.
17 Of the amounts appropriated for programs pursuant to
18 paragraphs (3) and (5) of subsection (b), 50 percent shall
19 be available only for projects or activities that directly and
20 principally benefit the residents of such zones.

21 **Subtitle B—Block Grant Funding**
22 **for Eligible Programs**

23 **SEC. 211. AUTHORIZATION OF APPROPRIATIONS.**

24 There are authorized to be appropriated for assist-
25 ance under section 212, \$320,000,000 for fiscal year

1 1993, \$325,000,000 for fiscal year 1994, \$332,000,000
2 for fiscal year 1995, \$337,000,000 for fiscal year 1996,
3 \$341,000,000 for fiscal year 1997, and such sums as may
4 be necessary for each of the fiscal years 1998 through
5 2002, except that amounts authorized under this sub-
6 section for each of the fiscal years 1998 through 2002
7 shall not be less than the amount of the revenue loss esti-
8 mates to result as a result of enterprise zone tax pref-
9 erences under section 1391 of the Internal Revenue Code
10 of 1986 less the amounts authorized by section 211(b).

11 **SEC. 212. ALLOCATION OF AMOUNTS AMONG TAX ENTER-**
12 **PRISE ZONES.**

13 (a) IN GENERAL.—Except as provided in subsection
14 (d), the interagency council established under section 216
15 of this Act shall make any amounts appropriated pursuant
16 to section 211(a) available under this subtitle to provide
17 assistance on behalf of each tax enterprise zone designated
18 under section 1391 of the Internal Revenue Code of 1986
19 for which an application under section 215 of this Act has
20 been approved by the interagency council.

21 (b) ALLOCATION BETWEEN URBAN AND RURAL
22 ZONES.—Of the amounts available each fiscal year under
23 this title for tax enterprise zones, 70 percent shall be avail-
24 able for urban tax enterprise zones and 30 percent shall
25 be available for rural development investment zones.

1 (c) DIVISION AMONG URBAN AND RURAL ZONES.—

2 (1) URBAN ZONES.—The amounts available
3 each fiscal year under this title for urban tax enter-
4 prise zones shall be allocated so as to reserve an
5 equal amount for each urban zone that may be des-
6 ignated prior to the end of the calendar year begin-
7 ning during the fiscal year for which such amounts
8 were made available, pursuant to the annual limits
9 on zones specified in section 1391 of the Internal
10 Revenue Code of 1986.

11 (2) RURAL ZONES.—The amounts available
12 each fiscal year under this title for rural develop-
13 ment investment zones shall be allocated so as to re-
14 serve an equal amount for each rural development
15 investment zone that may be designated prior to the
16 end of the calendar year beginning during the fiscal
17 year for which such amounts were made available,
18 pursuant to the annual limits on zones specified in
19 section 1391 of the Internal Revenue Code of 1986.

20 (d) SET-ASIDE.—Of the amounts appropriated pur-
21 suant to section 211 for fiscal year 1993, not less than
22 \$5,000,000 shall be made available by the Interagency
23 Council for the Access to Jobs/Reverse Community Dem-
24 onstration Program authorized under section 272.

1 (e) AVAILABILITY.—Notwithstanding any other pro-
2 vision of law, amounts appropriated pursuant to author-
3 izations under this title shall remain available until the
4 end of the fiscal year following the year for which such
5 amounts are appropriated.

6 **SEC. 213. USE OF AMOUNTS.**

7 (a) IN GENERAL.—The assistance allocated under
8 section 212 on behalf of each tax enterprise zone (as de-
9 fined in section 1391 of the Internal Revenue Code of
10 1986) shall be available only for carrying out selected pro-
11 grams within the tax enterprise zone, in accordance with
12 the application of the tax enterprise zone approved under
13 section 215 and subject to the provisions of this section.

14 (b) ALLOCATION AMONG PROGRAM CATEGORIES.—

15 (1) IN GENERAL.—Except as provided in para-
16 graph (2), of the total amount of assistance provided
17 under this subtitle on behalf of a tax enterprise zone
18 for any fiscal year, the sum of the amounts used to
19 carry out selected programs referred to under any
20 one of paragraphs (1) through (5) of section 214
21 may not exceed 20 percent of such total amount.

22 (2) WAIVER OF CAPS.—Pursuant to a request
23 contained in an application under section 215, the
24 interagency council may provide that the require-
25 ment under paragraph (1) shall not apply with re-

1 spect to amounts used to carry out selected pro-
2 grams under the application, except that of the total
3 amount of assistance provided under this subtitle on
4 behalf of such tax enterprise zone for any fiscal
5 year, the sum of the amounts used to carry out se-
6 lected programs referred to under any single para-
7 graph under section 214 may not exceed 30 percent
8 of such total amount and may not be less than 5
9 percent of such total amount.

10 (c) ALLOCATION AMONG JOB TRAINING PRO-
11 GRAMS.—In any fiscal year, of the sum of the amounts
12 of assistance provided under this subtitle on behalf of a
13 tax enterprise zone that are used to carry out any of the
14 job training programs under section 214(2), not less than
15 25 percent shall be used for assistance under the Young
16 Adult Employment Demonstration program referred to in
17 section 214(2)(A) of this Act.

18 (d) PROVISION OF ASSISTANCE.—Upon the approval
19 of an application under section 215 for a tax enterprise
20 zone, the appropriate Federal agency head for each se-
21 lected program under the approved application shall make
22 available on behalf of the enterprise zone (under such pro-
23 gram and through the appropriate eligible entity), from
24 amounts available on behalf of such zone pursuant to sec-

1 tion 212, the amount of assistance determined in accord-
2 ance with the approved application.

3 (e) SUPPLEMENTATION REQUIREMENT.—Any
4 amounts provided under this subtitle shall be in supple-
5 ment to, and shall not supplant, any Federal, State, local,
6 or private funds from other sources already used, or com-
7 mitted for use, for programs, projects, activities, and serv-
8 ices assisted under this subtitle or comparable to such pro-
9 grams, projects, activities, and services. Federal agency
10 heads shall not reduce the usual allocations with respect
11 to any jurisdiction under any of the eligible programs de-
12 scribed in section 214 because such jurisdiction allocates
13 funds under this title to any of such programs.

14 **SEC. 214. ELIGIBLE PROGRAMS.**

15 Assistance may be provided under this subtitle for
16 carrying out the following activities, projects, and pro-
17 grams:

18 (1) CRIME AND CRIMINAL JUSTICE.—

19 (A) Community policing projects and ac-
20 tivities under the Edward Byrne Memorial
21 State and Local Law Enforcement Assistance
22 Program under part E of title I of the Omnibus
23 Crime Control and Safe Streets Act of 1968
24 (42 U.S.C. 3751 et seq.).

1 (B) Chapter B of subpart 2 of part E of
2 title I of the Omnibus Crime Control and Safe
3 Streets Act of 1968.

4 (C) Projects and activities under chapter 1
5 of subtitle B of title III of the Anti-Drug Abuse
6 Act of 1988 (42 U.S.C. 11801 et seq.).

7 (2) JOB TRAINING.—

8 (A) The Young Adult Employment Dem-
9 onstration program under part K of title IV of
10 the Job Training Partnership Act (as added by
11 section 231 of this Act).

12 (B) The Job Corps program under part B
13 of title IV of the Job Training Partnership Act
14 (29 U.S.C. 1691 et seq.).

15 (C) Title II of the Job Training Partner-
16 ship Act (29 U.S.C. 1601 et seq.).

17 (D) The American Conservation and Youth
18 Corps program under subtitle C of title I of the
19 National and Community Service Act of 1990
20 (42 U.S.C. 12541 et seq.).

21 (E) The Access to Jobs/Reverse Commut-
22 ing Demonstration Program established under
23 section 272.

24 (3) EDUCATION.—

1 (A) The programs under the Carl D. Per-
2 kins Vocational Educational and Applied Tech-
3 nology Education Act (20 U.S.C. 2301 et seq.).

4 (B) Projects under the Comprehensive
5 Child Development Act (42 U.S.C. 9881 et
6 seq.).

7 (C) Activities under the Child Care and
8 Development Block Grant Act (42 U.S.C. 9858
9 et seq.).

10 (D) The programs under chapter 1 of title
11 I of the Elementary and Secondary Education
12 Act of 1965.

13 (E) The TRIO programs under part A of
14 title IV of the Higher Education Act of 1965
15 (20 U.S.C. 1070 et seq.).

16 (F) The programs under the Adult Edu-
17 cation Act (20 U.S.C. 1201 et seq.).

18 (G) Literacy activities authorized under
19 the National Literacy Act of 1991.

20 (4) HEALTH, NUTRITION AND FAMILY ASSIST-
21 ANCE.—

22 (A) The special supplemental food program
23 for women, infants, and children under section
24 17 of the Child Nutrition Act of 1966.

1 (B) The following programs under the
2 Public Health Service Act (42 U.S.C. 201 et
3 seq.):

4 (i) Capacity expansion of substance
5 abuse treatment facilities.

6 (ii) Substance abuse treatment for in-
7 dividuals under criminal justice super-
8 vision.

9 (iii) Substance abuse treatment for
10 pregnant and postpartum women.

11 (iv) Community prevention grants re-
12 garding substance abuse.

13 (v) Substance abuse treatment im-
14 provement grants.

15 (C) The programs under title XXVI of the
16 Public Health Service Act (42 U.S.C. 300ff-21
17 et seq.).

18 (D) The family support programs under
19 subtitle F of title VII of the Stewart B. McKin-
20 ney Homeless Assistance Act (42 U.S.C. 1148
21 et seq.).

22 (E) Projects for high risk youth under sec-
23 tion 517 of the Public Health Service Act (42
24 U.S.C. 290bb-23).

1 (F) Emergency child protective service
2 grants under section 107 of the Child Abuse
3 Prevention and Treatment Act (42 U.S.C.
4 5106a).

5 (G) Family support centers and family re-
6 source and support programs under sections
7 933 and 934(d) of the Augustus F. Hawkins
8 Human Services Reauthorization Act of 1990
9 (Public Law 101-501).

10 (5) HOUSING AND COMMUNITY DEVELOP-
11 MENT.—

12 (A) The community development block
13 grant program under title I of the Housing and
14 Community Development Act of 1974 (42
15 U.S.C. 5301 et seq.).

16 (B) The public and Indian housing mod-
17 ernization program under section 14 of the
18 United States Housing Act of 1937 (42 U.S.C.
19 14371).

20 (C) The public and assisted housing drug
21 elimination program under chapter 2 of subtitle
22 C of title V of the Anti-Drug Abuse Act of
23 1988 (42 U.S.C. 11901 et seq.).

24 (D) Contracts for rental assistance at-
25 tached to structures pursuant to paragraph (2)

1 of section 8 of the United States Housing Act
2 of 1937 (42 U.S.C. 1437f).

3 (E) The HOME investment partnership
4 program under title II of the Cranston-Gon-
5 zalez National Affordable Housing Act (42
6 U.S.C. 12721 et seq.).

7 (F) The self-help housing technical assist-
8 ance grant program under section 523 of the
9 Housing Act of 1949 (42 U.S.C. 1490c).

10 (G) Rural housing preservation grants
11 under section 533 of the Housing Act of 1949
12 (42 U.S.C. 1490m).

13 (H) Rural rental housing loans under sec-
14 tion 515 of the Housing Act of 1949 (42
15 U.S.C. 1485).

16 (I) Rural rental housing assistance pay-
17 ments under section 521(a)(2) of the Housing
18 Act of 1949 (42 U.S.C. 1490a).

19 (J) Rural water and waste disposal grants
20 pursuant to paragraphs (2) and (6) of section
21 306(a) of the Consolidated Farm and Rural
22 Development Act (7 U.S.C. 1926(a)) and water
23 and waste facility loans and grants under sec-
24 tion 306C of such Act.

1 (K) Private business enterprise grants
2 under section 310B(c) of the Consolidated
3 Farm and Rural Development Act (7 U.S.C.
4 1926).

5 (L) Loan guarantees under section 108 of
6 the Housing and Community Development Act
7 (as amended by section 222 of this Act).

8 (M) Outreach and assistance for socially
9 disadvantaged farmers and ranchers under sec-
10 tion 2501 of the Food, Agriculture, and Trade
11 Act of 1990.

12 (N) Public Housing Family Investment
13 Centers under section 22 of the United States
14 Housing Act of 1937 (42 U.S.C. 1437t).

15 **SEC. 215. APPLICATION FOR FUNDING.**

16 (a) ESTABLISHMENT OF APPLICATION PROCESS.—
17 The interagency council shall establish, by regulation, a
18 procedure for a single comprehensive application to be
19 submitted to the council for each tax enterprise zone des-
20 ignated under section 1391 of the Internal Revenue Code
21 of 1986 for the purpose of making amounts available
22 under this subtitle on behalf of such tax enterprise zones.
23 The interagency council shall provide for the form and
24 manner of such applications, and shall require the applica-
25 tions to be made by the State, unit of local government,

1 or economic development agency chartered by the State
2 that submitted the nomination for designation of the area
3 designated as a tax enterprise zone and submitted prompt-
4 ly after such designation.

5 (b) LOCAL COORDINATION.—

6 (1) PURPOSES.—The interagency council shall
7 provide that each application under this section shall
8 be developed in coordination and consultation with a
9 local coordinating board under paragraph (2), which
10 shall ensure that the programs, projects, activities,
11 and services under section 214(1) carried out with
12 amounts provided under this subtitle are sufficiently
13 coordinated with the other programs, projects, ac-
14 tivities, and services assisted under this title, and
15 that all such programs, projects, activities, and serv-
16 ices are coordinated with law enforcement efforts
17 within the area nominated for designation as a tax
18 enterprise zone.

19 (2) MEMBERSHIP.—The local coordinating
20 board referred to in paragraph (1) shall include rep-
21 resentatives of units of local government within such
22 area, representatives of law enforcement agencies
23 having jurisdiction within such area, residents of the
24 area, community leaders, including local business
25 persons, bankers, architects and planners, represent-

1 atives of school boards, and representatives of non-
2 profit community-based organizations such as com-
3 munity development corporations and community ac-
4 tion agencies.

5 (c) CONTENTS.—Each application under the proce-
6 dure established under this section shall contain the fol-
7 lowing information:

8 (1) A list of the programs referred to under
9 section 214 for which funding is requested and a
10 general description of the types of activities to be
11 carried out with such assistance as well as a list of
12 activities to be carried out through programs receiv-
13 ing funding under section 201.

14 (2) A statement documenting the percentage of
15 the total amount of any funding received under this
16 subtitle that will be used for each selected program
17 and the total amount of funding that will be used
18 for activities to be carried out through programs re-
19 ceiving funding under section 201.

20 (3) A statement documenting the entities that
21 will receive any assistance provided for the selected
22 programs on behalf of the tax enterprise zone and
23 the entities' eligibility for such assistance.

24 (4) A statement documenting the membership
25 of the local coordinating board organized pursuant

1 to the requirement under subsection (b) and describ-
2 ing the coordination between the programs, projects,
3 activities, and services assisted under this title and
4 local law enforcement efforts in the tax enterprise
5 zone.

6 (5) A request for any waiver of the requirement
7 under section 213(b)(1) and a statement document-
8 ing the rationale for such waiver.

9 (6) A statement documenting any other Fed-
10 eral, State, and local resources for the community in
11 which the tax enterprise zone is located that will be
12 dedicated to the types of programs, projects, activi-
13 ties, and services to be assisted under this title.

14 (7) A statement documenting a strong commit-
15 ment by community-based organizations in the tax
16 enterprise zone for carrying out the selected pro-
17 grams and similar programs, projects, activities, and
18 services.

19 (8) A statement documenting any private sector
20 resources, including corporate contributions and in-
21 dividual commitments, to supplement assistance pro-
22 vided under this title.

23 (9) A statement documenting the efforts made
24 by the local jurisdiction containing the tax enterprise
25 zone to encourage local financial institutions to sat-

1 isfy their obligations under the Community Reinvest-
2 ment Act of 1977 (12 U.S.C. 2901 et seq.) by mak-
3 ing loans to enterprise zone businesses with empha-
4 sis on startup and other small business concerns (as
5 defined in section 3(a) of the Small Business Act
6 (15 U.S.C. 632(a)) and the commitments made by
7 local financial institutions in response to these ef-
8 forts.

9 (10) A statement demonstrating a balanced,
10 comprehensive plan for the tax enterprise zone, that
11 addresses removing violent offenders from the neigh-
12 borhood streets, supports drug and crime prevention,
13 improves health, education and other social services,
14 and promotes neighborhood revitalization through
15 strategies to create jobs and other economic oppor-
16 tunities which assist families to become self suffi-
17 cient. Such strategies shall include improvements in
18 infrastructure, public facilities, and affordable hous-
19 ing opportunities embodying good urban design and
20 neighborhood planning principles that contribute to
21 the creation of wholesome and attractive social, eco-
22 nomic, and physical environments.

23 (11) A statement demonstrating that any
24 amounts requested for selected programs are part of
25 an integrated and comprehensive plan for the use of

1 Federal, State, local, and private resources to ac-
2 complish specific goals and measurable outcomes for
3 neighborhood revitalization.

4 (d) REVIEW.—In reviewing each application submit-
5 ted under this section, each member of the council shall
6 review the portion of the application concerning any re-
7 quest or eligibility for assistance under any selected pro-
8 gram under the jurisdiction of such member to determine
9 whether providing assistance under this subtitle pursuant
10 to such application will comply with the laws and regula-
11 tions applicable to such program.

12 (e) APPROVAL AND DISAPPROVAL.—

13 (1) TIMING.—The council shall review each ap-
14 plication promptly upon receipt and shall approve or
15 disapprove the application not later than the expira-
16 tion of the 30-day period beginning upon such re-
17 ceipt.

18 (2) STANDARDS FOR APPROVAL.—The council
19 shall approve an application if the council deter-
20 mines that the assistance requested for the selected
21 programs under the application will assist in the eco-
22 nomic development of the tax enterprise zone, that
23 the eligible entities identified in the application are
24 capable and qualified to receive and administer the
25 assistance pursuant to the application, and that the

1 information, documentation, or evidence required
2 under subsection (c) is sufficient in the determina-
3 tion of the council.

4 (3) DISAPPROVAL AND RESUBMISSION.—If,
5 pursuant to review under this section, the council
6 determines that the application of a tax enterprise
7 zone is incomplete or unsatisfactory, the council
8 shall, before the expiration of the period referred to
9 in paragraph (1)—

10 (A) notify the entity submitting the appli-
11 cation of the reasons for the failure to approve
12 the application;

13 (B) notify the entity submitting the appli-
14 cation that the application may be resubmitted
15 during the period referred to in subparagraph
16 (C); and

17 (C) permit such entity to resubmit a cor-
18 rected or amended application during the 30-
19 day period beginning on notification under this
20 paragraph.

21 (4) REVIEW OF RESUBMITTED APPLICATION.—
22 The council shall review and approve or disapprove
23 any application resubmitted under paragraph (3) be-
24 fore the expiration of the 15-day period beginning
25 upon such resubmission. Any application resubmit-

1 ted under paragraph (3) that is disapproved may be
2 resubmitted before the expiration of the 15-day pe-
3 riod beginning upon such disapproval and shall be
4 subject to review under the provisions of this para-
5 graph.

6 (f) PUBLIC COMMENT.—An applicant under this sec-
7 tion, in conjunction with the relevant local coordinating
8 board, shall ensure that there are adequate opportunities
9 for public comment concerning the application submitted
10 under this section, including—

11 (1) furnishing citizens with information con-
12 cerning the amount of funds available pursuant to
13 this subtitle and the range of activities that may be
14 undertaken with such funds;

15 (2) holding one or more public hearings to ob-
16 tain the views of citizens on community needs; and

17 (3) providing citizens with reasonable access to
18 any application filed pursuant to this section and to
19 records regarding the use of funds received pursuant
20 to this subtitle.

21 **SEC. 216. INTERAGENCY COUNCIL.**

22 (a) ESTABLISHMENT.—There is hereby established
23 an interagency council to provide assistance under this
24 subtitle.

1 (b) MEMBERSHIP.—The members of the council shall
2 be the Secretary of Agriculture, the Secretary of Edu-
3 cation, the Secretary of Health and Human Services, the
4 Secretary of Housing and Urban Development, the Sec-
5 retary of Labor, the Director of the Office of National
6 Drug Control Policy, the Attorney General of the United
7 States and the Chairperson of the Commission on Na-
8 tional and Community Service.

9 (c) DUTIES.—The council shall—

10 (1) review and approve applications submitted
11 under section 215;

12 (2) direct the appropriate Federal agency head
13 to provide assistance under the selected programs
14 under approved applications using amounts available
15 pursuant to this subtitle; and

16 (3) carry out any other responsibilities of the
17 council as provided under this subtitle.

18 **SEC. 217. DEFINITIONS.**

19 For purposes of this subtitle:

20 (1) The term “appropriate Federal agency
21 head” means, with respect to each program referred
22 to in section 214, the head of the Federal agency or
23 other Federal official responsible for administering
24 such program.

1 (2) The term “approved application” means an
2 application under section 215 for assistance provided
3 under this subtitle that is approved by the inter-
4 agency council and which meets the public comment
5 requirements under section 215(f).

6 (3) The term “eligible entity” means, with re-
7 spect to a selected program under an application
8 under section 215, an entity in the tax enterprise
9 zone that is eligible to receive and administer
10 amounts under the program and is designated under
11 the application to receive and administer amounts
12 provided for the program pursuant to this subtitle.

13 (4) The terms “interagency council” and “coun-
14 cil” mean the interagency council established under
15 section 216.

16 (5) The term “selected program” means, with
17 respect to a tax enterprise zone, any of the programs
18 identified in an application under section 215 for
19 which funding under this subtitle is requested.

20 (6) The term “tax enterprise zone” means an
21 urban tax enterprise zone, a rural development in-
22 vestment zone designated under section 1391 of the
23 Internal Revenue Code of 1986.

1 **SEC. 218. STUDY AND REPORT.**

2 (a) GENERAL STUDY.—The council shall conduct a
3 study to identify—

4 (1) any alternative methods or systems for allo-
5 cation of amounts made available pursuant to this
6 subtitle among tax enterprise zones; and

7 (2) any problems experienced in the implemen-
8 tation and administration of the provisions of this
9 subtitle, including identification of any provisions of
10 law or regulations relating to the programs referred
11 to in section 214 for which a waiver would facilitate
12 carrying out the purposes of this subtitle.

13 (b) REPORT.—Not later than the expiration of the
14 1-year period beginning on the date of the enactment of
15 this Act, the council shall submit to the Congress a report
16 regarding the study conducted under subsection (a), which
17 shall include any recommendations for improving the pro-
18 gram for assistance under this subtitle.

19 **SEC. 219. REGULATIONS.**

20 The council shall issue any regulations necessary to
21 carry out this subtitle not later than the expiration of the
22 60-day period beginning on the date of the enactment of
23 this Act.

Subtitle C—Other Programs

CHAPTER 1—COMMUNITY DEVELOPMENT

BLOCK GRANT PROGRAM

SEC. 221. WAIVER OF PUBLIC SERVICES CAP UNDER COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.

Section 105(a)(8) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)) is amended—

(1) by inserting “(A)” before “unless such unit”; and

(2) by inserting before the semicolon at the end the following: “, or (B) unless unit of general local government is located within or contains a tax enterprise zone (as designated under section 1391 of the Internal Revenue Code of 1986), in which case such unit of general local government may use, in addition to such 15 percent of the amount of any assistance provided to the unit (or in the case of nonentitled communities, 15 percent statewide) under this title, including program income, an additional 15 percent of such amount of assistance for activities under this paragraph within such enterprise zone”.

1 **SEC. 222. EMERGENCY COMMUNITY DEVELOPMENT LOAN**
 2 **GUARANTEE AUTHORITY.**

3 Section 108 of the Housing and Community Develop-
 4 ment Act of 1974 is amended by adding at the end thereof
 5 the following new subsection:

6 “(q) In addition to amounts provided under sub-
 7 section (a), the Secretary may enter into commitments
 8 during each of the fiscal years 1993 through 1997 to guar-
 9 antee notes and obligations with an aggregate principal
 10 amount in each fiscal year of \$2,000,000,000. The guar-
 11 antee authority under this subsection shall be effective
 12 only to the extent approved or provided for in appropria-
 13 tions Acts, subject only to the absence of qualified appli-
 14 cants or proposed activities and the provisions of this Act,
 15 except that the provisions of subsection (k) shall not apply
 16 with respect to any guarantees and commitments to guar-
 17 antee pursuant to authority provided under this sub-
 18 section.”.

19 **CHAPTER 2—YOUNG ADULT EMPLOY-**
 20 **MENT DEMONSTRATION PROGRAM**

21 **SEC. 231. ESTABLISHMENT OF YOUNG ADULT EMPLOY-**
 22 **MENT DEMONSTRATION PROGRAM.**

23 (a) IN GENERAL.—Title IV of the Job Training Part-
 24 nership Act (29 U.S.C. 1671 et seq.) is amended by add-
 25 ing at the end the following new part:

1 **“PART K—YOUNG ADULT EMPLOYMENT**

2 **DEMONSTRATION PROGRAM**

3 **“SEC. 499I. STATEMENT OF PURPOSE.**

4 “It is the purpose of the Young Adult Employment
5 Demonstration program under this part to—

6 “(1) ensure access to education and job train-
7 ing assistance for youth and young adults residing
8 in tax enterprise zones;

9 “(2) make provisions for a comprehensive range
10 of education, training, and employment services to
11 disadvantaged youth and young adults in tax enter-
12 prise zones who are not currently served or are un-
13 derserved by Federal education and job training pro-
14 grams;

15 “(3) enable communities located in or contain-
16 ing tax enterprise zones to establish and meet goals
17 for improving the opportunities available to youth
18 and young adults within the tax enterprise zone; and

19 “(4) facilitate the coordination of comprehen-
20 sive services to serve such youth and young adults.

21 **“SEC. 499J. PROGRAM AUTHORIZED.**

22 “(a) ESTABLISHMENT OF PROGRAM.—The Secretary
23 is authorized to establish a program of Young Adult Em-
24 ployment Demonstration grants to provide comprehensive
25 services to youth and young adults living in tax enterprise
26 zones.

1 “(b) ELIGIBILITY FOR GRANTS.—

2 “(1) RECIPIENTS.—The Secretary may only
3 award grants under this part to—

4 “(A) the participating community for a
5 target area that is located within a service de-
6 livery area; or

7 “(B) grantees designated under sections
8 401 and 402, or a consortium of such grantees
9 and the State, when the target area is located
10 in an Indian reservation, Alaskan Native vil-
11 lage, or migrant or seasonal farmworker
12 community.

13 “(2) NUMBER OF GRANTS.—The Secretary may
14 award not more than 25 grants during the first fis-
15 cal year the program is authorized.

16 “(c) RENEWABILITY OF GRANTS.—Grants awarded
17 under this part shall be for a 1-year period and shall be
18 renewable for each of the 2 succeeding fiscal years if the
19 Secretary determines the grant recipient complied with
20 conditions of the grant during the previous fiscal year.

21 “(d) FACTORS FOR AWARDS.—In awarding grants
22 under this part, the Secretary shall consider the quality
23 of the proposed project, the goals to be achieved, the likeli-
24 hood of the project’s successful implementation, the extent
25 of community support and other Federal and non-Federal

1 funds available for similar purposes, and the new State,
2 local, or private resources.

3 “(e) SELECTION REQUIREMENTS.—In awarding
4 grants under subsection (b), the Secretary shall not ap-
5 prove an application unless the application contains assur-
6 ances that the applicant will use funds from a grant to
7 provide job training, education, services, stipends (only to
8 individuals age 17 to 30), and needs-related payments in
9 accordance with sections 499K and 499L.

10 **“SEC. 499K. APPLICATION.**

11 “(a) ELIGIBILITY TO APPLY.—Participating commu-
12 nities shall be eligible to apply for a Young Adult Employ-
13 ment Demonstration grant under this part.

14 “(b) CONTENTS OF APPLICATION.—Each participat-
15 ing community desiring a grant under this part shall,
16 through the individuals described in subsection (c), submit
17 an application to the Secretary at such time in such man-
18 ner and accompanied by such information as the Secretary
19 may reasonably require. Each such application shall—

20 “(1) include a comprehensive plan for the
21 Young Adult Employment Demonstration initiative
22 designed to achieve identifiable goals for youth and
23 young adults in the target area;

1 “(2) set forth measurable program goals and
2 outcomes, which may include increasing the propor-
3 tion of—

4 “(A) youth completing high school or its
5 equivalent;

6 “(B) youth and young adults entering into
7 postsecondary institutions, apprenticeships, or
8 other advanced training programs;

9 “(C) youth and young adults placed in
10 jobs; or

11 “(D) eligible youth and young adults par-
12 ticipating in education, training, and employ-
13 ment services;

14 “(3) include supporting goals for the target
15 area such as increasing security and safety, or re-
16 ducing the number of drug-related arrests;

17 “(4) provide assurances that the conditions set
18 forth in section 499L will be met;

19 “(5) demonstrate how the participating commu-
20 nity will make use of the resources, expertise, and
21 commitment of institutions of higher education, edu-
22 cational agencies, and vocational and technical
23 schools and institutes;

24 “(6) attempt to ensure that all youth and
25 young adults in the target areas have access to a co-

1 ordinated and comprehensive range of education and
2 training opportunities which serve the broadest
3 range of interests and needs of youth and young
4 adults and simultaneously mobilize the diverse range
5 of education and training providers in the participat-
6 ing community;

7 “(7) include support services necessary for suc-
8 cessful participation by eligible youth and young
9 adults, including child care, transportation, and as-
10 sistance in resolving personal or family crises such
11 as those related to substance abuse, homelessness,
12 migration, and family violence;

13 “(8) include a system of common intake, indi-
14 vidualized assessment, and case management;

15 “(9) include an estimate of the expected num-
16 ber of youth and young adults in the target area to
17 be served;

18 “(10) include a description of the resources
19 available in the participating community from pri-
20 vate, local government, State and Federal sources
21 which will be used to achieve the goals of the pro-
22 gram;

23 “(11) provide evidence of support for accom-
24 plishing the stated goals of the participating commu-
25 nity from—

1 “(A) local elected officials,

2 “(B) the local school system,

3 “(C) postsecondary education and training
4 institutions,

5 “(D) the applicable private industry coun-
6 cil,

7 “(E) local community leaders,

8 “(F) business,

9 “(G) labor organizations, and

10 “(H) other appropriate organizations; and

11 “(12) provide assurances that the target area
12 includes, to the maximum extent possible, the poor-
13 est neighborhoods in the community, such as those
14 with substantial numbers of public housing facilities.

15 “(c) SUBMISSION OF APPLICATION.—The application
16 for funds for a participating community may only be sub-
17 mitted to the Secretary by—

18 “(1) the mayor of a city or the chief elected of-
19 ficial in a metropolitan statistical area, after the
20 Governor of the State has had an opportunity to
21 comment on the application;

22 “(2) the chief elected official of a
23 nonmetropolitan county or the designated chief elect-
24 ed official of contiguous nonmetropolitan counties,

1 after the Governor of the State has had an oppor-
2 tunity to comment on the application; or

3 “(3) the grantee designated under sections 401
4 or 402, or jointly by the grantee and the Governor
5 of the State in which such grantee is located, in ap-
6 plications for Native American or migrant or sea-
7 sonal worker communities.

8 **“SEC. 499L. GRANT AGREEMENT.**

9 “Each grant recipient under this part shall enter into
10 an agreement with the Secretary. Each such agreement
11 shall describe how—

12 “(1) the recipient will designate a target area
13 that will be the focus of the demonstration project
14 and which shall have a population of not more than
15 25,000 (or upon approval of the Secretary, a popu-
16 lation of not more than 75,000), except that in the
17 event that the population of an area from which a
18 high school draws a substantial portion of its
19 enrollment exceeds this limit, the target area may
20 encompass such boundary;

21 “(2) funds provided under this part will be used
22 to support education, training, and supportive activi-
23 ties selected from a set of youth program models
24 designated by the Secretary or from alternative mod-

1 els described in the application and approved by the
2 Secretary, such as—

3 “(A) nonresidential learning centers;

4 “(B) alternative schools;

5 “(C) combined summer remediation, work
6 experience and work readiness training, and
7 school-to-work/apprenticeship/post-secondary
8 education program;

9 “(D) teen parent programs;

10 “(E) special programs administered by
11 community colleges;

12 “(F) youth centers;

13 “(G) initiatives aimed at increased rural
14 student enrollment in post-secondary institu-
15 tions;

16 “(H) public-private collaborations to en-
17 sure private sector employment and continued
18 learning opportunities for youth; and

19 “(I) initiatives that combine community
20 and youth service opportunities with education
21 and training activities;

22 “(3) funds received under this section will be
23 used for services to youth and young adults age 14
24 to 30 at the time of enrollment;

1 “(4) the local educational agency and any other
2 educational agency which operates secondary schools
3 in the target area provide activities and resources to
4 promote the educational goals specified in the appli-
5 cation;

6 “(5) the participating community will provide
7 activities and local resources to promote the goals
8 specified in the application;

9 “(6) the participating community shall under-
10 take outreach and recruitment efforts in the target
11 area to encourage, to the maximum extent possible,
12 participation by those disadvantaged youth and
13 young adults who are currently unserved or under-
14 served by education and training programs, includ-
15 ing targeted measures specifically designed to enlist
16 the participation of minority youth and young
17 adults, particularly those under the jurisdiction of
18 the child welfare, juvenile justice, and criminal jus-
19 tice systems;

20 “(7) the participating community will carry out
21 special efforts to establish coordination with Federal,
22 State, or local programs that serve the target popu-
23 lation; and

24 “(8) funds provided under this part shall be
25 used to pay stipends for participant support in paid

1 work experience and classroom training programs
2 when such programs are combined with other edu-
3 cation and training activities.

4 **“SEC. 499M. JOB GUARANTEES.**

5 “(a) PROGRAM AUTHORITY.—The Secretary shall
6 permit a number of the grant recipients under this part
7 to enter into an agreement to provide, in accordance with
8 this section, a job guarantee program to youth meeting
9 prior school attendance and performance standards.

10 “(b) GUARANTEE AGREEMENTS.—A grant recipient
11 providing a job guarantee program shall enter into an
12 agreement with the Secretary. Such agreement shall—

13 “(1) provide that the program be available to
14 youth aged 16 to 19 who undertake a commitment
15 to continue and complete their high school edu-
16 cation;

17 “(2) require the grant recipient to guarantee
18 employment to each youth undertaking that commit-
19 ment if such youth meets school attendance and per-
20 formance standards for the previous school semester,
21 as established by the Secretary in consultation with
22 the Secretary of Education;

23 “(3) provide that the grant recipient will make
24 additional services available to support the undertak-
25 ing of any such youth, which shall include counsel-

1 ing, job development and placement, and support
2 services (including child care and transportation);

3 “(4) specify the conditions under which funds
4 provided under this part may be used to provide
5 wage subsidies of up to 50 percent through employ-
6 ers, which shall—

7 “(A) encourage subsidies to employers who
8 provide advanced or specialized training, or who
9 provide a structured and integrated learning ex-
10 perience involving the school and employer; and

11 “(B) limit the duration of such subsidies to
12 not more than 1 year;

13 “(5) require that the employment provided to
14 any such youth shall not exceed 15 hours per week
15 during the school year;

16 “(6) permit employment to continue through
17 the summer following high school graduation, or
18 until the youth reaches age 19, whichever is later;
19 and

20 “(7) contain such other terms and conditions as
21 the Secretary requires by regulation.

22 “(c) SELECTION OF GRANT RECIPIENTS.—In deter-
23 mining which grant recipients to permit to enter into an
24 agreement under this section, the Secretary shall seek to
25 target funds to high poverty areas.

1 “(d) YOUTH ELIGIBILITY.—All youth age 16 to 19,
2 regardless of income, residing in the eligible high poverty
3 area shall be eligible to participate in the job guarantee.

4 “(e) PRIVATE FUNDS.—Nothing in this section shall
5 be construed to prohibit the grant recipient from raising
6 funds to augment such grant if such funds are utilized
7 under the conditions of this grant, except that such funds
8 shall not be used for administration purposes.

9 **“SEC. 499N. PAYMENTS AND MATCHING REQUIREMENT.**

10 “(a) PAYMENTS.—In any fiscal year, the grant
11 awarded under this part to a grant recipient shall be de-
12 termined according to the amount to be provided for the
13 program pursuant to designation of the program as a se-
14 lected program under an application made on behalf of
15 a tax enterprise zone under section 105 of the Revenue
16 Act of 1992, and shall be of sufficient size and scope to
17 carry out an effective program.

18 “(b) MATCHING REQUIREMENT.—A grant recipient
19 shall provide non-Federal funds in an amount equal to 10
20 percent of the funds from such grant, an in-kind contribu-
21 tion equivalent to such percent (as determined by the Sec-
22 retary), or a combination thereof.

1 **“SEC. 4990. REPORTING.**

2 “The Secretary is authorized to establish such report-
3 ing procedures as necessary to carry out the purposes of
4 this part.

5 **“SEC. 499P. FEDERAL RESPONSIBILITIES.**

6 “(a) ASSISTANCE IN IMPLEMENTATION.—The Sec-
7 retary shall provide technical assistance in the implemen-
8 tation of this project in participating communities.

9 “(b) INDEPENDENT EVALUATION.—The Secretary
10 shall provide for a thorough, independent evaluation of the
11 activities assisted under this part. Such evaluation shall
12 include an assessment of—

13 “(1) the impact on youth and young adults re-
14 siding in target areas, including their rates of school
15 completion, enrollment in advanced education or
16 training, and employment;

17 “(2) the extent to which participating commu-
18 nities fulfilled the goal of guaranteeing access to ap-
19 propriate education, training, and supportive serv-
20 ices to all eligible youth and young adults residing
21 in target areas who seek to participate;

22 “(3) the effectiveness of guaranteed access to
23 comprehensive services combined with outreach and
24 recruitment efforts in enlisting the participation of
25 previously unserved or underserved youth and young
26 adults residing in target areas; and

1 “(4) the effectiveness of efforts to integrate
2 service delivery in target areas, including systems of
3 common intake, assessment, and case management.

4 “(c) REPORT.—The Secretary shall prepare a report
5 describing the results of the independent evaluation con-
6 ducted pursuant to subsection (b).

7 “(d) RESERVATION OF FUNDS.—The Secretary may
8 reserve not more than 5 percent of the amounts to be used
9 for assistance under this part in each fiscal year to carry
10 out the provisions of this section.

11 **“SEC. 499Q. DEFINITIONS.**

12 “For the purposes of this part—

13 “(1) The term ‘participating community’
14 means—

15 “(A) a city, when referring to an urban
16 area that is located within or contains a tax en-
17 terprise zone;

18 “(B) a nonmetropolitan county, or contig-
19 uous nonmetropolitan counties, that is located
20 within or contains a tax enterprise zone; and

21 “(C) a section 401 or 402 grantee, or con-
22 sortia of the State and section 401 or 402
23 grantee, when referring to Indian reservation,
24 Alaska Native village, and migrant or seasonal

1 farmworker community, that are located within
2 or contain a tax enterprise zone.

3 “(2) The term ‘high poverty area’ means (A) an
4 urban census tract, a nonmetropolitan county, an
5 Indian reservation, or an Alaskan Native village,
6 with a poverty rate of 30 percent or more as deter-
7 mined by the Secretary based on the latest Bureau
8 of the Census estimates, or (B) a migrant or sea-
9 sonal farmworker community.

10 “(3) The term ‘target area’ means a high pov-
11 erty area (or portion thereof), or set of contiguous
12 high poverty areas, that is located within a tax en-
13 terprise zone and will be the focus of the program
14 under this part in a participating community.

15 “(4) The term ‘tax enterprise zone’ has the
16 meaning given the term in section 107 of the Reve-
17 nue Act of 1992.”.

18 (b) TECHNICAL AMENDMENTS.—The Job Training
19 Reform Amendments of 1992 (Public Law 102–367) is
20 amended—

21 (1) in section 406, by striking “adding at the
22 end” and inserting “inserting after part G”;

23 (2) in section 407, by striking “adding at the
24 end” and inserting “inserting after part H”; and

1 (3) in section 408, by striking “adding at the
2 end” and inserting “inserting after part I”.

3 **CHAPTER 3—NATIONAL COMMUNITY**

4 **ECONOMIC PARTNERSHIP**

5 **SEC. 241. SHORT TITLE; FINDINGS AND PURPOSE.**

6 (a) SHORT TITLE.—This chapter may be cited as the
7 “National Community Economic Partnership Act of
8 1992”.

9 (b) FINDINGS.—Congress finds that—

10 (1) the cities, towns, small communities and
11 rural areas throughout the United States face criti-
12 cal social and economic problems arising in part
13 from a lack of economic growth in community based
14 economies;

15 (2) the crisis facing local economies has re-
16 sulted in—

17 (A) a growing percentage of the workforce
18 earning poverty level wages, even though they
19 work full time and year round;

20 (B) the percentage of the labor force living
21 below the poverty line increasing from 25.7 per-
22 cent in 1979 to 31.5 percent in 1987;

23 (C) population losses, rising unemployment
24 and a decline of the farm sector and of many
25 other rural industries (such as timber, oil, gas,

1 and mining) contribute to the decline of rural
2 economies;

3 (D) with respect to rural areas, 31.9 per-
4 cent of the workforce falling below the poverty
5 line in 1979, with that percentage rising to
6 42.1 percent in 1987;

7 (E) with respect to urban areas, 23.4 per-
8 cent of the workforce falling below the poverty
9 line in 1979, with that percentage rising to
10 28.9 percent in 1987; and

11 (F) the average wage and salary income of
12 the 90 percent of the population with the lowest
13 incomes, between 1977 and 1988, falling 3.5
14 percent in contrast to the richest 1 percent of
15 the population whose incomes more than dou-
16 bled in that time period.

17 (3) the future well-being of the United States
18 and the well-being of its citizens depends on the es-
19 tablishment and maintenance of viable community
20 development enterprises;

21 (4) meeting the goal of establishing and main-
22 taining viable community development enterprises
23 requires—

24 (A) increased public and private invest-
25 ment in business development activities, espe-

1 cially in the small business sector which gen-
2 erates the majority of new jobs as evidenced by
3 the fact that between 1980 and 1986, enter-
4 prises with less than 100 employees accounted
5 for more than 50 percent of the jobs created in
6 the United States;

7 (B) increased investment and technical as-
8 sistance to existing community based enter-
9 prises as evidenced by the fact that during the
10 first half of the 1980's, more than 75 percent
11 of the total net new jobs in the United States
12 came from the expansion of existing businesses;

13 (C) a substantial expansion and greater
14 continuity in the scope of Federal programs
15 that support community based economic devel-
16 opment strategies;

17 (D) the continuing efforts at Federal,
18 State and local levels to coordinate the plan-
19 ning, implementation and evaluation of commu-
20 nity economic development efforts; and

21 (E) the formation of a national commis-
22 sion, as an independent agency, to administer
23 the various community development programs
24 and serve as a focal point for Federal efforts to

1 promote community based economic develop-
2 ment; and

3 (5) community development corporations, due
4 to their proven capacity and achievements in both
5 the field of community based housing and economic
6 development, are appropriate vehicles through which
7 to advance a national community economic develop-
8 ment program because—

9 (A) there are currently over 2000 commu-
10 nity development corporations throughout the
11 United States, operating projects that promote
12 community based housing and economic devel-
13 opment;

14 (B) community development corporations
15 operate in every State and in virtually every
16 major city in the United States, and account
17 for many of the existing efforts undertaken to
18 meet the needs of low income persons in both
19 urban and rural communities;

20 (C) community development corporations
21 have developed some 300,000 units of housing,
22 with over 90 percent of these units for use by
23 low income occupants;

24 (D) community development corporations
25 have developed over 19,000,000 square feet of

1 retail space, offices, industrial parks and other
2 industrial developments in economically dis-
3 tressed communities;

4 (E) community development corporations
5 have made loans to over 3000 enterprises, eq-
6 uity investments in 242 ventures and own and
7 operate 427 businesses; and

8 (F) community development corporations
9 commercial, industrial and business enterprise
10 development activities have accounted for the
11 creation and retention of nearly 90,000 jobs in
12 the last five years.

13 (c) PURPOSE.—It is the purpose of this chapter to
14 stimulate enterprise development in economically dis-
15 tressed urban and rural areas through public and private
16 partnerships facilitated by community development cor-
17 porations.

18 **PART I—COMMUNITY ECONOMIC**
19 **PARTNERSHIP INVESTMENT FUNDS**

20 **SEC. 245. PURPOSE.**

21 It is the purpose of this part to increase private in-
22 vestment in distressed local communities and to build and
23 expand the capacity of local institutions to better serve
24 the economic needs of local residents through the provision

1 of financial and technical assistance to community devel-
2 opment corporations.

3 **SEC. 246. PROVISION OF ASSISTANCE.**

4 (a) **AUTHORITY.**—The Secretary of Health and
5 Human Services (hereafter referred to in this chapter as
6 the “Secretary”) is authorized, in accordance with this
7 part, to provide nonrefundable lines of credit to commu-
8 nity development corporations for the establishment,
9 maintenance or expansion of revolving loan funds to be
10 utilized to finance projects intended to provide business
11 and employment opportunities for low-income, unem-
12 ployed, or underemployed individuals and to improve the
13 quality of life in urban and rural areas.

14 (b) **REVOLVING LOAN FUNDS.**—

15 (1) **COMPETITIVE ASSESSMENT OF APPLICA-**
16 **TIONS.**—In providing assistance under subsection
17 (a), the Secretary shall establish and implement a
18 competitive process for the solicitation and consider-
19 ation of applications from eligible entities for lines of
20 credit for the capitalization of revolving funds.

21 (2) **ELIGIBLE ENTITIES.**—To be eligible to re-
22 ceive a line of credit under this part an applicant
23 shall—

24 (A) be a community development corpora-
25 tion;

1 (B) prepare and submit an application to
2 the Secretary that shall include a strategic in-
3 vestment plan that identifies and describes the
4 economic characteristics of the target area to be
5 served, the types of business to be assisted and
6 the impact of such assistance on low-income,
7 underemployed, and unemployed individuals in
8 the target area;

9 (C) demonstrate previous experience in the
10 development of low-income housing or commu-
11 nity or business development projects in a low-
12 income community and provide a record of
13 achievement with respect to such projects; and

14 (D) have secured one or more commit-
15 ments from local sources for contributions (ei-
16 ther in cash or in kind, letters of credit or let-
17 ters of commitment) in an amount that is at
18 least equal to the amount requested in the ap-
19 plication submitted under subparagraph (B).

20 (3) EXCEPTION.—Notwithstanding the provi-
21 sions of paragraph (2)(D), the Secretary may reduce
22 local contributions to not less than 25 percent of the
23 amount of the line of credit requested by the com-
24 munity development corporation if the Secretary de-

1 termines such to be appropriate in accordance with
2 section 250.

3 **SEC. 247. APPROVAL OF APPLICATIONS.**

4 (a) IN GENERAL.—In evaluating applications submit-
5 ted under section 246(b)(2)(B), the Secretary shall ensure
6 that—

7 (1) the residents of the target area to be served
8 (as identified under the strategic development plan)
9 would have an income that is less than the median
10 income for the area (as determined by the Sec-
11 retary);

12 (2) the applicant community development cor-
13 poration possesses the technical and managerial ca-
14 pability necessary to administer a revolving loan
15 fund and has past experience in the development
16 and management of housing, community and eco-
17 nomic development programs;

18 (3) the applicant community development cor-
19 poration has provided sufficient evidence of the ex-
20 istence of good working relationships with—

21 (A) local businesses and financial institu-
22 tions, as well as with the community the cor-
23 poration proposes to serve; and

24 (B) local and regional job training pro-
25 grams;

1 (4) the applicant community development cor-
2 poration will target job opportunities that arise from
3 revolving loan fund investments under this part so
4 that 75 percent of the jobs retained or created under
5 such investments are provided to—

6 (A) individuals with—

7 (i) incomes that do not exceed the
8 Federal poverty line; or

9 (ii) incomes that do not exceed 80
10 percent of the median income of the area;

11 (B) individuals who are unemployed or un-
12 deremployed;

13 (C) individuals who are participating or
14 have participated in job training programs au-
15 thorized under the Job Training Partnership
16 Act (29 U.S.C. 1501 et seq.) or the Family
17 Support Act of 1988 (Public Law 100–485);

18 (D) individuals whose jobs may be retained
19 as a result of the provision of financing avail-
20 able under this part; or

21 (E) individuals who have historically been
22 underrepresented in the local economy; and

23 (5) a representative cross section of applicants
24 are approved, including large and small community
25 development corporations, urban and rural commu-

1 nity development corporations and community devel-
2 opment corporations representing diverse popu-
3 lations.

4 (b) PRIORITY.—In determining which application to
5 approve under this part the Secretary shall give priority
6 to those applicants proposing to serve a target area—

7 (1) with a median income that does not exceed
8 80 percent of the median for the area (as deter-
9 mined by the Secretary); and

10 (2) with a high rate of unemployment, as deter-
11 mined by the Secretary or in which the population
12 loss is at least 7 percent from April 1, 1980, to
13 April 1, 1990, as reported by the Bureau of the
14 Census.

15 **SEC. 248. AVAILABILITY OF LINES OF CREDIT AND USE.**

16 (a) APPROVAL OF APPLICATION.—The Secretary
17 shall provide a community development corporation that
18 has an application approved under section 247 with a line
19 of credit in an amount determined appropriate by the Sec-
20 retary, subject to the limitations contained in subsection
21 (b).

22 (b) LIMITATIONS ON AVAILABILITY OF AMOUNTS.—

23 (1) MAXIMUM AMOUNT.—The Secretary shall
24 not provide in excess of \$2,000,000 in lines of credit
25 under this part to a single applicant.

1 (2) PERIOD OF AVAILABILITY.—A line of credit
2 provided under this part shall remain available over
3 a period of time established by the Secretary, but in
4 no event shall any such period of time be in excess
5 of 3 years from the date on which such line of credit
6 is made available.

7 (3) EXCEPTION.—Notwithstanding paragraphs
8 (1) and (2), if a recipient of a line of credit under
9 this part has made full and productive use of such
10 line of credit, can demonstrate the need and demand
11 for additional assistance, and can meet the require-
12 ments of section 246(b)(2), the amount of such line
13 of credit may be increased by not more than
14 \$1,500,000.

15 (c) AMOUNTS DRAWN FROM LINE OF CREDIT.—
16 Amounts drawn from each line of credit under this part
17 shall be used solely for the purposes described in section
18 245 and shall only be drawn down as needed to provide
19 loans, investments, or to defray administrative costs relat-
20 ed to the establishment of a revolving loan fund.

21 (d) USE OF REVOLVING LOAN FUNDS.—Revolving
22 loan funds established with lines of credit provided under
23 this part may be used to provide technical assistance to
24 private business enterprises and to provide financial as-
25 sistance in the form of loans, loan guarantees, interest re-

1 duction assistance, equity shares, and other such forms
2 of assistance to business enterprises in target areas and
3 who are in compliance with section 247(a)(4).

4 **SEC. 249. LIMITATIONS ON USE OF FUNDS.**

5 (a) MATCHING REQUIREMENT.—Not to exceed 50
6 percent of the total amount to be invested by an entity
7 under this part may be derived from funds made available
8 from a line of credit under this part.

9 (b) TECHNICAL ASSISTANCE AND ADMINISTRA-
10 TION.—Not to exceed 10 percent of the amounts available
11 from a line of credit under this part shall be used for the
12 provision of training or technical assistance and for the
13 planning, development, and management of economic de-
14 velopment projects. Community development corporations
15 shall be encouraged by the Secretary to seek technical as-
16 sistance from other community development corporations,
17 with expertise in the planning, development and manage-
18 ment of economic development projects. The Secretary
19 shall assist in the identification and facilitation of such
20 technical assistance.

21 (c) LOCAL AND PRIVATE SECTOR CONTRIBUTIONS.—
22 To receive funds available under a line of credit provided
23 under this part, an entity, using procedures established
24 by the Secretary, shall demonstrate to the community de-
25 velopment corporation that such entity agrees to provide

1 local and private sector contributions in accordance with
2 section 246(b)(2)(D), will participate with such commu-
3 nity development corporation in a loan, guarantee or in-
4 vestment program for a designated business enterprise,
5 and that the total financial commitment to be provided
6 by such entity is at least equal to the amount to be drawn
7 from the line of credit.

8 (d) USE OF PROCEEDS FROM INVESTMENTS.—Pro-
9 ceeds derived from investments made using funds made
10 available under this part may be used only for the pur-
11 poses described in section 245 and shall be reinvested in
12 the community in which they were generated.

13 **SEC. 250. PROGRAM PRIORITY FOR SPECIAL EMPHASIS**
14 **PROGRAMS.**

15 (a) IN GENERAL.—The Secretary shall give priority
16 in providing lines of credit under this part to community
17 development corporations that propose to undertake eco-
18 nomic development activities in distressed communities
19 that target women, Native Americans, at risk youth, farm-
20 workers, population-losing communities, very low-income
21 communities, single mothers, veterans, and refugees; or
22 that expand employee ownership of private enterprises and
23 small businesses, and to programs providing loans of not
24 more than \$35,000 to very small business enterprises.

1 (b) RESERVATION OF FUNDS.—Not less than 5 per-
2 cent of the amounts made available under section
3 267(a)(2)(A) may be reserved to carry out the activities
4 described in subsection (a).

5 **PART II—EMERGING COMMUNITY**
6 **DEVELOPMENT CORPORATIONS**

7 **SEC. 255. COMMUNITY DEVELOPMENT CORPORATION IM-**
8 **PROVEMENT GRANTS.**

9 (a) PURPOSE.—It is the purpose of this section to
10 provide assistance to community development corporations
11 to upgrade the management and operating capacity of
12 such corporations and to enhance the resources available
13 to enable such corporations to increase their community
14 economic development activities.

15 (b) SKILL ENHANCEMENT GRANTS.—

16 (1) IN GENERAL.—The Secretary shall award
17 grants to community development corporations to
18 enable such corporations to attain or enhance the
19 business management and development skills of the
20 individuals that manage such corporations to enable
21 such corporations to seek the public and private re-
22 sources necessary to develop community economic
23 development projects.

1 (2) USE OF FUNDS.—A recipient of a grant
2 under paragraph (1) may use amounts received
3 under such grant—

4 (A) to acquire training and technical as-
5 sistance from agencies or institutions that have
6 extensive experience in the development and
7 management of low-income community eco-
8 nomic development projects; or

9 (B) to acquire such assistance from other
10 highly successful community development cor-
11 porations.

12 (c) OPERATING GRANTS.—

13 (1) IN GENERAL.—The Secretary shall award
14 grants to community development corporations to
15 enable such corporations to support an administra-
16 tive capacity for the planning, development, and
17 management of low-income community economic de-
18 velopment projects.

19 (2) USE OF FUNDS.—A recipient of a grant
20 under paragraph (1) may use amounts received
21 under such grant—

22 (A) to conduct evaluations of the feasibility
23 of potential low-income community economic de-
24 velopment projects that address identified needs
25 in the low-income community and that conform

1 to those projects and activities permitted under
2 part I;

3 (B) to develop a business plan related to
4 such a potential project; or

5 (C) to mobilize resources to be contributed
6 to a planned low-income community economic
7 development project or strategy.

8 (d) APPLICATIONS.—A community development cor-
9 poration that desires to receive a grant under this section
10 shall prepare and submit to the Secretary an application
11 at such time, in such manner, and containing such infor-
12 mation as the Secretary may require.

13 (e) AMOUNT AVAILABLE FOR A COMMUNITY DEVEL-
14 OPMENT CORPORATION.—Amounts provided under this
15 section to a community development corporation shall not
16 exceed \$75,000 per year. Such corporations may apply for
17 grants under this section for up to 3 consecutive years,
18 except that such corporations shall be required to submit
19 a new application for each grant for which such corpora-
20 tion desires to receive and compete on the basis of such
21 applications in the selection process.

22 **SEC. 256. EMERGING COMMUNITY DEVELOPMENT COR-**
23 **PORATION REVOLVING LOAN FUNDS.**

24 (a) AUTHORITY.—The Secretary is authorized to
25 award grants to emerging community development cor-

1 porations to enable such corporations to establish, main-
2 tain or expand revolving loan funds, to make or guarantee
3 loans, or to make capital investments in new or expanding
4 local businesses.

5 (b) ELIGIBILITY.—To be eligible to receive a grant
6 under subsection (a), an entity shall—

7 (1) be a community development corporation;

8 (2) have completed not less than one nor more
9 than two community economic development projects
10 or related projects that improve or provide job and
11 employment opportunities to low-income individuals;

12 (3) prepare and submit to the Secretary an ap-
13 plication at such time, in such manner, and contain-
14 ing such information as the Secretary may require,
15 including a strategic investment plan that identifies
16 and describes the economic characteristics of the
17 target area to be served, the types of business to be
18 assisted using amounts received under the grant and
19 the impact of such assistance on low-income individ-
20 uals; and

21 (4) have secured one or more commitments
22 from local sources for contributions (either in cash
23 or in kind, letters of credit, or letters of commit-
24 ment) in an amount that is equal to at least 10 per-

1 cent of the amounts requested in the application
2 submitted under paragraph (2).

3 (c) USE OF THE REVOLVING LOAN FUND.—

4 (1) IN GENERAL.—A revolving loan fund estab-
5 lished or maintained with amounts received under
6 this section may be utilized to provide financial and
7 technical assistance, loans, loan guarantees or in-
8 vestments to private business enterprises to—

9 (A) finance projects intended to provide
10 business and employment opportunities for low-
11 income individuals and to improve the quality of
12 life in urban and rural areas; and

13 (B) build and expand the capacity of
14 emerging community development corporations
15 and serve the economic needs of local residents.

16 (2) TECHNICAL ASSISTANCE.—The Secretary
17 shall encourage emerging community development
18 corporations that receive grants under this section to
19 seek technical assistance from established commu-
20 nity development corporations, with expertise in the
21 planning, development and management of economic
22 development projects and shall facilitate the receipt
23 of such assistance.

24 (3) LIMITATION.—Not to exceed 10 percent of
25 the amounts received under this section by a grantee

1 shall be used for training, technical assistance and
2 administrative purposes.

3 (d) USE OF PROCEEDS FROM INVESTMENTS.—Pro-
4 ceeds derived from investments made with amounts pro-
5 vided under this section may be utilized only for the pur-
6 poses described in this subchapter and shall be reinvested
7 in the community in which they were generated.

8 (e) AMOUNTS AVAILABLE.—Amounts provided under
9 this section to a community development corporation shall
10 not exceed \$500,000 per year.

11 **PART III—RESEARCH AND**

12 **DEMONSTRATION**

13 **SEC. 261. RESEARCH AND DEMONSTRATION.**

14 (a) GRANTS.—The Secretary shall award grants to
15 organizations to enable such organizations to undertake
16 programs involving research, testing, studies or dem-
17 onstrations related to community economic development.

18 (b) ELIGIBLE ORGANIZATIONS.—To be eligible to re-
19 ceive a grant under this section, an entity shall—

20 (1) be a community development corporation,
21 university, fiscal intermediary or a nonprofit organi-
22 zation involved in community-based economic devel-
23 opment activities; and

24 (2) prepare and submit to the Secretary an ap-
25 plication at such time, in such manner and contain-

1 ing such information as the Secretary determines
2 appropriate.

3 (c) USE OF FUNDS.—Amounts received under a
4 grant awarded under this section shall be made available
5 for studies, reports, tests or demonstration projects that—

6 (1) identify current problems facing both urban
7 and rural low-income communities or specific popu-
8 lation groups within low-income communities and
9 population-losing communities;

10 (2) identify solutions to the problems facing
11 both urban and rural low-income communities or
12 specific population groups within low-income com-
13 munities;

14 (3) examine or critique current strategies being
15 implemented to address economic issues facing low-
16 income communities; and

17 (4) relate to any other matters determined ap-
18 propriate by the Secretary.

19 (d) MAXIMUM AMOUNT OF GRANT.—A grant award-
20 ed under this section shall not exceed \$50,000.

21 **PART IV—MISCELLANEOUS PROVISIONS**

22 **SEC. 265. JOINT PROGRAMS.**

23 The Secretary shall develop and promulgate, in con-
24 sultation with the heads of other Federal agencies, regula-
25 tions designed to permit, where appropriate, the operation

1 of joint programs under which activities supported with
2 assistance provided under this chapter are coordinated
3 with community development activities supported with as-
4 sistance provided under other programs administered by
5 the Secretary and those administered by the heads of such
6 agencies.

7 **SEC. 266. REPORTS.**

8 (a) COMMUNITY DEVELOPMENT CORPORATIONS.—
9 Not later than 2 years after the date on which assistance
10 is provided to a community development corporation under
11 part I or II, every 2 years thereafter, the community devel-
12 opment corporation shall prepare and submit to the Sec-
13 retary a report under this section. Such report shall in-
14 clude—

15 (1) the amount of funds received by the com-
16 munity development corporation;

17 (2) a summary of the uses of such funds;

18 (3) the number of jobs created or retained by
19 the corporation;

20 (4) the number and type of new businesses
21 started, including micro-businesses;

22 (5) the number of jobs created or retained for
23 individuals identified in section 247(a)(4);

24 (6) in the case of funds made available under
25 part I, the source and amount of matching funds;

1 (7) in the case of revolving loan funds made
2 available under part II, the amount of funds lever-
3 aged; and

4 (8) related human services and facilities pro-
5 vided as result of assistance provided under this
6 chapter.

7 (b) SECRETARY.—Not later than 3 years after the
8 date on which assistance is first provided under part I or
9 II, and annually thereafter, the Secretary shall prepare
10 and submit to the Committee on Labor and Human Re-
11 sources of the Senate and the Committee on Education
12 and Labor of the House of Representatives a report con-
13 taining a summary of the reports received by the Secretary
14 under subsection (a) for the period in which the report
15 of the Secretary is submitted.

16 **SEC. 267. DEFINITIONS.**

17 As used in this chapter:

18 (1) COMMUNITY DEVELOPMENT CORPORA-
19 TION.—The term “community development corpora-
20 tion” means a private, nonprofit corporation whose
21 board of directors is comprised of business, civic and
22 community leaders, and whose principal purpose in-
23 cludes the provision of low-income housing or com-
24 munity economic development projects that primarily
25 benefit low-income individuals and communities.

1 (2) LOCAL AND PRIVATE SECTOR CONTRIBU-
2 TION.—The term “local and private sector contribu-
3 tion” means the funds available at the local level (by
4 private financial institutions, State and local govern-
5 ments) or by any private philanthropic organization
6 and private, nonprofit organizations that will be
7 committed and used solely for the purpose of financ-
8 ing private business enterprises in conjunction with
9 amounts provided under this chapter.

10 (3) POPULATION-LOSING COMMUNITY.—The
11 term “population-losing community” means any
12 county in which the net population loss is at least
13 7 percent from April 1, 1980 to April 1, 1990, as
14 reported by the Bureau of the Census.

15 (4) PRIVATE BUSINESS ENTERPRISE.—The
16 term “private business enterprise” means any busi-
17 ness enterprise that is engaged in the manufacture
18 of a product, provision of a service, construction or
19 development of a facility, or that is involved in some
20 other commercial, manufacturing or industrial activ-
21 ity, and that agrees to target job opportunities stem-
22 ming from investments authorized under this chap-
23 ter to certain individuals.

24 (5) TARGET AREA.—The term “target area”
25 means any area defined in an application for assist-

1 ance under this chapter that has a population whose
2 income does not exceed the median for the area
3 within which the target area is located.

4 (6) VERY LOW-INCOME COMMUNITY.—The term
5 “very low-income community” means a community
6 in which the median income of the residents of such
7 community does not exceed 50 percent of the median
8 income of the area.

9 **SEC. 268. AUTHORIZATION OF APPROPRIATIONS.**

10 (a) COMMUNITY ECONOMIC PARTNERSHIP INVEST-
11 MENT FUNDS AND EMERGING COMMUNITY DEVELOP-
12 MENT CORPORATIONS.—

13 (1) IN GENERAL.—There are authorized to be
14 appropriated to carry out parts I and II,
15 \$40,000,000 for fiscal year 1993, \$100,000,000 for
16 fiscal year 1994, and \$125,000,000 for fiscal year
17 1995.

18 (2) EARMARKS.—Of the aggregate amount ap-
19 propriated under paragraph (1) for each fiscal
20 year—

21 (A) 60 percent shall be available to carry
22 out part I; and

23 (B) 40 percent shall be available to carry
24 out part II.

1 among low-income persons and persons living in
2 poverty;

3 (B) the numbers of low-income persons
4 and persons living in poverty has grown signifi-
5 cantly over the last decade;

6 (C) lack of access to credit and other
7 forms of capital is a significant factor in the
8 disinvestment and decline of low-income and
9 minority neighborhoods;

10 (D) changes in the banking system and fi-
11 nancial markets have made access to credit in
12 low-income and distressed communities increas-
13 ingly more difficult to obtain as decisionmaking
14 on credit has been removed from local commu-
15 nities;

16 (E) the restoration and maintenance of
17 viable local economies will require improved ac-
18 cess to credit, as well as public and private in-
19 vestment in economic and community develop-
20 ment activities, business development, and low-
21 income housing;

22 (F) indigenous community-based financial
23 institutions can play a significant role in identi-
24 fying and responding to community needs;

1 (G) the Federal Government needs to de-
2 velop new models and institutions for facilitat-
3 ing local revitalization efforts and improving ac-
4 cess to credit; and

5 (H) nonprofit financial intermediaries have
6 proven effective in meeting the credit and other
7 capital needs in low-income and distressed com-
8 munities.

9 (2) PURPOSE.—The purpose of this section is
10 to establish a demonstration program to promote re-
11 investment in low-income and chronically distressed
12 neighborhoods through community-based nonprofit
13 financial institutions that work cooperatively with
14 residents and State and local government.

15 (c) DEFINITIONS.—For the purpose of this section,
16 the following definitions shall apply:

17 (1) ELIGIBLE INTERMEDIARY.—The term “eli-
18 gible intermediary” means a nonprofit organization
19 that—

20 (A) is organized under Federal, State or
21 local laws;

22 (B) complies with standards of financial
23 accountability acceptable to the Secretary;

1 (C) controls, operates or is affiliated with
2 an entity that provides credit or investment
3 capital in a targeted geographic area;

4 (D) has as its primary mission the revital-
5 ization of low-income and chronically distressed
6 neighborhoods or communities; and

7 (E) maintains, through significant rep-
8 resentation on its governing board and other-
9 wise, accountability to community residents.

10 (2) LOW-INCOME PERSONS.—The term “low-in-
11 come persons” means persons whose incomes do not
12 exceed 80 percent of the median for the area.

13 (3) SECRETARY.—The term “Secretary” means
14 the Secretary of Housing and Urban Development.

15 (4) TARGETED GEOGRAPHIC AREA.—The term
16 “targeted geographic area” means a geographically
17 contiguous area of chronic economic distress as
18 measured by unemployment, growth lag, the extent
19 of poverty, per capita income, extent of blight and
20 disinvestment, fiscal distress, or other indicators
21 deemed appropriate by the Secretary, that has been
22 identified by an eligible intermediary as an area to
23 be served by it.

24 (d) AUTHORITY.—The Secretary shall carry out, in
25 accordance with this section, a demonstration program to

1 provide assistance in the form of capital and technical as-
2 sistance grants to nonprofit financial intermediaries for
3 the establishment, maintenance, and expansion of such in-
4 stitutions, to be utilized to finance business and employ-
5 ment opportunities, housing opportunities affordable to
6 low-income persons, and neighborhood revitalization
7 projects.

8 (e) APPLICATIONS.—The Secretary shall establish
9 and implement a competitive process for the solicitation
10 and consideration of applications from eligible
11 intermediaries.

12 (f) SELECTION CRITERIA.—

13 (1) IN GENERAL.—Not later than 12 months
14 after the date of enactment of this section, the Sec-
15 retary shall select eligible intermediaries to partici-
16 pate in the demonstration program, based on—

17 (A) the capacity of the eligible
18 intermediary to carry out the purposes of this
19 title;

20 (B) the financial capacity of the eligible
21 intermediary based on evaluations provided by a
22 certified public accountant and criteria to be
23 determined by the Secretary;

1 (C) the extent of need in the targeted geo-
2 graphic area identified by the eligible
3 intermediary as the area it serves;

4 (D) the extent to which the lending serv-
5 ices of the eligible intermediary are coordinated
6 with other revitalization activities in the tar-
7 geted geographic area;

8 (E) the previous experience and achieve-
9 ments of the eligible intermediary in the financ-
10 ing or development of low-income housing, in
11 development of businesses and other employ-
12 ment opportunities, or in neighborhood revital-
13 ization activities;

14 (F) the extent to which the eligible
15 intermediary has firm commitments from local
16 sources to provide matching funds in an
17 amount that is at least equal to the amount re-
18 quested in the application;

19 (G) an appropriate geographic distribution
20 of intermediaries among regions in the United
21 States;

22 (H) the extent to which the eligible
23 intermediary demonstrates a commitment to
24 serve minority individuals and communities;
25 and

1 (K) other criteria deemed appropriate by
2 the Secretary.

3 (g) CAPITAL GRANTS.—

4 (1) IN GENERAL.—The Secretary shall make
5 capital grants to eligible intermediaries.

6 (2) USE OF GRANTS.—Capital grants may be
7 used by eligible intermediaries to increase the capital
8 available for loans, loan guarantees, interest rate re-
9 duction activities, and other activities deemed appro-
10 priate by the Secretary that promote housing afford-
11 able to low-income persons and economic and com-
12 munity development activities that benefit low-in-
13 come persons.

14 (3) AMOUNT.—The maximum amount of Fed-
15 eral assistance an eligible intermediary can receive
16 per fiscal year under this section is \$1,000,000.

17 (h) TECHNICAL ASSISTANCE.—The Secretary is au-
18 thorized to make grants to eligible intermediaries to pro-
19 vide technical assistance to borrowers.

20 (i) TRAINING PROGRAM.—The Secretary shall estab-
21 lish, or contract to establish, an ongoing training program
22 to assist eligible intermediaries and their staffs in develop-
23 ing the capacity to carry out the purposes of this title.

24 (j) REPORT.—The Secretary shall annually prepare
25 and submit to Congress a report containing a summary

1 of the activities carried out under this section and the
2 findings and conclusions drawn from such activities.

3 (k) DUTIES OF ELIGIBLE INTERMEDIARIES.—An eli-
4 gible intermediary receiving assistance pursuant to this
5 section shall—

6 (1) match any assistance awarded by the Sec-
7 retary dollar-for-dollar with non-Federal sources of
8 funds;

9 (2) ensure that not less than 70 percent of
10 loans to individual borrowers are to persons whose
11 incomes are at or below 80 percent of the area me-
12 dian income and are residents of the targeted geo-
13 graphic area served; and

14 (3) ensure that all loans made to nonprofit or
15 for-profit organizations provide a direct benefit to
16 persons who are residents of the targeted geographic
17 area served.

18 (l) OFFICE OF COMMUNITY BANKING.—There is es-
19 tablished within the Department of Housing and Urban
20 Development an Office of Community Banking which is
21 responsible for the implementation of this section.

22 (m) AUTHORIZATION OF APPROPRIATIONS.—There
23 are authorized to be appropriated to carry out this section,
24 \$100,000,000 for fiscal year 1993 and \$200,000,000 for

1 fiscal year 1994. Any amounts appropriated pursuant to
2 this paragraph shall remain available until expended.

3 **SEC. 272. ACCESS TO JOBS/REVERSE COMMUTING DEM-**
4 **ONSTRATION PROGRAM.**

5 (a) PURPOSE.—It is the purpose of this section to—

6 (1) improve employment rates and earnings in
7 inner-city areas by improving access to job sites for
8 inner-city residents;

9 (2) improve the viability of businesses in enter-
10 prise zones as a result of the increased incomes and
11 purchasing power of zone residents; and

12 (3) test differing approaches to achieving these
13 goals and determine their effects.

14 (b) ESTABLISHMENT OF PROGRAM.—

15 (1) IN GENERAL.—The Secretary of Transpor-
16 tation, in consultation with the Secretary of Labor,
17 shall establish a Reverse Commuting Demonstration
18 Program to test the effects of assisting residents of
19 poor inner-city areas to commute to job sites in
20 other areas of the city or surrounding suburbs.

21 (2) USE OF NON SET-ASIDE FUNDS.—Any ap-
22 plicant eligible for block grant funding under section
23 215 of this Act that submits an application that
24 meets the criteria in subsection (c) shall be approved
25 by the Secretary of Transportation, in consultation

1 with the Secretary of Labor, to utilize funds it re-
2 ceives under this title to carry out a program estab-
3 lished under this section.

4 (3) USE OF SET-ASIDE FUNDS.—The funds set-
5 aside under section 212(d) for the program under
6 this section shall be used by the Secretary of Trans-
7 portation, in consultation with the Secretary of
8 Labor, to fund not more than six demonstration
9 projects utilizing the program models described in
10 subsection (d). Projects shall be selected on a com-
11 petitive basis from applications that meet the re-
12 quirements of subsection (c) that are submitted by
13 applicants eligible for block grant funding under sec-
14 tion 215 of this Act.

15 (c) APPLICATION AND APPROVAL CRITERIA.—An ap-
16 plication under this section shall provide information spec-
17 ified by the Secretary of Transportation, in consultation
18 with the Secretary of Labor, that is sufficient to satisfy
19 the Secretary that—

20 (1) the geographic area whose residents would
21 be served by the program established by the appli-
22 cant under this section is a low-income area that
23 consists in whole or substantial part of an urban en-
24 terprise zone;

1 (2) one of the three program models described
2 in subsection (d) will be used by the applicant;

3 (3) the data collection procedures that will be
4 established by the applicant will be sufficient to en-
5 able the Secretary of Transportation, in consultation
6 with the Secretary of Labor, to conduct an evalua-
7 tion in accordance with subsection (e); and

8 (4) the applicant has the capability to perform
9 adequately with respect to the program established
10 and to meet such other criteria as the Secretary of
11 Labor may prescribe.

12 (d) PROGRAM MODELS.—Applications approved
13 under this section shall utilize one of the following pro-
14 gram models:

15 (1) ADDING TRANSPORTATION SERVICES TO EX-
16 ISTING JOB TRAINING AND PLACEMENT PRO-
17 GRAMS.—Under this model an applicant shall sup-
18 plement existing training and placement programs
19 through the establishment of new transportation
20 services that are designed to—

21 (A) transport inner-city residents to job lo-
22 cations (such as van service between the zones
23 and business parks or major employers, with
24 the service being provided by a public agency,

1 a private vendor, or a neighborhood organiza-
2 tion);

3 (B) provide transportation counseling and
4 assistance (such as the creation of car pools
5 and provision of education on public transit
6 routes); or

7 (C) provide a direct subsidy of public tran-
8 sit fares or private automobile expenses.

9 (2) IMPROVING PUBLIC TRANSIT SYSTEMS TO
10 FACILITATE ACCESS TO JOBS/REVERSE COMMUT-
11 ING.—Under this model an applicant may—

12 (A) work with the relevant transit operator
13 or agency to modify public transit routes and
14 schedules to increase the accessibility of resi-
15 dents of inner-city areas to job locations (such
16 as through the provision of express bus service
17 to business parks at times coinciding with labor
18 shifts or the provision of new connecting serv-
19 ices to fill gaps that impede commuting from
20 inner-city areas to jobs sites); or

21 (B) reimburse public transit operators for
22 the costs of providing reduced fare programs to
23 increase the access of inner city residents to
24 employment opportunities.

1 An applicant under subparagraph (A) may request
2 suburban employers to contribute to the costs of im-
3 plementing such transit services.

4 (3) ESTABLISHING REGIONAL COALITIONS TO
5 IMPROVE INNER-CITY ACCESS TO JOBS.—Under this
6 model an applicant shall establish a regional coali-
7 tion, which may include neighborhood organizations,
8 employers and employers associations, transpor-
9 tation providers, and similar entities, to implement
10 comprehensive strategies to improve the access
11 of residents of inner-cities to jobs through modi-
12 fications in job training and placement services, sup-
13 port services such as child care, and transportation
14 services. An applicant under this model shall at-
15 tempt to link job training program participants with
16 job opportunities throughout as much of the metro-
17 politan area as practicable, and transportation bar-
18 riers between inner-city areas and job locations shall
19 be identified and transportation services imple-
20 mented to address these problems.

21 (e) EVALUATION.—The Secretary of Transportation,
22 in consultation with the Secretary of Labor, shall conduct
23 a thorough evaluation of the program established under
24 this section. Such evaluation shall include an assessment
25 of—

1 (1) with respect to applicants adding transpor-
2 tation services to job training programs, the effect of
3 the addition of such transportation services on em-
4 ployment rates, job retention, and earnings among
5 residents of the demonstration project areas;

6 (2) with respect to applicants improving public
7 transit systems, the effect of the improvements on
8 employment rates, job retention, and earnings;

9 (3) with respect to applicants establishing re-
10 gional coalitions and implementing comprehensive
11 strategies, the effects of such strategies on employ-
12 ment rates, job retention, and earnings; and

13 (4) the manner in which the adoption of such
14 comprehensive strategies affect employment and
15 earnings in urban enterprise zones, compared to
16 other urban enterprise zones not initiating programs
17 to improve inner-city access to suburban job loca-
18 tions.

19 (f) OTHER FUNDING SOURCES.—Nothing in this sec-
20 tion shall be construed to prevent an approved applicant
21 from raising funds for any program established under the
22 application from other sources to augment the funds avail-
23 able under this Act.

1 (g) DEFINITION.—As used in this section, the term
2 “urban enterprise zone” means an area designated under
3 section 1391 of the Internal Revenue Code of 1986.

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