

104TH CONGRESS
2D SESSION

H. R. 3241

To amend the Internal Revenue Code to allow the designation of additional empowerment zones and provide additional incentives for empowerment zones and enterprise communities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 1996

Mr. FOGLIETTA (for himself, Mr. BARRETT of Wisconsin, Mr. DELLUMS, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. GENE GREEN of Texas, Mr. CLYBURN, Mr. HINCHEY, Ms. NORTON, Mr. HASTINGS of Florida, Miss COLLINS of Michigan, and Ms. MCKINNEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Banking and Financial Services, Government Reform and Oversight, Transportation and Infrastructure, Economic and Educational Opportunities, International Relations, Commerce, the Judiciary, National Security, and Small Business, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code to allow the designation of additional empowerment zones and provide additional incentives for empowerment zones and enterprise communities, 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,*

1 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “More Power for Empowerment Zones Act of 1996”.

4 (b) TABLE OF CONTENTS.—The table of contents for
5 this Act is as follows:

Sec. 1. Short title and table of contents.

TITLE I—TAX TREATMENT OF EMPOWERMENT ZONES AND
ENTERPRISE COMMUNITIES

Subtitle A—Designation of Additional Empowerment Zones

Sec. 101. Designation of additional empowerment zones.

Subtitle B—Increased Incentives for Empowerment Zones and Enterprise
Communities

Sec. 111. Treatment of bonds issued by governments in empowerment zones
and enterprise communities.

Sec. 112. Expanded definition of empowerment zone for purposes of increased
expensing.

Sec. 113. Additional expensing for empowerment zones and enterprise commu-
nities.

Sec. 114. Additional incentives for empowerment zones and enterprise commu-
nities.

Sec. 115. Commercial revitalization tax credit.

Subtitle C—Brownfields Redevelopment Act

Sec. 121. Environmental remediation tax credit for contaminated sites in
empowerment zones.

Sec. 122. Use of redevelopment bonds for environmental remediation in
empowerment zones.

TITLE II—ASSISTANCE FOR INFRASTRUCTURE IMPROVEMENTS
AND DEVELOPMENT

Sec. 201. Loan guarantees.

Sec. 202. Revolving fund for loans.

Sec. 203. Grants to units of general local government.

Sec. 204. Eligible units of general local government.

Sec. 205. Infrastructure activities.

Sec. 206. Definitions.

Sec. 207. Regulations.

TITLE III—ADDITIONAL BENEFITS FOR EMPOWERMENT ZONES
AND ENTERPRISE COMMUNITIES

Sec. 301. Education grants.

Sec. 302. Minimum allocation of foreign assistance for purchase of certain
United States goods.

Sec. 303. Requirement for Federal government to procure 15 percent of goods and services from businesses located in empowerment zones and enterprise communities.

Sec. 304. Requirement for Federal government to procure recycled materials from entities located in empowerment zones.

Sec. 305. Get empowerment zones moving program.

TITLE IV—REGULATORY FLEXIBILITY

Sec. 401. Definition of small entities in employment zones and enterprise communities for analysis of regulatory functions.

Sec. 402. Waiver or modification of agency rules in empowerment zones and enterprise communities.

1 **TITLE I—TAX TREATMENT OF**
 2 **EMPOWERMENT ZONES AND**
 3 **ENTERPRISE COMMUNITIES**
 4 **Subtitle A—Designation of**
 5 **Additional Empowerment Zones**

6 **SEC. 101. DESIGNATION OF ADDITIONAL EMPOWERMENT**
 7 **ZONES.**

8 (a) IN GENERAL.—Section 1391 of the Internal Rev-
 9 enue Code of 1986 (relating to designation procedure for
 10 empowerment zones and enterprise communities) is
 11 amended by adding at the end the following new sub-
 12 section:

13 “(g) DESIGNATIONS OF ADDITIONAL EMPOWERMENT
 14 ZONES.—

15 “(1) IN GENERAL.—In addition to the areas
 16 designated under subsection (a), the appropriate
 17 Secretaries may designate in the aggregate an addi-
 18 tional 9 nominated areas as empowerment zones
 19 under this section, subject to the availability of eligi-

1 ble nominated areas. Of that number, not more than
2 6 may be designated in urban areas and not more
3 than 3 may be designated in rural areas.

4 “(2) PERIOD DESIGNATIONS MAY BE MADE.—
5 Notwithstanding subsection (c), a designation may
6 be made under this subsection in 1997 or 1998.”

7 (b) APPLICATION OF EMPLOYMENT CREDIT TO NEW
8 EMPOWERMENT ZONES.—Subsection (b) of section 1396
9 of such Code (relating to empowerment zone employment
10 credit) is amended—

11 (1) by amending so much of the subsection as
12 precedes the table to read as follows:

13 “(b) APPLICABLE PERCENTAGE.—For purposes of
14 this section—

15 “(1) IN GENERAL.—Except as provided in para-
16 graph (2), the term ‘applicable percentage’ means
17 the percentage determined in accordance with the
18 following table:”, and

19 (2) by adding at the end the following new
20 paragraph:

21 “(2) APPLICATION TO EMPOWERMENT ZONES
22 DESIGNATED UNDER SECTION 1391(g).—In the case
23 of any empowerment zone designated under section
24 1391(g), the term ‘applicable percentage’ means the

1 percentage determined in accordance with the follow-
 2 ing table:

“In the case of wages paid or incurred during calendar year:	The applicable percentage is:
1997 through 2004	20
2005	15
2006	10
2007	5.”

3 (c) CONFORMING AMENDMENT.—Subsections (e) and
 4 (f) of section 1391 of such Code are each amended by
 5 striking “subsection (a)” and inserting “this section”.

6 **Subtitle B—Increased Incentives**
 7 **for Empowerments Zones and**
 8 **Enterprise Communities**

9 **SEC. 111. TREATMENT OF BONDS ISSUED BY GOVERN-**
 10 **MENTS IN EMPOWERMENT ZONES AND EN-**
 11 **TERPRISE COMMUNITIES.**

12 (a) ALLOWANCE OF FEDERAL GUARANTEES FOR
 13 CERTAIN TAX EXEMPT STATE AND LOCAL BONDS FOR
 14 EMPOWERMENT ZONES AND ENTERPRISE COMMU-
 15 NITIES.—

16 (1) IN GENERAL.—Paragraph (3) of section
 17 149(b) of the Internal Revenue Code of 1986 (relat-
 18 ing to Federally guaranteed bond is not tax exempt)
 19 is amended by adding at the end the following new
 20 paragraph:

1 shall be applied by treating any empowerment zone
2 as including the qualified surrounding area.

3 “(2) QUALIFIED SURROUNDING AREA.—

4 “(A) IN GENERAL.—For purposes of para-
5 graph (1), the term ‘qualified surrounding area’
6 means, with respect to any empowerment zone
7 (or any noncontiguous portion of such zone) the
8 area of not more than 1 mile in radius which—

9 “(i) surrounds and is contiguous with
10 such zone (or such portion),

11 “(ii) is designated for purposes of this
12 paragraph by each State and local govern-
13 ment which nominated such zone for des-
14 ignation under section 1391, and

15 “(iii) meets the requirements of sec-
16 tion 1392(a).

17 “(B) EXPANSION TO 2-MILE RADIUS BY
18 APPROPRIATE SECRETARY.—Upon the request
19 of each of the States and local governments re-
20 ferred to in subparagraph (A)(ii), the appro-
21 priate Secretary may increase the 1 mile dis-
22 tance under subparagraph (A) by not more
23 than 1 additional mile. Such Secretary shall de-
24 termine whether and by how much to increase

1 such distance based on criteria published by
2 such Secretary.”

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to taxable years ending after the
5 date of the enactment of this Act.

6 **SEC. 113. ADDITIONAL EXPENSING FOR EMPOWERMENT**
7 **ZONES AND ENTERPRISE COMMUNITIES.**

8 (a) **IN GENERAL.**—Section 1397A of the Internal
9 Revenue Code of 1986 (relating to increase in expensing
10 under section 179) is amended—

11 (1) in subparagraph (A) of subsection (a)(1),
12 by striking “\$20,000” and inserting “\$35,000”, and

13 (2) by adding at the end the following new sub-
14 section:

15 “(c) **ENTERPRISE ZONE BUSINESS.**—For purposes of
16 this section, the term ‘enterprise zone business’ has the
17 meaning given such term by section 1397B, except that
18 in applying such section references to empowerment zones
19 shall be treated as including references to enterprise com-
20 munities.”

21 (b) **EFFECTIVE DATE.**—The amendments made by
22 this section shall apply to taxable years ending after the
23 date of the enactment of this Act.

1 **SEC. 114. ADDITIONAL INCENTIVES FOR EMPOWERMENT**
 2 **ZONES AND ENTERPRISE COMMUNITIES.**

3 (a) IN GENERAL.—Subchapter U of chapter 1 of the
 4 Internal Revenue Code of 1986 (relating to designation
 5 and treatment of empowerment zones, enterprise commu-
 6 nities, and rural development investment areas) is amend-
 7 ed—

- 8 (1) by redesignating part IV as part V,
 9 (2) by redesignating section 1397D as section
 10 1397F, and
 11 (3) by inserting after part III the following new
 12 part:

13 **“PART IV—ADDITIONAL INCENTIVES FOR**
 14 **EMPOWERMENT ZONES AND ENTERPRISE**
 15 **COMMUNITIES**

“Sec. 1397D. Empowerment zone and enterprise community cap-
 ital gain.

“Sec. 1397E. Empowerment zone and enterprise community
 stock.

16 **“SEC. 1397D. EMPOWERMENT ZONE AND ENTERPRISE COM-**
 17 **MUNITY CAPITAL GAIN.**

18 “(a) GENERAL RULE.—Gross income does not in-
 19 clude any qualified capital gain recognized by a qualified
 20 taxpayer on the sale or exchange of a qualified zone asset
 21 held for more than 5 years.

22 “(b) QUALIFIED ZONE ASSET.—For purposes of this
 23 section—

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

3 “(A) any qualified zone stock,

4 “(B) any qualified zone business property,

5 and

6 “(C) any qualified zone partnership inter-
7 est.

8 “(2) QUALIFIED ZONE STOCK.—

9 “(A) IN GENERAL.—Except as provided in
10 subparagraph (B), the term ‘qualified zone
11 stock’ means any stock in a domestic corpora-
12 tion if—

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

16 “(ii) as of the time such stock was is-
17 sued, such corporation was an enterprise
18 zone business (or, in the case of a new cor-
19 poration, such corporation was being orga-
20 nized for purposes of being an enterprise
21 zone business), and

22 “(iii) during substantially all of the
23 taxpayer’s holding period for such stock,
24 such corporation qualified as an enterprise
25 zone business.

1 “(B) EXCLUSION OF STOCK FOR WHICH
2 DEDUCTION UNDER SECTION 1397E AL-
3 LOWED.—The term ‘qualified zone stock’ shall
4 not include any stock the basis of which is re-
5 duced under section 1397E.

6 “(C) REDEMPTIONS.—The term ‘qualified
7 zone stock’ shall not include any stock acquired
8 from a corporation which made a substantial
9 stock redemption or distribution (without a
10 bona fide business purpose therefor) in an at-
11 tempt to avoid the purposes of this section.

12 “(3) QUALIFIED ZONE BUSINESS PROPERTY.—

13 “(A) IN GENERAL.—The term ‘qualified
14 zone business property’ means tangible property
15 if—

16 “(i) such property was acquired by
17 the taxpayer by purchase (as defined in
18 section 179(d)(2)) after the date on which
19 the designation of the empowerment zone
20 or enterprise community took effect,

21 “(ii) the original use of such property
22 in the empowerment zone or enterprise
23 community commences with the taxpayer,
24 and

1 “(iii) during substantially all of the
2 taxpayer’s holding period for such prop-
3 erty, substantially all of the use of such
4 property was in an enterprise zone busi-
5 ness of the taxpayer.

6 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
7 PROVEMENTS.—

8 “(i) IN GENERAL.—The requirements
9 of clauses (i) and (ii) of subparagraph (A)
10 shall be treated as satisfied with respect
11 to—

12 “(I) property which is substan-
13 tially improved by the taxpayer, and

14 “(II) any land on which such
15 property is located.

16 “(ii) SUBSTANTIAL IMPROVEMENT.—
17 For purposes of clause (i), property shall
18 be treated as substantially improved by the
19 taxpayer if, during any 24-month period
20 beginning after the date on which the des-
21 ignation of the empowerment zone or en-
22 terprise community took effect, additions
23 to basis with respect to such property in
24 the hands of the taxpayer exceed the great-
25 er of—

1 “(I) an amount equal to the ad-
2 justed basis at the beginning of such
3 24-month period in the hands of the
4 taxpayer, or

5 “(II) \$5,000.

6 “(C) LIMITATION ON LAND.—The term
7 ‘qualified zone business property’ shall not in-
8 clude land which is not an integral part of an
9 enterprise zone business.

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

13 “(A) such interest is acquired by the tax-
14 payer from the partnership solely in exchange
15 for cash,

16 “(B) as of the time such interest was ac-
17 quired, such partnership was an enterprise zone
18 business (or, in the case of a new partnership,
19 such partnership was being organized for pur-
20 poses of being an enterprise zone business), and

21 “(C) during substantially all of the tax-
22 payer’s holding period for such interest, such
23 partnership qualified as an enterprise zone
24 business.

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

3 “(5) TREATMENT OF SUBSEQUENT PUR-
4 CHASERS.—The term ‘qualified zone asset’ includes
5 any property which would be a qualified zone asset
6 but for paragraph (2)(A)(i), (3)(A)(ii), or (4)(A) in
7 the hands of the taxpayer if such property was a
8 qualified zone asset in the hands of all prior holders.

9 “(6) 10-YEAR SAFE HARBOR.—If any property
10 ceases to be a qualified zone asset by reason of para-
11 graph (2)(A)(iii), (3)(A)(iii), or (4)(C) after the 10-
12 year period beginning on the date the taxpayer ac-
13 quired such property, such property shall continue to
14 be treated as meeting the requirements of such
15 paragraph; except that the amount of gain to which
16 subsection (a) applies on any sale or exchange of
17 such property shall not exceed the amount which
18 would be qualified capital gain had such property
19 been sold on the date of such cessation.

20 “(7) TREATMENT OF ZONE TERMINATIONS.—
21 The termination of any designation of an area as an
22 empowerment zone or enterprise community shall be
23 disregarded for purposes of determining whether any
24 property is a qualified zone asset.

1 “(c) OTHER DEFINITIONS AND SPECIAL RULES.—

2 For purposes of this section—

3 “(1) QUALIFIED CAPITAL GAIN.—Except as
4 otherwise provided in this subsection, the term
5 ‘qualified capital gain’ means any long-term capital
6 gain recognized on the sale or exchange of a quali-
7 fied zone asset held for more than 5 years.

8 “(2) CERTAIN GAIN ON REAL PROPERTY NOT
9 QUALIFIED.—The term ‘qualified capital gain’ shall
10 not include any gain which would be treated as ordi-
11 nary income under section 1250 if section 1250 ap-
12 plied to all depreciation rather than the additional
13 depreciation.

14 “(3) GAIN ATTRIBUTABLE TO PERIODS AFTER
15 TERMINATION OF ZONE DESIGNATION NOT QUALI-
16 FIED.—The term ‘qualified capital gain’ shall not in-
17 clude any gain attributable to periods after the ter-
18 mination of any designation of an area as an
19 empowerment zone or enterprise community.

20 “(4) RELATED PARTY TRANSACTIONS.—The
21 term ‘qualified capital gain’ shall not include any
22 gain attributable, directly or indirectly, in whole or
23 in part, to a transaction with a related person.

24 “(5) QUALIFIED TAXPAYER.—The term ‘quali-
25 fied taxpayer’ means any taxpayer if the amount in-

1 vested by the taxpayer in infrastructure activities (as
2 defined in section 205 of the More Power for
3 Empowerment Zones Act of 1996, as in effect imme-
4 diately after the enactment of this section) in any
5 empowerment zone or enterprise community during
6 the taxable year is equal to 50 percent or more of
7 the qualified capital gain recognized in such taxable
8 year.

9 “(6) ENTERPRISE ZONE BUSINESS.—The term
10 ‘enterprise zone business’ has the meaning given
11 such term by section 1394(b)(3), except that, in ap-
12 plying section 1394(b)(3), the term ‘qualified busi-
13 ness’ shall not include any trade or business of pro-
14 ducing property of a character subject to the allow-
15 ance for depletion under section 611.

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

17 “(1) SALES AND EXCHANGES.—Gain on the
18 sale or exchange of an interest in a pass-thru entity
19 held by the taxpayer (other than an interest in an
20 entity which was an enterprise zone business during
21 substantially all of the period the taxpayer held such
22 interest) for more than 5 years shall be treated as
23 gain described in subsection (a) to the extent such
24 gain is attributable to amounts which would be
25 qualified capital gain on qualified zone assets (deter-

1 mined as if such assets had been sold on the date
2 of the sale or exchange) held by such entity for more
3 than 5 years and throughout the period the taxpayer
4 held such interest. A rule similar to the rule of para-
5 graph (2)(C) shall apply for purposes of the preced-
6 ing sentence.

7 “(2) INCOME INCLUSIONS.—

8 “(A) IN GENERAL.—Any amount included
9 in income by reason of holding an interest in a
10 pass-thru entity (other than an entity which
11 was an enterprise zone business during substan-
12 tially all of the period the taxpayer held the in-
13 terest to which such inclusion relates) shall be
14 treated as gain described in subsection (a) if
15 such amount meets the requirements of sub-
16 paragraph (B).

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

19 “(i) such amount is attributable to
20 qualified capital gain recognized on the
21 sale or exchange by the pass-thru entity of
22 property which is a qualified zone asset in
23 the hands of such entity and which was
24 held by such entity for the period required
25 under subsection (a), and

1 “(ii) such amount is includible in the
2 gross income of the taxpayer by reason of
3 the holding of an interest in such entity
4 which was held by the taxpayer on the date
5 on which such pass-thru entity acquired
6 such asset and at all times thereafter be-
7 fore the disposition of such asset by such
8 pass-thru entity.

9 “(C) LIMITATION BASED ON INTEREST
10 ORIGINALLY HELD BY TAXPAYER.—Subpara-
11 graph (A) shall not apply to any amount to the
12 extent such amount exceeds the amount to
13 which subparagraph (A) would have applied if
14 such amount were determined by reference to
15 the interest the taxpayer held in the pass-thru
16 entity on the date the qualified zone asset was
17 acquired.

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

20 “(A) any partnership,

21 “(B) any S corporation,

22 “(C) any regulated investment company,

23 and

24 “(D) any common trust fund.

1 “(e) SALES AND EXCHANGES OF INTERESTS IN
2 PARTNERSHIPS AND S CORPORATIONS WHICH ARE
3 QUALIFIED ZONE BUSINESSES.—In the case of the sale
4 or exchange of an interest in a partnership, or of stock
5 in an S corporation, which was an enterprise zone business
6 during substantially all of the period the taxpayer held
7 such interest or stock, the amount of qualified capital gain
8 shall be determined without regard to—

9 “(1) any intangible, and any land, which is not
10 an integral part of any qualified business (as defined
11 in section 1397B(d) except that references to
12 empowerment zones shall be treated as including ref-
13 erences to enterprise communities), and

14 “(2) gain attributable to periods before the des-
15 ignation of an area as an empowerment zone or en-
16 terprise community.

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

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

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

24 “(B) having held such asset during any
25 continuous period immediately preceding the

1 transfer during which it was held (or treated as
2 held under this subsection) by the transferor.

3 “(2) TRANSFERS TO WHICH SUBSECTION AP-
4 PLIES.—This subsection shall apply to any trans-
5 fer—

6 “(A) by gift,

7 “(B) at death, or

8 “(C) from a partnership to a partner
9 thereof of a qualified zone asset with respect to
10 which the requirements of subsection (d)(2) are
11 met at the time of the transfer (without regard
12 to the 5-year holding requirement).

13 “(3) CERTAIN RULES MADE APPLICABLE.—
14 Rules similar to the rules of section 1244(d)(2) shall
15 apply for purposes of this section.

16 **“SEC. 1397E. EMPOWERMENT ZONE AND ENTERPRISE COM-
17 MUNITY STOCK.**

18 “(a) GENERAL RULE.—At the election of any individ-
19 ual, the aggregate amount paid by such taxpayer during
20 the taxable year for the purchase of enterprise zone stock
21 on the original issue of such stock by a qualified issuer
22 shall be allowed as a deduction.

23 “(b) LIMITATIONS.—

24 “(1) CEILING.—

1 “(A) IN GENERAL.—The maximum
2 amount allowed as a deduction under subsection
3 (a) to a taxpayer shall not exceed—

4 “(i) \$100,000 for any taxable year,
5 and

6 “(ii) when added to the aggregate
7 amount allowed as a deduction under this
8 section in all prior years, \$500,000.

9 “(B) EXCESS AMOUNTS.—If the amount
10 otherwise deductible by any person under sub-
11 section (a) exceeds the limitation under—

12 “(i) subparagraph (A)(i), the amount
13 of such excess shall be treated as an
14 amount paid in the next taxable year, and

15 “(ii) subparagraph (A), the deduction
16 allowed for any taxable year shall be allo-
17 cated proportionately among the enterprise
18 zone stock purchased by such person on
19 the basis of the respective purchase prices
20 per share.

21 “(2) RELATED PERSON.—The taxpayer and
22 members of the taxpayer’s family shall be treated as
23 one person for purposes of paragraph (1) and the
24 limitations contained in such paragraph shall be al-
25 located among the taxpayer and such members in

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

5 “(3) PARTIAL TAXABLE YEAR.—If designation
6 of an area as an empowerment zone or enterprise
7 community occurs, expires, or is revoked pursuant to
8 section 1391 on a date other than the first or last
9 day of the taxable year of the taxpayer, or in the
10 case of a short taxable year, the limitations specified
11 in paragraph (1) shall be adjusted on a pro rata
12 basis (based upon the number of days).

13 “(c) ENTERPRISE ZONE STOCK.—For purposes of
14 this section—

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

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

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

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

23 “(A) IN GENERAL.—Such term shall in-
24 clude such stock only to the extent that the pro-
25 ceeds of such issuance are used by such issuer

1 during the 12-month period beginning on the
2 date of issuance to purchase (as defined in sec-
3 tion 179(d)(2)) qualified enterprise zone prop-
4 erty.

5 “(B) QUALIFIED ENTERPRISE ZONE PROP-
6 ERTY.—For purposes of this section, the term
7 ‘qualified enterprise zone property’ means prop-
8 erty to which section 168 applies (or would
9 apply but for section 179)—

10 “(i) the original use of which com-
11 mences in an empowerment zone or enter-
12 prise community with the issuer, and

13 “(ii) substantially all of the use of
14 which is in such empowerment zone or en-
15 terprise community.

16 “(3) REDEMPTIONS.—The term ‘enterprise
17 zone stock’ shall not include any stock acquired from
18 a corporation which made a substantial stock re-
19 demption or distribution (without a bona fide busi-
20 ness purpose therefor) in an attempt to avoid the
21 purposes of this section.

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

1 “(1) such corporation is a corporation described
2 in section 1397B(b) (except that in applying such
3 section any references to an empowerment zone shall
4 be treated as including a reference to an enterprise
5 community) or, in the case of a new corporation,
6 such corporation is being organized for purposes of
7 being such a corporation,

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

10 “(3) the sum of—

11 “(A) the money,

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

14 “(C) the value of property leased to the
15 corporation (as determined under regulations
16 prescribed by the Secretary),

17 does not exceed \$50,000,000, and

18 “(4) more than 20 percent of the total voting
19 power, and 20 percent of the total value, of the
20 stock of such corporation is owned directly by indi-
21 viduals or estates or indirectly by individuals
22 through partnerships or trusts.

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

1 “(e) DISPOSITIONS OF STOCK.—

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

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

8 “(A) any stock the basis of which is re-
9 duced under paragraph (1) (and any other
10 property the basis of which is determined in
11 whole or in part by reference to the adjusted
12 basis of such stock) shall be treated as section
13 1245 property, and

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

17 If an exchange of any stock described in paragraph
18 (1) qualifies under section 354(a), 355(a), or
19 356(a), the amount of gain recognized under section
20 1245 by reason of this paragraph shall not exceed
21 the amount of gain recognized in the exchange (de-
22 termined without regard to this paragraph).

23 “(3) CERTAIN EVENTS TREATED AS DISPOSI-
24 TIONS.—For purposes of determining the amount
25 treated as ordinary income under section 1245 by

1 reason of paragraph (2), paragraph (3) of section
2 1245(b) (relating to certain tax-free transactions)
3 shall not apply.

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

6 “(A) IN GENERAL.—If—

7 “(i) a taxpayer disposes of any enter-
8 prise zone stock with respect to which a
9 deduction was allowed under subsection (a)
10 (or any other property the basis of which
11 is determined in whole or in part by ref-
12 erence to the adjusted basis of such stock)
13 before the end of the 5-year period begin-
14 ning on the date such stock was purchased
15 by the taxpayer, and

16 “(ii) section 1245(a) applies to such
17 disposition by reason of paragraph (2),
18 then the tax imposed by this chapter for the
19 taxable year in which such disposition occurs
20 shall be increased by the amount determined
21 under subparagraph (B).

22 “(B) ADDITIONAL AMOUNT.—For purposes
23 of subparagraph (A), the additional amount
24 shall be equal to the amount of interest (deter-

1 mined at the rate applicable under section
2 6621(a)(2)) that would accrue—

3 “(i) during the period beginning on
4 the date the stock was purchased by the
5 taxpayer and ending on the date of such
6 disposition by the taxpayer, and

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

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

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

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

18 “(f) DISQUALIFICATION.—

19 “(1) ISSUER CEASES TO QUALIFY.—If, during
20 the 10-year period beginning on the date enterprise
21 zone stock was purchased by the taxpayer, the issuer
22 of such stock ceases to be a qualified enterprise zone
23 issuer (determined without regard to subsection
24 (d)(3)), then notwithstanding any provision of this
25 subtitle other than paragraph (2), the taxpayer shall

1 be treated for purposes of subsection (e) as dispos-
2 ing of such stock (and any other property the basis
3 of which is determined in whole or in part by ref-
4 erence to the adjusted basis of such stock) during
5 the taxable year during which such cessation occurs
6 at its fair market value as of the 1st day of such
7 taxable year.

8 “(2) CESSATION OF ENTERPRISE ZONE STATUS
9 NOT TO CAUSE RECAPTURE.—A corporation shall
10 not fail to be treated as a qualified enterprise zone
11 issuer for purposes of paragraph (1) solely by reason
12 of the termination or revocation of a designation as
13 an empowerment zone or enterprise community, as
14 the case may be.

15 “(g) OTHER SPECIAL RULES.—

16 “(1) APPLICATION OF LIMITS TO PARTNER-
17 SHIPS AND S CORPORATIONS.—In the case of a part-
18 nership or an S corporation, the limitations under
19 subsection (b) shall apply at the partner and share-
20 holder level and shall not apply at the partnership
21 or corporation level.

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

1 (b) TECHNICAL AMENDMENT.—Subsection (a) of
2 section 1016 of such Code (relating to adjustments to
3 basis) is amended by striking “and” at the end of para-
4 graph (24), by striking the period at the end of paragraph
5 (25) and inserting “, and”; and by adding at the end the
6 following new paragraph:

7 “(26) to the extent provided in section
8 1397E(e), in the case of stock with respect to which
9 a deduction was allowed or allowable under section
10 1397E(a).”

11 (c) CLERICAL AND CONFORMING AMENDMENTS.—

12 (1) The table of parts for subchapter U of such
13 Code is amended by striking the item relating to
14 part IV and inserting the following new items:

“Part IV. Additional incentives for empowerment zones and en-
terprise communities.

“Part V. Regulations.”

15 (2) The table of sections for part V of sub-
16 chapter U of chapter 1 of such Code, as redesign-
17 nated by this section, is amended by redesignating
18 the item relating to section 1397D as section
19 1397F.

20 (3) Section 1397F of such Code, as so redesign-
21 nated, is amended by striking “and III” each place
22 it appears and inserting “, III, and IV”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section apply to taxable years ending after the date
3 of the enactment of this Act.

4 **SEC. 115. COMMERCIAL REVITALIZATION TAX CREDIT.**

5 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-
6 ternal Revenue Code of 1986 (relating to investment cred-
7 it) is amended by striking “and” at the end of paragraph
8 (2), by striking the period at the end of paragraph (3)
9 and inserting “, and”, and by adding at the end the follow-
10 ing new paragraph:

11 “(4) the commercial revitalization credit.”

12 (b) COMMERCIAL REVITALIZATION CREDIT.—Sub-
13 part E of part IV of subchapter A of chapter 1 of the
14 Internal Revenue Code of 1986 (relating to rules for com-
15 puting investment credit) is amended by inserting after
16 section 48 the following new section:

17 **“SEC. 48A. COMMERCIAL REVITALIZATION CREDIT.**

18 “(a) GENERAL RULE.—For purposes of section 46,
19 except as provided in subsection (e), the commercial revi-
20 talization credit for any taxable year is an amount equal
21 to the applicable percentage of the qualified revitalization
22 expenditures with respect to any qualified revitalization
23 building.

24 “(b) APPLICABLE PERCENTAGE.—For purposes of
25 this section—

1 “(1) IN GENERAL.—The term ‘applicable per-
2 centage’ means—

3 “(A) 20 percent for the taxable year in
4 which a qualified revitalization building is
5 placed in service, or

6 “(B) at the election of the taxpayer, 5 per-
7 cent for each taxable year in the credit period.

8 The election under subparagraph (B), once made,
9 shall be irrevocable.

10 “(2) CREDIT PERIOD.—

11 “(A) IN GENERAL.—The term ‘credit pe-
12 riod’ means, with respect to any building, the
13 period of 10 taxable years beginning with the
14 taxable year in which the building is placed in
15 service.

16 “(B) APPLICABLE RULES.—Rules similar
17 to the rules under paragraphs (2) and (4) of
18 section 42(f) shall apply.

19 “(c) QUALIFIED REVITALIZATION BUILDINGS AND
20 EXPENDITURES.—For purposes of this section—

21 “(1) QUALIFIED REVITALIZATION BUILDING.—

22 The term ‘qualified revitalization building’ means
23 any building (and its structural components) if—

24 “(A) such building is located in an eligible
25 commercial revitalization area,

1 “(B) a commercial revitalization credit
2 amount is allocated to the building under sub-
3 section (e), and

4 “(C) depreciation (or amortization in lieu
5 of depreciation) is allowable with respect to the
6 building.

7 “(2) QUALIFIED REHABILITATION EXPENDI-
8 TURE.—

9 “(A) IN GENERAL.—The term ‘qualified
10 rehabilitation expenditure’ means any amount
11 properly chargeable to capital account—

12 “(i) for property for which deprecia-
13 tion is allowable under section 168 and
14 which is—

15 “(I) nonresidential real property,
16 or

17 “(II) an addition or improvement
18 to property described in subclause (I),

19 “(ii) in connection with the construc-
20 tion or substantial rehabilitation or recon-
21 struction of a qualified revitalization build-
22 ing, or

23 “(iii) for the acquisition of land in
24 connection with the qualified revitalization
25 building.

1 “(B) DOLLAR LIMITATION.—The aggre-
2 gate amount which may be treated as qualified
3 revitalization expenditures with respect to any
4 qualified revitalization building for any taxable
5 year shall not exceed \$10,000,000, reduced by
6 any such expenditures with respect to the build-
7 ing taken into account by the taxpayer or any
8 predecessor in determining the amount of the
9 credit under this section for all preceding tax-
10 able years.

11 “(C) CERTAIN EXPENDITURES NOT IN-
12 CLUDED.—The term ‘qualified revitalization ex-
13 penditure’ does not include—

14 “(i) STRAIGHT LINE DEPRECIATION
15 MUST BE USED.—Any expenditure (other
16 than with respect to land acquisitions) with
17 respect to which the taxpayer does not use
18 the straight line method over a recovery
19 period determined under subsection (c) or
20 (g) of section 168. The preceding sentence
21 shall not apply to any expenditure to the
22 extent the alternative depreciation system
23 of section 168(g) applies to such expendi-
24 ture by reason of subparagraph (B) or (C)
25 of section 168(g)(1).

1 “(ii) ACQUISITION COSTS.—The costs
2 of acquiring any building or interest there-
3 in and any land in connection with such
4 building to the extent that such costs ex-
5 ceed 30 percent of the qualified revitaliza-
6 tion expenditures determined without re-
7 gard to this clause.

8 “(iii) OTHER CREDITS.—Any expendi-
9 ture which the taxpayer may take into ac-
10 count in computing any other credit allow-
11 able under this part unless the taxpayer
12 elects to take the expenditure into account
13 only for purposes of this section.

14 “(3) ELIGIBLE COMMERCIAL REVITALIZATION
15 AREA.—The term ‘eligible commercial revitalization
16 area’ means an empowerment zone or enterprise
17 community designated under subchapter U.

18 “(4) SUBSTANTIAL REHABILITATION OR RE-
19 CONSTRUCTION.—For purposes of this subsection, a
20 rehabilitation or reconstruction shall be treated as a
21 substantial rehabilitation or reconstruction only if
22 the qualified revitalization expenditures in connec-
23 tion with the rehabilitation or reconstruction exceed
24 25 percent of the fair market value of the building

1 (and its structural components) immediately before
2 the rehabilitation or reconstruction.

3 “(d) WHEN EXPENDITURES TAKEN INTO AC-
4 COUNT.—

5 “(1) IN GENERAL.—Qualified revitalization ex-
6 penditures with respect to any qualified revitaliza-
7 tion building shall be taken into account for the tax-
8 able year in which the qualified rehabilitated build-
9 ing is placed in service. For purposes of the preced-
10 ing sentence, a substantial rehabilitation or recon-
11 struction of a building shall be treated as a separate
12 building.

13 “(2) PROGRESS EXPENDITURE PAYMENTS.—
14 Rules similar to the rules of subsections (b)(2) and
15 (d) of section 47 shall apply for purposes of this sec-
16 tion.

17 “(e) LIMITATION ON AGGREGATE CREDITS ALLOW-
18 ABLE WITH RESPECT TO BUILDINGS LOCATED IN A
19 STATE.—

20 “(1) IN GENERAL.—The amount of the credit
21 determined under this section for any taxable year
22 with respect to any building shall not exceed the
23 commercial revitalization credit amount (in the case
24 of an amount determined under subsection
25 (b)(1)(B), the present value of such amount as de-

1 terminated under the rules of section 42(b)(2)(C)) al-
2 located to such building under this subsection by the
3 commercial revitalization credit agency. Such alloca-
4 tion shall be made at the same time and in the same
5 manner as under paragraphs (1) and (7) of section
6 42(h).

7 “(2) COMMERCIAL REVITALIZATION CREDIT
8 AMOUNT FOR AGENCIES.—

9 “(A) IN GENERAL.—The aggregate com-
10 mercial revitalization credit amount which a
11 commercial revitalization credit agency may al-
12 locate for any calendar year is the amount of
13 the State commercial revitalization credit ceil-
14 ing determined under this paragraph for such
15 calendar year for such agency.

16 “(B) STATE COMMERCIAL REVITALIZATION
17 CREDIT CEILING.—

18 “(i) IN GENERAL.—The State com-
19 mercial revitalization credit ceiling applica-
20 ble to any State for any calendar year is
21 \$2,000,000 for each empowerment zone
22 and enterprise community in the State des-
23 ignated under subchapter U.

24 “(ii) SPECIAL RULE WHERE ZONE OR
25 COMMUNITY LOCATED IN MORE THAN 1

1 STATE.—If an empowerment zone or enter-
2 prise community is located in more than 1
3 State, a State’s share of the amount speci-
4 fied in clause (i) with respect to such zone
5 or community shall be an amount that
6 bears the same ratio to \$2,000,000 as the
7 population in the State bears to the popu-
8 lation in all States in which such zone or
9 community is located.

10 “(iii) OTHER SPECIAL RULES.—Rules
11 similar to the rules of subparagraphs (D),
12 (E), (F), and (G) of section 42(h)(3) shall
13 apply for purposes of this subsection.

14 “(C) COMMERCIAL REVITALIZATION CRED-
15 IT AGENCY.—For purposes of this section, the
16 term ‘commercial revitalization credit agency’
17 means any agency authorized by a State to
18 carry out this section.

19 “(f) RESPONSIBILITIES OF COMMERCIAL REVITAL-
20 IZATION CREDIT AGENCIES.—

21 “(1) PLANS FOR ALLOCATION.—Notwithstand-
22 ing any other provision of this section, the commer-
23 cial revitalization credit dollar amount with respect
24 to any building shall be zero unless—

1 “(A) such amount was allocated pursuant
2 to a qualified allocation plan of the commercial
3 revitalization credit agency which is approved
4 by the governmental unit (in accordance with
5 rules similar to the rules of section 147(f)(2)
6 (other than subparagraph (B)(ii) thereof)) of
7 which such agency is a part, and

8 “(B) such agency notifies the chief execu-
9 tive officer (or its equivalent) of the local juris-
10 diction within which the building is located of
11 such project and provides such individual a rea-
12 sonable opportunity to comment on the project.

13 “(2) QUALIFIED ALLOCATION PLAN.—For pur-
14 poses of this subsection, the term ‘qualified alloca-
15 tion plan’ means any plan—

16 “(A) which sets forth selection criteria to
17 be used to determine priorities of the commer-
18 cial revitalization credit agency which are ap-
19 propriate to local conditions,

20 “(B) which considers—

21 “(i) the degree to which a project con-
22 tributes to the implementation of a strate-
23 gic plan that is devised for an eligible com-
24 mercial revitalization area through a citi-
25 zen participation process,

1 “(ii) the amount of any increase in
2 permanent, full-time employment by reason
3 of any project, and

4 “(iii) the active involvement of resi-
5 dents and nonprofit groups within the eli-
6 gible commercial revitalization area, and

7 “(C) which provides a procedure that the
8 agency (or its agent) will follow in monitoring
9 for compliance with this section.

10 “(g) TERMINATION.—This section shall not apply to
11 any building placed in service after December 31, 2000.”

12 (c) CONFORMING AMENDMENTS.—

13 (1) Section 39(d) of the Internal Revenue Code
14 of 1986 is amended by adding at the end the follow-
15 ing new paragraph:

16 “(7) NO CARRYBACK OF SECTION 48A CREDIT
17 BEFORE ENACTMENT.—No portion of the unused
18 business credit for any taxable year which is attrib-
19 utable to any commercial revitalization credit deter-
20 mined under section 48A may be carried back to a
21 taxable year ending before the date of the enactment
22 of section 48A.”

23 (2) Subparagraph (B) of section 48(a)(2) of
24 such Code is amended by inserting “or commercial

1 revitalization” after “rehabilitation” each place it
2 appears in the text and heading thereof.

3 (3) Subparagraph (C) of section 49(a)(1) of
4 such Code is amended by striking “and” at the end
5 of clause (ii), by striking the period at the end of
6 clause (iii) and inserting “, and”, and by adding at
7 the end the following new clause:

8 “(iv) the basis of any qualified revital-
9 ization building attributable to qualified re-
10 vitalization expenditures.”

11 (4) Paragraph (2) of section 50(a) of such Code
12 is amended by inserting “or 48A(d)(2)” after “sec-
13 tion 47(d)” each place it appears.

14 (5) Subparagraph (B) of section 50(a)(2) of
15 such Code is amended by adding at the end the fol-
16 lowing new sentence: “A similar rule shall apply for
17 purposes of section 48A.”

18 (6) Subparagraph (A) of section 50(b)(2) of
19 such Code is amended by inserting “or qualified re-
20 vitalization building (respectively)” after “qualified
21 rehabilitated building”.

22 (7) Paragraph (2) of section 50(b) of such Code
23 is amended by striking “and” at the end of subpara-
24 graph (C), by striking the period at the end of sub-

1 paragraph (D) and inserting “, and”, and by adding
2 at the end the following new subparagraph:

3 “(E) a qualified revitalization building to
4 the extent of the portion of the basis which is
5 attributable to qualified revitalization expendi-
6 tures.”

7 (8) Subparagraph (C) of section 50(b)(4) of
8 such Code is amended by inserting “or commercial
9 revitalization” after “rehabilitated” each place it ap-
10 pears in the text or heading thereof.

11 (9) Subparagraph (C) of section 469(i)(3) is
12 amended—

13 (A) by inserting “or section 48A” after
14 “section 42”; and

15 (B) by striking “CREDIT” in the heading
16 and inserting “AND COMMERCIAL REVITALIZA-
17 TION CREDITS”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to property placed in service after
20 the date of the enactment of this Act.

1 **Subtitle C—Brownfields**
2 **Redevelopment Act**

3 **SEC. 121. ENVIRONMENTAL REMEDIATION TAX CREDIT**
4 **FOR CONTAMINATED SITES IN**
5 **EMPOWERMENT ZONES.**

6 (a) GENERAL RULE.—Part IV of subchapter A of
7 chapter 1 of the Internal Revenue Code of 1986 (relating
8 to credits allowable) is amended by adding at the end the
9 following new subpart:

10 **“Subpart H—Environmental Remediation Credit for**
11 **Sites in Empowerment Zones**

 “Sec. 54. Amount of environmental remediation credit.

 “Sec. 54A. Definitions and special rules.

12 **“SEC. 54. AMOUNT OF ENVIRONMENTAL REMEDIATION**
13 **CREDIT.**

14 “(a) GENERAL RULE.—For purposes of section 38,
15 the environmental remediation credit for empowerment
16 zones determined under this section is 50 percent of the
17 costs—

18 “(1) which are paid or incurred by the taxpayer
19 for environmental remediation with respect to any
20 qualified contaminated site which is owned by the
21 taxpayer, and

22 “(2) which are incurred by the taxpayer pursu-
23 ant to an environmental remediation plan for such
24 site which was approved by the Administrator of the

1 Environmental Protection Agency or by the head of
2 any State or local government agency designated by
3 the Administrator to carry out the Administrator’s
4 functions under this subpart with respect to such
5 site.

6 “(b) REMEDIATION PLAN MUST BE COMPLETED.—

7 “(1) IN GENERAL.—Except as otherwise pro-
8 vided in paragraph (2)—

9 “(A) no environmental remediation credit
10 shall be determined under this section with re-
11 spect to any qualified contaminated site unless
12 the Administrator of the Environmental Protec-
13 tion Agency (or such Administrator’s designee
14 under subsection (a)(2)) certifies that the envi-
15 ronmental remediation plan for such site has
16 been completed, and

17 “(B) if such Administrator (or designee)
18 certifies that such plan has been completed,
19 such credit shall be taken into account under
20 subsection (a) ratably over the 5-taxable-year
21 period beginning with the taxable year in which
22 such plan was completed.

23 “(2) SPECIAL RULE WHERE EXTRAORDINARY
24 COST INCREASES.—If—

1 “(A) the taxpayer determines that due to
2 unforeseen circumstances the cost of completing
3 the remediation plan for any qualified contami-
4 nated site exceeds 200 percent of the estimated
5 costs of completing such plan, and

6 “(B) the State or local official administer-
7 ing the remediation credit program agrees with
8 such determination,

9 the taxpayer may cease the implementation of such
10 plan and shall be entitled to an environmental reme-
11 diation credit with respect to costs incurred before
12 such cessation. Such credit shall be taken into ac-
13 count under subsection (a) ratably over the 5-tax-
14 able-year period beginning with the taxable year in
15 which such cessation occurs.

16 “(c) CERTAIN PARTIES NOT ELIGIBLE.—A taxpayer
17 shall not be eligible for any credit determined under this
18 section with respect to any qualified contaminated site if—

19 “(1) at any time on or before the date of the
20 enactment of this subpart, such taxpayer was the
21 owner or operator of any business on such site,

22 “(2) at any time before, on, or after such date
23 of enactment such taxpayer—

24 “(A) had (by contract, agreement, or oth-
25 erwise) arranged for the disposal or treatment

1 of any hazardous materials at such site or ar-
2 ranged with a transporter for transport for dis-
3 posal or treatment of any hazardous materials
4 at such site, or

5 “(B) had accepted any hazardous mate-
6 rials for transport to such site, or

7 “(3) the taxpayer is related to any taxpayer re-
8 ferred to in paragraph (1) or (2).

9 The preceding sentence shall not apply to a taxpayer who
10 became described therein by reason of the acquisition of
11 the business or site through foreclosure (or the equivalent)
12 of a security interest held by the taxpayer or a related
13 party if the taxpayer undertakes to sell or otherwise dis-
14 pose of such business or site in a reasonably expeditious
15 manner on commercially reasonable terms.

16 “(d) QUALIFIED CONTAMINATED SITE.—For pur-
17 poses of this subpart, the term ‘qualified contaminated
18 site’ means any contaminated site if—

19 “(1) the contaminated site is located entirely
20 within an empowerment zone,

21 “(2) the condition of the contaminated site is
22 such that without participation in the environmental
23 remediation credit program redevelopment is un-
24 likely,

1 “(3) the contaminated site has not been in pro-
2 ductive use for at least 1 year before participation
3 in the program,

4 “(4) there is a strong likelihood of redevelop-
5 ment of the site for industrial or commercial use
6 that will result in creation of jobs and expansion of
7 the tax base, and

8 “(5) environmental remediation and redevelop-
9 ment are likely to be completed within a reasonable
10 period of time.

11 **“SEC. 54A. DEFINITIONS AND SPECIAL RULES.**

12 “(a) CONTAMINATED SITE.—For purposes of this
13 subpart—

14 “(1) IN GENERAL.—The term ‘contaminated
15 site’ means any site if at least 1 of the following en-
16 vironmental conditions is present on such site:

17 “(A) A release or threatened release of any
18 hazardous, toxic, or dangerous substance.

19 “(B) Any storage tanks which contain any
20 hazardous, toxic, or dangerous substance.

21 “(C) Any illegal disposal of solid waste.

22 “(2) HAZARDOUS, TOXIC, OR DANGEROUS SUB-
23 STANCE.—Any substance, waste, or material shall be
24 treated as a hazardous, toxic, or dangerous sub-
25 stance if it is so treated under—

1 “(A) the Comprehensive Environmental
2 Response, Compensation, and Liability Act (42
3 U.S.C. 9601 et seq.) as in effect on the date of
4 the enactment of this section, or

5 “(B) the Resource Conservation and Re-
6 covery Act (42 U.S.C. 6901 et seq.) as so in ef-
7 fect.

8 The following materials shall in any event be treated
9 as such a substance: petroleum or crude oil or any
10 derivative thereof, friable asbestos or any asbestos
11 containing material, polychlorinated biphenyls, and
12 lead paint.

13 “(b) ENVIRONMENTAL REMEDIATION.—For pur-
14 poses of this subpart, the term ‘environmental remedi-
15 ation’ means—

16 “(1) removal or remediation activity in accord-
17 ance with the plan approved under section 54(a)(2),

18 “(2) restoration of natural, historic or cultural
19 resources at the site, or the mitigation of unavoid-
20 able losses of such resources incurred in connection
21 with the remediation or response activity,

22 “(3) health assessments or health effects stud-
23 ies related to the site,

24 “(4) remediation of off-site contamination
25 caused by activity on the site (other than remedi-

1 ation activities of a type not permitted for the site),
2 and

3 “(5) any other costs specified in the plan ap-
4 proved under section 54(a)(2), including demolition
5 of existing contaminated structures, site security,
6 permit fees necessary for remediation, and environ-
7 mental audits.

8 “(c) RELATED PERSON.—For purposes of this sub-
9 part, persons shall be treated as related to each other if
10 such persons are treated as a single employer under the
11 regulations prescribed under section 52(b) or such persons
12 bear a relationship to each other specified in section
13 267(b) or 707(b).”

14 (b) CREDIT MADE PART OF GENERAL BUSINESS
15 CREDIT.—Subsection (b) of section 38 of such Code is
16 amended by striking “plus” at the end of paragraph (10),
17 by striking the period at the end of paragraph (11) and
18 inserting “, plus”, and by adding at the end the following
19 new paragraph:

20 “(12) the environmental remediation credit for
21 empowerment zones under section 54(a).”

22 (c) LIMITATION ON CARRYBACK.—Subsection (d) of
23 section 39 of such Code (as amended by section 115(e))
24 is amended by adding at the end the following new para-
25 graph:

1 “(8) NO CARRYBACK OF ENVIRONMENTAL RE-
 2 MEDIATION CREDIT BEFORE ENACTMENT.—No por-
 3 tion of the unused business credit for any taxable
 4 year which is attributable to the credit under section
 5 54 may be carried back to a taxable year ending be-
 6 fore the date of the enactment of section 54.”

7 (d) DEDUCTION FOR UNUSED CREDIT.—Subsection
 8 (c) of section 196 of such Code is amended by striking
 9 “and” at the end of paragraph (6), by striking the period
 10 at the end of paragraph (7) and inserting “, and”, and
 11 by adding at the end the following new paragraph:

12 “(8) the environmental remediation credit de-
 13 termined under section 54.”

14 (e) CLERICAL AMENDMENT.—The table of subparts
 15 for part IV of subchapter A of chapter 1 of such Code
 16 is amended by adding at the end the following new item:

 “Subpart H. Environmental remediation credit.”

17 (f) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to taxable years ending after the
 19 date of the enactment of this Act.

20 **SEC. 122. USE OF REDEVELOPMENT BONDS FOR ENVIRON-**
 21 **MENTAL REMEDIATION IN EMPOWERMENT**
 22 **ZONES.**

23 (a) ENVIRONMENTAL REMEDIATION INCLUDED AS
 24 REDEVELOPMENT PURPOSE.—Subparagraph (A) of sec-
 25 tion 144(c)(3) of the Internal Revenue Code of 1986 (re-

1 lating to redevelopment purposes) is amended by striking
2 “and” at the end of clause (iii), by striking the period
3 at the end of clause (iv) and inserting “, and”, and by
4 adding at the end the following new clause:

5 “(v) the costs of environmental reme-
6 diation (as defined in section 54A(b)) with
7 respect to a qualified contaminated site (as
8 defined in section 54(d)) if such costs are
9 incurred pursuant to an environmental re-
10 mediation plan which was approved by the
11 Administrator of the Environmental Pro-
12 tection Agency or by the head of any State
13 or local government agency designated by
14 the Administrator to carry out the Admin-
15 istrator’s functions under this clause.”

16 (b) CERTAIN REQUIREMENTS NOT TO APPLY TO
17 REDEVELOPMENT BONDS FOR ENVIRONMENTAL REME-
18 DIATION.—Subsection (c) of section 144 of such Code is
19 amended by adding at the end the following new para-
20 graph:

21 “(9) CERTAIN REQUIREMENTS NOT TO APPLY
22 TO REDEVELOPMENT BONDS FOR ENVIRONMENTAL
23 REMEDIATION IN EMPOWERMENT ZONES.—In the
24 case of any bond issued as part of an issue 95 per-

1 cent or more of the proceeds of which are to finance
2 costs referred to in paragraph (3)(A)(v)—

3 “(A) paragraph (2)(A)(i) shall not apply,

4 “(B) paragraph (2)(A)(ii) shall not apply
5 to any issue issued by the governing body de-
6 scribed in paragraph (4)(A) with respect to the
7 area which includes the site,

8 “(C) the requirement of paragraph
9 (2)(B)(ii) shall be treated as met if—

10 “(i) the payment of the principal and
11 interest on such issue is secured by taxes
12 imposed by a governmental unit, or

13 “(ii) such issue is approved by the ap-
14 plicable elected representative (as defined
15 in section 147(f)(2)(E)) of the govern-
16 mental unit which issued such issue (or on
17 behalf of which such issue was issued),

18 “(D) subparagraphs (C) and (D) of para-
19 graph (2) shall not apply,

20 “(E) subparagraphs (C) and (D) of para-
21 graph (4) shall not apply, and

22 “(F) if the real property referred to in
23 clause (iii) of paragraph (3)(A) is 1 or more
24 dwelling units, such clause shall apply only if
25 the requirements of section 142(d) or 143 (as

1 the case may be) are met with respect to such
2 units.”

3 (c) PENALTY FOR FAILURE TO SATISFACTORILY
4 COMPLETE REMEDIATION PLAN.—Subsection (b) of sec-
5 tion 150 of such Code is amended by adding at the end
6 the following new paragraph:

7 “(7) QUALIFIED CONTAMINATED SITE REMEDI-
8 ATION BONDS.—In the case of financing provided for
9 costs described in section 144(c)(3)(A)(v), no deduc-
10 tion shall be allowed under this chapter for interest
11 on such financing during any period during which
12 there is a determination by the Administrator of the
13 Environmental Protection Agency (or by the head of
14 any State or local government agency designated by
15 the Administrator to carry out the Administrator’s
16 functions under this paragraph) that the remedi-
17 ation plan under which such costs were incurred was
18 not satisfactorily completed.”

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to bonds issued after the date of
21 the enactment of this Act.

1 **TITLE II—ASSISTANCE FOR IN-**
2 **FRASTRUCTURE IMPROVE-**
3 **MENTS AND DEVELOPMENT**

4 **SEC. 201. LOAN GUARANTEES.**

5 (a) **AUTHORITY.**—The Secretary of Housing and
6 Urban Development may guarantee and make commit-
7 ments to guarantee eligible debt instruments. Any such
8 guarantee or commitment shall be subject to such terms
9 and conditions as the Secretary may prescribe.

10 (b) **ELIGIBLE DEBT INSTRUMENTS.**—For purposes
11 of this section, the term “eligible debt instrument” means
12 a note or other obligation that—

13 (1) is issued by an eligible unit of general local
14 government (or a public agency designated by such
15 a unit);

16 (2) is issued for the purpose of financing any
17 infrastructure activities that are—

18 (A) to be carried out within an
19 empowerment zone or enterprise community
20 which is located (in whole or in part) within the
21 unit of general local government; and

22 (B) consistent with the strategic plan for
23 the empowerment zone or enterprise commu-
24 nity; and

1 (3) is in such form and denomination, has such
2 maturity, and is subject to such other conditions as
3 the Secretary shall prescribe.

4 (c) SECURITY AND REPAYMENT.—

5 (1) REQUIREMENTS ON ISSUER.—To ensure the
6 repayment of eligible debt instruments guaranteed
7 under this section and as a condition for receiving
8 such guarantees, the Secretary shall require the unit
9 of local government issuing the debt instrument to—

10 (A) enter into a contract, in a form accept-
11 able to the Secretary, for repayment of the debt
12 instrument guaranteed; and

13 (B) furnish, at the discretion of the Sec-
14 retary, such other security as may be deemed
15 appropriate by the Secretary in making such
16 guarantees.

17 (2) FULL FAITH AND CREDIT.—The full faith
18 and credit of the United States is hereby pledged to
19 the payment of all guarantees made under this sec-
20 tion. Any such guarantee made by the Secretary
21 shall be conclusive evidence of the eligibility of the
22 debt instrument for such guarantee with respect to
23 principal and interest, and the validity of any such
24 guarantee so made shall be incontestable in the

1 hands of a holder of the guaranteed debt instru-
2 ments.

3 (d) LIMITATIONS ON AMOUNT OF GUARANTEES.—

4 (1) AGGREGATE FISCAL YEAR LIMITATION.—

5 Notwithstanding any other provision of law, to the
6 extent approved or provided in appropriation Acts,
7 the Secretary may enter into commitments under
8 this section to guarantee eligible debt instruments
9 with an aggregate principal amount not exceeding
10 \$50,000,000.

11 (2) LIMITATIONS ON EMPOWERMENT ZONES

12 AND ENTERPRISE COMMUNITIES.—The aggregate

13 amount of the eligible debt instruments for financing

14 infrastructure activities in a single empowerment

15 zone or enterprise community that are guaranteed

16 under this section may not exceed, in any single fis-

17 cal year—

18 (A) \$3,000,000, with respect to any

19 empowerment zone; and

20 (B) \$1,000,000, with respect to any enter-

21 prise community.

22 (e) ELIGIBILITY OF ISSUERS.—The Secretary shall

23 establish criteria for use in determining whether to guar-

24 antee the eligible debt instruments of an eligible unit of

1 general local government, which shall include consider-
2 ation of the following factors:

3 (1) The extent to which the activities to be as-
4 sisted with the proceeds of the eligible debt instru-
5 ments guaranteed will benefit residents of the
6 empowerment zone or enterprise community in-
7 volved.

8 (2) The extent to which the empowerment zone
9 or enterprise community involved is located within
10 the area of jurisdiction of the eligible unit of general
11 local government that is the issuer of the eligible
12 debt instruments.

13 (3) The extent of cooperation between the eligi-
14 ble unit of general local government that is the is-
15 suer and any other governments with jurisdiction
16 over the empowerment zone or enterprise commu-
17 nity.

18 (4) The extent of private and community par-
19 ticipation in the activities to be assisted with the
20 proceeds of the eligible debt instruments guaranteed.

21 (5) The extent to which the activities to be as-
22 sisted with the eligible debt instruments guaranteed
23 will be financed with amounts other than such pro-
24 ceeds.

1 (6) Such other criteria as the Secretary may
2 prescribe.

3 (f) AUTHORIZATION OF APPROPRIATIONS FOR CRED-
4 IT SUBSIDY.—There are authorized to be appropriated to
5 cover the costs (as such term is defined in section 502
6 of the Congressional Budget Act of 1974) of guarantees
7 under this section, such sums as may be necessary for fis-
8 cal year 1997. Any amounts appropriated pursuant to this
9 subsection shall remain available until expended.

10 (g) TERMINATION.—The Secretary may not guaran-
11 tee any eligible debt instruments under this subsection
12 after September 30, 2001, except pursuant to a guarantee
13 issued on or before such date.

14 **SEC. 202. REVOLVING FUND FOR LOANS.**

15 (a) IN GENERAL.—The Secretary shall establish and
16 administer a revolving loan fund under this section and
17 may use amounts in the fund to make loans to eligible
18 units of general local government to carry out infrastruc-
19 ture activities.

20 (b) USE OF AMOUNTS.—Amounts in the revolving
21 loan fund established under this section shall be available,
22 to the extent provided in appropriation Acts, only for—

23 (1) loans to eligible units of general local gov-
24 ernment to carry out infrastructure activities that
25 are—

1 (A) to be carried out within the
2 empowerment zone or enterprise community
3 which is located (in whole or in part) within the
4 unit of general local government; and

5 (B) consistent with the strategic plan for
6 the empowerment zone or enterprise commu-
7 nity; and

8 (2) reasonable administrative costs of the fund.

9 (c) CREDITS.—The loan fund established under this
10 section shall be credited with—

11 (1) any amounts appropriated for deposit in the
12 fund;

13 (2) any repayment of principal and interest
14 under a loan made from the fund;

15 (3) any amounts resulting from claims and col-
16 lections under a loan made from the fund;

17 (4) any other amounts dedicated to the fund.

18 (d) LOAN AMOUNT LIMITATION.—The aggregate
19 amount of the loans made under this section for infra-
20 structure activities in any single empowerment zone or en-
21 terprise community may not exceed, in any single fiscal
22 year—

23 (1) \$3,000,000, with respect to any
24 empowerment zone; and

1 (2) \$1,000,000, with respect to any enterprise
2 community.

3 (e) ELIGIBILITY OF BORROWERS.—The Secretary
4 shall establish criteria for use in determining whether to
5 make a loan from the fund established under this section
6 to an applicant eligible unit of general local government,
7 which shall include consideration of the following factors:

8 (1) The extent to which the activities to be as-
9 sisted with the loan amounts are consistent with the
10 strategic plan for empowerment zone or enterprise
11 community.

12 (2) The extent to which the activities to be as-
13 sisted with the loan amounts will benefit residents of
14 the empowerment zone or enterprise community in-
15 volved.

16 (3) The extent to which the empowerment zone
17 or enterprise community involved is located within
18 the area of jurisdiction of the applicant unit of gen-
19 eral local government.

20 (4) The extent of cooperation between the ap-
21 plicant unit of general local government and any
22 other governments with jurisdiction over the
23 empowerment zone or enterprise community.

1 (2) \$1,000,000, with respect to any enterprise
2 community.

3 (c) USE OF GRANT AMOUNTS.—Amounts from a
4 grant under this section may be used only for carrying
5 out infrastructure activities that are—

6 (1) to be carried out within the empowerment
7 zone or enterprise community which is located (in
8 whole or in part) within the unit of general local
9 government to which the grant is made; and

10 (2) consistent with the strategic plan for the
11 empowerment zone or enterprise community.

12 Such infrastructure activities may be carried out directly
13 by the grantee or by subgrantees.

14 (d) SELECTION OF GRANTEES.—The Secretary shall
15 select eligible units of general local government to receive
16 grants under this section from among the units that apply
17 for grants. The Secretary shall establish requirements and
18 procedures for applications under this section. Selection
19 shall be made under a competition based on the following
20 criteria:

21 (1) The extent to which the activities to be as-
22 sisted with grant amounts are consistent with the
23 strategic plan for empowerment zone or enterprise
24 community.

1 (2) The extent to which the activities to be as-
2 sisted with grant amounts will benefit residents of
3 the empowerment zone or enterprise community in-
4 volved.

5 (3) The extent to which the empowerment zone
6 or enterprise community involved is located within
7 the area of jurisdiction of the applicant unit of gen-
8 eral local government.

9 (4) The extent of cooperation between the ap-
10 plicant unit of general local government and any
11 other governments with jurisdiction over the
12 empowerment zone or enterprise community.

13 (5) The extent of private and community par-
14 ticipation in the activities to be assisted with the
15 loan amounts.

16 (6) The extent to which the activities to be as-
17 sisted with grant amounts will be assisted with
18 amounts other than such grant amounts.

19 (7) Such other criteria as the Secretary may
20 prescribe.

21 (e) AUTHORIZATION OF APPROPRIATIONS.—There is
22 authorized to be appropriated for grants under this section
23 \$10,000,000 for each of fiscal years 1997, 1998, 1999,
24 2000, and 2001. Any amounts appropriated pursuant to
25 this subsection shall remain available until expended.

1 **SEC. 204. ELIGIBLE UNITS OF GENERAL LOCAL GOVERN-**
2 **MENT.**

3 For purposes of this title, the term “eligible unit of
4 general local government” means a unit of general local
5 government that has an area of jurisdiction within which
6 is located all or part of an empowerment zone or enter-
7 prise community for which the designation referred to in
8 paragraph (1) or (2) of section 206 is in effect.

9 **SEC. 205. INFRASTRUCTURE ACTIVITIES.**

10 For purposes of this title, the term “infrastructure
11 activities” means the provision, improvement, or develop-
12 ment of—

13 (1) roads, streets, tunnels, bridges, or side-
14 walks;

15 (2) convention or trade show facilities;

16 (3) airports, commercial ports, docks, or
17 wharves, mass commuting facilities, parking facili-
18 ties, or storage or training facilities directly related
19 to any other facility under this paragraph;

20 (4) intermodal transportation facilities;

21 (5) sewage or solid waste disposal facilities or
22 facilities for the local furnishing of electric energy or
23 gas;

24 (6) air or water pollution control facilities;

25 (7) facilities for the furnishing of water for any
26 purpose if—

1 (A) the water is or will be made available
2 to members of the general public; and

3 (B)(i) the facilities are operated by a gov-
4 ernmental unit, or (ii) the rates for the furnish-
5 ing or sale of water have been established or
6 approved by a State or unit of general local
7 government, by an agency or instrumentality of
8 the United States, or by a public service or
9 public utility commission or other similar body
10 of any State or unit of general local govern-
11 ment;

12 (8) hydroelectric generating facilities;

13 (9) mass commuting vehicles or systems;

14 (10) local district heating or cooling facilities;

15 (11) projects for residential rental property, if
16 at all times during the 10-year period beginning
17 upon the initial occupancy of the project (as the Sec-
18 retary shall determine) 20 percent or more of the
19 dwelling units in each of the projects are available
20 for occupancy only by low-income families (as such
21 term is defined in section 3 of the United States
22 Housing Act of 1937);

23 (12) land as the site for an industrial park
24 (which includes the acquisition of land, the provision
25 of water, sewage, drainage, and similar facilities,

1 and transportation, power, and communication facili-
2 ties incidental to use of the site as an industrial
3 park, but does not include the provision of struc-
4 tures or buildings); or

5 (13) computer or automation technology for—

6 (A) the establishment of local public- or
7 educational-sector wide area networks (includ-
8 ing providing public access sites and systems in-
9 tegration); or

10 (B) federally designated national informa-
11 tion highway facilities.

12 **SEC. 206. DEFINITIONS.**

13 For purposes of this title, the following definitions
14 shall apply:

15 (1) **EMPOWERMENT ZONE.**—The term
16 “empowerment zone” means an area that has been
17 designated as an empowerment zone under part I of
18 subchapter U of chapter 1 of the Internal Revenue
19 Code of 1986.

20 (2) **ENTERPRISE COMMUNITY.**—The term “en-
21 terprise community” means an area that has been
22 designated as an enterprise community under part I
23 of subchapter U of chapter 1 of the Internal Reve-
24 nue Code of 1986.

1 (3) SECRETARY.—The term “Secretary” means
2 the Secretary of Housing and Urban Development.

3 (4) STRATEGIC PLAN.—The term “strategic
4 plan” means, with respect to an empowerment zone
5 or enterprise community, the plan contained in the
6 application for designation of the area as such a
7 zone or community under part I of subchapter U of
8 chapter 1 of the Internal Revenue Code of 1986.

9 (5) UNIT OF GENERAL LOCAL GOVERNMENT.—
10 The term “unit of general local government”
11 means—

12 (A) any county, city, town, township, par-
13 ish, village, or other general purpose political
14 subdivision of a State; and

15 (B) any combination of political subdivi-
16 sions described in subparagraph (A) recognized
17 by the Secretary.

18 **SEC. 207. REGULATIONS.**

19 The Secretary may issue any regulations necessary
20 to carry out this title.

1 **TITLE III—ADDITIONAL BENE-**
2 **FITS FOR EMPOWERMENT**
3 **ZONES AND ENTERPRISE**
4 **COMMUNITIES**

5 **SEC. 301. EDUCATION GRANTS.**

6 (a) **SHORT TITLE.**—This section may be cited as the
7 “Give Students the Power to Work Program Act”.

8 (b) **PROGRAM AUTHORIZED.**—The Secretary of Edu-
9 cation is authorized to provide grants to local educational
10 agencies located in empowerment zones to provide stu-
11 dents in such areas with the employment skills and tech-
12 nologies necessary to sustain or improve businesses and
13 industries located in such zones.

14 (c) **AUTHORIZATION.**— There are authorized to be
15 appropriated \$30,000,000 for fiscal year 1997 to carry
16 out this section.

17 **SEC. 302. MINIMUM ALLOCATION OF FOREIGN ASSISTANCE**
18 **FOR PURCHASE OF CERTAIN UNITED STATES**
19 **GOODS.**

20 (a) **ALLOCATION OF ASSISTANCE.**—Notwithstanding
21 any other provision of law, effective beginning with fiscal
22 year 1997, not less than 15 percent of United States as-
23 sistance provided in a fiscal year shall be provided in the
24 form of credits which may only be used for the purchase
25 of United States goods produced, manufactured, or assem-

1 bled in empowerment zones, enterprise communities, or
2 enterprise zones within the United States.

3 (b) UNITED STATES ASSISTANCE.—As used in this
4 section, the term “United States assistance” means—

5 (1) any assistance under the Foreign Assistance
6 Act of 1961;

7 (2) sales, or financing of sales under the Arms
8 Export Control Act; and

9 (3) assistance and other activities under the
10 Support for East European Democracy (SEED) Act
11 of 1989 (Public Law 101–179).

12 (c) DEFINITIONS.—As used in this section:

13 (1) The term “empowerment zone” means a
14 zone designated as an empowerment zone pursuant
15 to subchapter U of chapter 1 of the Internal Reve-
16 nue Code of 1986 (26 U.S.C. 1391 et seq.).

17 (2) The term “enterprise community” means a
18 community designated as an enterprise community
19 pursuant to subchapter U of chapter 1 of the Inter-
20 nal Revenue Code of 1986 (26 U.S.C. 1391 et seq.).

1 **SEC. 303. REQUIREMENT FOR FEDERAL GOVERNMENT TO**
2 **PROCURE 15 PERCENT OF GOODS AND SERV-**
3 **ICES FROM BUSINESSES LOCATED IN**
4 **EMPOWERMENT ZONES AND ENTERPRISE**
5 **COMMUNITIES.**

6 (a) CIVILIAN AGENCY ACQUISITIONS.—(1) Title III
7 of the Federal Property and Administrative Services Act
8 of 1949 (41 U.S.C. 251 et seq.) is amended by adding
9 at the end the following new section:

10 **“SEC. 317. REQUIREMENT TO PROCURE GOODS AND SERV-**
11 **ICES FROM ENTITIES LOCATED IN**
12 **EMPOWERMENT ZONES AND ENTERPRISE**
13 **COMMUNITIES.**

14 “(a) REQUIREMENT.—At least 15 percent of the
15 amount obligated in a fiscal year by an executive agency
16 for contracts for the procurement of goods and services
17 shall be obligated for contracts to be carried out by entities
18 located in empowerment zones or enterprise communities.

19 “(b) LIMITATION.—The requirement of subsection
20 (a) shall not apply to the extent that the goods or services
21 to be procured—

22 “(1) are not reasonably available within a rea-
23 sonable period of time from an entity located in an
24 empowerment zone or enterprise community;

25 “(2) are so available, but fail to meet the per-
26 formance standards set forth in the applicable speci-

1 “(b) LIMITATION.—The requirement of subsection
2 (a) shall not apply to the extent that the goods or services
3 to be procured—

4 “(1) are not reasonably available within a rea-
5 sonable period of time from an entity located in an
6 empowerment zone or enterprise community;

7 “(2) are so available, but fail to meet the per-
8 formance standards set forth in the applicable speci-
9 fications or fail to meet the reasonable performance
10 standards of the procuring agency; or

11 “(3) are so available, but at an unreasonable
12 price.

13 “(c) DEFINITION.—For purposes of this section, the
14 terms ‘empowerment zone’ and ‘enterprise community’
15 mean such a zone or community designated under section
16 1391 of the Internal Revenue Code of 1986.”.

17 (2) The table of sections at the beginning of such
18 chapter is amended by adding at the end the following
19 new item:

“2332. Requirement to procure goods and services from entities located in
empowerment zones and enterprise communities.”.

20 (c) EFFECTIVE DATE.—Section 317 of the Federal
21 Property and Administrative Services Act of 1949 and
22 section 2332 of title 10, United States Code, as added by
23 subsections (a) and (b), respectively, shall take effect on
24 October 1, 1996.

1 **SEC. 304. REQUIREMENT FOR FEDERAL GOVERNMENT TO**
2 **PROCURE RECYCLED MATERIALS FROM EN-**
3 **TITIES LOCATED IN EMPOWERMENT ZONES.**

4 (a) REQUIREMENT.—Section 6002(c)(1) of the Solid
5 Waste Disposal Act (42 U.S.C. 6962(c)(1)) is amended
6 by inserting after the first sentence the following: “Such
7 items shall be procured from entities located in
8 empowerment zones, as designated under section 1391 of
9 the Internal Revenue Code of 1986.”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 subsection (a) shall take effect on October 1, 1996.

12 **SEC. 305. GET EMPOWERMENT ZONES MOVING PROGRAM.**

13 (a) IN GENERAL.—The Secretary of Transportation
14 may make grants to a State or local government in which
15 an empowerment zone is located to finance innovative pro-
16 grams for meeting the transportation needs of the
17 empowerment zone.

18 (b) APPLICATIONS.—In order to be eligible to receive
19 a grant under this section, a State or local government
20 shall submit to the Secretary an application that is in such
21 form and contains such information as the Secretary may
22 require.

23 (c) USE OF GRANTS.—Amounts from grants made
24 under this section may be used to carry out innovative
25 transportation programs in an empowerment zone for any
26 of the following purposes:

1 (1) Leasing and operating special transpor-
2 tation vehicles.

3 (2) Enhancing mobility in and around the
4 empowerment zone.

5 (3) Improving public safety in the
6 empowerment zone.

7 (4) Other purposes designed to meet the trans-
8 portation needs of the empowerment zone, as ap-
9 proved by the Secretary.

10 (d) EMPOWERMENT ZONE DEFINED.—In this sec-
11 tion, the term “empowerment zone” means a zone des-
12 ignated under section 1391 of the Internal Revenue Code
13 of 1986.

14 (e) AUTHORIZATION OF APPROPRIATIONS.—There is
15 authorized to be appropriated to carry out this section
16 \$27,000,000 in the aggregate for fiscal years 1997
17 through 2001. Such sums shall remain available until ex-
18 pended.

1 **TITLE IV—REGULATORY**
2 **FLEXIBILITY**

3 **SEC. 401. DEFINITION OF SMALL ENTITIES IN**
4 **EMPOWERMENT ZONES AND ENTERPRISE**
5 **COMMUNITIES FOR ANALYSIS OF REGU-**
6 **LATORY FUNCTIONS.**

7 Section 601 of title 5, United States Code, is amend-
8 ed—

9 (1) by striking “and” at the end of paragraph
10 (5); and

11 (2) by striking paragraph (6) and inserting the
12 following:

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

14 “(A) a small business, small organization,
15 or small governmental jurisdiction defined in
16 paragraphs (3), (4), and (5) of this section; and

17 “(B)(i) any enterprise zone business (as
18 defined by section 1394(b)(3) of the Internal
19 Revenue Code of 1986);

20 “(ii) any unit of government that nomi-
21 nated an area which the appropriate Secretary
22 designates as an empowerment zone or enter-
23 prise community (within the meaning of section
24 1391 of the Internal Revenue Code of 1986)
25 that has a rule pertaining to the carrying out

1 of any project, activity, or undertaking within
2 such zone or community; and

3 “(iii) any not-for-profit enterprise carrying
4 out a significant portion of its activities within
5 such a zone or community.

6 For purposes of subparagraph (B)(ii), the term ‘ap-
7 propriate Secretary’ has the meaning given such
8 term by section 1393(a)(1) of the Internal Revenue
9 Code of 1986.”

10 **SEC. 402. WAIVER OR MODIFICATION OF AGENCY RULES IN**
11 **EMPOWERMENT ZONES AND ENTERPRISE**
12 **COMMUNITIES.**

13 (a) IN GENERAL.—Chapter 6 of title 5, United
14 States Code, is amended by adding after section 612 the
15 following new section:

16 **“§613. Waiver or modification of agency rules in**
17 **empowerment zones and enterprise com-**
18 **munities**

19 “(a) Upon the written request of any government
20 which nominated an area that the appropriate Secretary
21 has designated as an empowerment zone or enterprise
22 community under section 1391 of the Internal Revenue
23 Code of 1986, an agency is authorized, in order to further
24 the job creation, community development, or economic re-
25 vitalization objectives with respect to such zone or commu-

1 nity, to waive or modify all or part of any rule which such
2 agency has authority to promulgate, as such rule pertains
3 to the carrying out of projects, activities, or undertakings
4 within such zone or community.

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

11 “(c) A request under subsection (a) shall specify the
12 rule or rules to be waived or modified and the change pro-
13 posed, and shall briefly describe why the change would
14 promote the achievement of the job creation, community
15 development, or economic revitalization objectives of the
16 empowerment zone or enterprise community. If such a re-
17 quest is made to any agency other than the Department
18 of Housing and Urban Development or the Department
19 of Agriculture, the requesting government shall send a
20 copy of the request to the Secretary of Housing and Urban
21 Development or to the Secretary of Agriculture, whichever
22 is appropriate, at the time the request is made.

23 “(d) Any petition for a modification or waiver shall—
24 (i) identify the requirements for which the
25 modification or waiver is sought;

1 “(ii) identify the existing or proposed business
2 or type of business to which the modification or
3 waiver would pertain;

4 “(iii) demonstrate that the public interest which
5 the proposed change would serve in furthering such
6 job creation, community development, or economic
7 revitalization outweighs the public interest which
8 continuation of the rule unchanged would serve;

9 “(iv) demonstrate the extent to which the pro-
10 posed change is likely to further job creation, com-
11 munity development, or economic revitalization with-
12 in the empowerment zone or enterprise community
13 against the effect the change is likely to have on the
14 underlying purposes of applicable statutes in the ge-
15 ographic area which would be affected by the
16 change; and

17 “(v) demonstrate that the waiver or modifica-
18 tion is necessary because the existing rule impedes
19 the implementation of an existing or proposed busi-
20 ness or type of business that furthers job creation,
21 community development, or economic revitalization.

22 “(e) The agency may approve, in its discretion, a pe-
23 tition upon determining that the petition meets the above-
24 stated criteria. The agency shall not approve any request

1 to waive or modify a rule if that waiver or modification
2 would—

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

6 “(2) be likely to present a significant risk to the
7 public health, including environmental or occupa-
8 tional health or safety or environmental pollution.

9 “(f) A modified rule shall be enforceable as if it were
10 the issuance of an amendment to the rule being modified
11 or waived.

12 “(g) If a request is disapproved, the agency shall in-
13 form all the requesting governments, and the appropriate
14 Secretary (as defined in section 1393(a)(1) of the Internal
15 Revenue Code of 1986), in writing of the reasons therefor
16 and shall, to the maximum extent possible, work with such
17 governments to develop an alternative, consistent with the
18 standards contained in subsection (d).

19 “(h) No later than the date on which the petitioner
20 submits the petition to the agency, the petitioner shall in-
21 form the public of the submission of such petition (includ-
22 ing a brief description of the petition) through publication
23 of a notice in newspapers of general circulation in the area
24 in which the facility is located. The agency may authorize
25 or require petitioners to use additional or alternative

1 means of informing the public of the submission of such
2 petitions. If the agency proposes to grant the petitions,
3 the agency shall provide public notice and opportunity to
4 comment. The agency shall publish a notice in the Federal
5 Register stating any waiver or modification of a rule under
6 this section, the time such waiver or modification takes
7 effect and its duration, and the scope of the applicability
8 of such waiver or modification, consistent with Adminis-
9 trative Procedure Act requirements.

10 “(i) In the event that an agency proposes to amend
11 a rule for which a waiver or modification under this sec-
12 tion is in effect, the agency shall not change the waiver
13 or modification to impose additional requirements unless
14 it determines, consistent with standards contained in sub-
15 section (d), that such action is necessary. Such determina-
16 tions shall be published with the proposal to amend such
17 rule.

18 “(j) No waiver or modification of a rule under this
19 section shall remain in effect with respect to an
20 empowerment zone or enterprise community after the zone
21 or community designation has expired or has been re-
22 voked.

23 “(k) For purposes of this section, the term ‘rule’
24 means—

1 “(1) any rule as defined in section 551(4) of
2 this title, or

3 “(2) any rulemaking conducted on the record
4 after opportunity for an agency hearing pursuant to
5 sections 556 and 557 of this title.”

6 (b) CLERICAL AMENDMENT.—The analysis for chap-
7 ter 6 of title 5, United States Code, is amended by insert-
8 ing after the item relating to section 612, the following
9 new item:

“613. Waiver or modification of agency rules in empowerment zones and enter-
prise communities.”

10 (c) CONFORMING AMENDMENTS.—

11 (1) Section 601(2) of such title 5 is amended
12 by inserting “(except for purposes of section 613)”
13 before “means”.

14 (2) Section 612 of such title 5 is amended—

15 (A) in subsection (a), by inserting “(except
16 section 613)” after “chapter”; and

17 (B) in subsection (b), by inserting “as de-
18 fined in section 601(2)” before the period at
19 the end of the first sentence.

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