

106TH CONGRESS
2D SESSION

S. 2779

To provide for the designation of renewal communities and to provide tax incentives relating to such communities, to provide a tax credit to taxpayers investing in entities seeking to provide capital to create new markets in low-income communities, and to provide for the establishment of Individual Development Accounts (IDAs), and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 22, 2000

Mr. SANTORUM (for himself, Mr. LIEBERMAN, Mr. ABRAHAM, Mr. KOHL, Mr. HUTCHINSON, Mr. TORRICELLI, and Mr. KERRY) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for the designation of renewal communities and to provide tax incentives relating to such communities, to provide a tax credit to taxpayers investing in entities seeking to provide capital to create new markets in low-income communities, and to provide for the establishment of Individual Development Accounts (IDAs), 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; ETC.**

2 (a) **SHORT TITLE.**—This Act may be cited as the
 3 “American Community Renewal and New Markets Em-
 4 powerment Act”.

5 (b) **AMENDMENT OF 1986 CODE.**—Except as other-
 6 wise expressly provided, whenever in this Act an amend-
 7 ment or repeal is expressed in terms of an amendment
 8 to, or repeal of, a section or other provision, the reference
 9 shall be considered to be made to a section or other provi-
 10 sion of the Internal Revenue Code of 1986.

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1 **TITLE I—AMERICAN**
 2 **COMMUNITY RENEWAL**
 3 **SEC. 101. DESIGNATION OF AND TAX INCENTIVES FOR RE-**
 4 **NEWAL COMMUNITIES.**

5 (a) IN GENERAL.—Chapter 1 is amended by adding
 6 at the end the following new subchapter:

7 **“Subchapter X—Renewal Communities**

 “Part I. Designation.

 “Part II. Renewal community capital gain; renewal community business.

 “Part III. Additional incentives.

8 **“PART I—DESIGNATION**

 “Sec. 1400E. Designation of renewal communities.

1 **“SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.**

2 “(a) DESIGNATION.—

3 “(1) DEFINITIONS.—For purposes of this title,
4 the term ‘renewal community’ means any area—

5 “(A) which is nominated by one or more
6 local governments and the State or States in
7 which it is located for designation as a renewal
8 community (hereinafter in this section referred
9 to as a ‘nominated area’), and

10 “(B) which the Secretary of Housing and
11 Urban Development designates as a renewal
12 community, after consultation with—

13 “(i) the Secretaries of Agriculture,
14 Commerce, Labor, and the Treasury; the
15 Director of the Office of Management and
16 Budget, and the Administrator of the
17 Small Business Administration, and

18 “(ii) in the case of an area on an In-
19 dian reservation, the Secretary of the Inte-
20 rior.

21 “(2) NUMBER OF DESIGNATIONS.—

22 “(A) IN GENERAL.—The Secretary of
23 Housing and Urban Development may des-
24 ignate not more than 1 nominated area as a re-
25 newal community in each State.

1 “(B) MINIMUM DESIGNATION IN RURAL
2 AREAS.—Of the areas designated under para-
3 graph (1), at least 20 percent must be areas—

4 “(i) which are within a local govern-
5 ment jurisdiction or jurisdictions with a
6 population of less than 50,000,

7 “(ii) which are outside of a metropoli-
8 tan statistical area (within the meaning of
9 section 143(k)(2)(B)), or

10 “(iii) which are determined by the
11 Secretary of Housing and Urban Develop-
12 ment, after consultation with the Secretary
13 of Commerce, to be rural areas.

14 “(3) AREAS DESIGNATED BASED ON DEGREE
15 OF POVERTY, ETC.—

16 “(A) IN GENERAL.—Except as otherwise
17 provided in this section, the nominated areas
18 designated as renewal communities under this
19 subsection shall be those nominated areas with
20 the highest average ranking with respect to the
21 criteria described in subparagraphs (B), (C),
22 and (D) of subsection (c)(3). For purposes of
23 the preceding sentence, an area shall be ranked
24 within each such criterion on the basis of the
25 amount by which the area exceeds such cri-

1 terion, with the area which exceeds such cri-
2 terion by the greatest amount given the highest
3 ranking.

4 “(B) EXCEPTION WHERE INADEQUATE
5 COURSE OF ACTION, ETC.—An area shall not be
6 designated under subparagraph (A) if the Sec-
7 retary of Housing and Urban Development de-
8 termines that the course of action described in
9 subsection (d)(2) with respect to such area is
10 inadequate.

11 “(4) LIMITATION ON DESIGNATIONS.—

12 “(A) PUBLICATION OF REGULATIONS.—
13 The Secretary of Housing and Urban Develop-
14 ment shall prescribe by regulation no later than
15 4 months after the date of the enactment of
16 this section, after consultation with the officials
17 described in paragraph (1)(B)—

18 “(i) the procedures for nominating an
19 area under paragraph (1)(A),

20 “(ii) the parameters relating to the
21 size and population characteristics of a re-
22 newal community, and

23 “(iii) the manner in which nominated
24 areas will be evaluated based on the cri-
25 teria specified in subsection (d).

1 “(B) TIME LIMITATIONS.—The Secretary
2 of Housing and Urban Development may des-
3 ignate nominated areas as renewal communities
4 only during the 24-month period beginning on
5 the first day of the first month following the
6 month in which the regulations described in
7 subparagraph (A) are prescribed.

8 “(C) PROCEDURAL RULES.—The Secretary
9 of Housing and Urban Development shall not
10 make any designation of a nominated area as a
11 renewal community under paragraph (2)
12 unless—

13 “(i) the local governments and the
14 States in which the nominated area is lo-
15 cated have the authority—

16 “(I) to nominate such area for
17 designation as a renewal community,

18 “(II) to make the State and local
19 commitments described in subsection
20 (d), and

21 “(III) to provide assurances sat-
22 isfactory to the Secretary of Housing
23 and Urban Development that such
24 commitments will be fulfilled,

1 “(ii) a nomination regarding such
2 area is submitted in such a manner and in
3 such form, and contains such information,
4 as the Secretary of Housing and Urban
5 Development shall by regulation prescribe,
6 and

7 “(iii) the Secretary of Housing and
8 Urban Development determines that any
9 information furnished is reasonably accu-
10 rate.

11 “(5) NOMINATION PROCESS FOR INDIAN RES-
12 ERVATIONS.—For purposes of this subchapter, in
13 the case of a nominated area on an Indian reserva-
14 tion, the reservation governing body (as determined
15 by the Secretary of the Interior) shall be treated as
16 being both the State and local governments with re-
17 spect to such area.

18 “(b) PERIOD FOR WHICH DESIGNATION IS IN EF-
19 FECT.—

20 “(1) IN GENERAL.—Any designation of an area
21 as a renewal community shall remain in effect dur-
22 ing the period beginning on January 1, 2001, and
23 ending on the earliest of—

24 “(A) December 31, 2009,

1 “(B) the termination date designated by
2 the State and local governments in their nomi-
3 nation, or

4 “(C) the date the Secretary of Housing
5 and Urban Development revokes such designa-
6 tion.

7 “(2) REVOCATION OF DESIGNATION.—The Sec-
8 retary of Housing and Urban Development may re-
9 voke the designation under this section of an area if
10 such Secretary determines that the local government
11 or the State in which the area is located—

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

14 “(B) is not complying substantially with,
15 or fails to make progress in achieving, the State
16 or local commitments, respectively, described in
17 subsection (d).

18 “(c) AREA AND ELIGIBILITY REQUIREMENTS.—

19 “(1) IN GENERAL.—The Secretary of Housing
20 and Urban Development may designate a nominated
21 area as a renewal community under subsection (a)
22 only if the area meets the requirements of para-
23 graphs (2) and (3) of this subsection.

24 “(2) AREA REQUIREMENTS.—A nominated area
25 meets the requirements of this paragraph if—

1 “(A) the area is within the jurisdiction of
2 one or more local governments,

3 “(B) the boundary of the area is contin-
4 uous, and

5 “(C) the area—

6 “(i) has a population, of at least—

7 “(I) 4,000 if any portion of such
8 area (other than a rural area de-
9 scribed in subsection (a)(2)(B)(i)) is
10 located within a metropolitan statis-
11 tical area (within the meaning of sec-
12 tion 143(k)(2)(B)) which has a popu-
13 lation of 50,000 or greater, or

14 “(II) 1,000 in any other case, or

15 “(ii) is entirely within an Indian res-
16 ervation (as determined by the Secretary of
17 the Interior).

18 “(3) ELIGIBILITY REQUIREMENTS.—A nomi-
19 nated area meets the requirements of this paragraph
20 if the State and the local governments in which it
21 is located certify (and the Secretary of Housing and
22 Urban Development, after such review of supporting
23 data as he deems appropriate, accepts such certifi-
24 cation) that—

1 “(A) the area is one of pervasive poverty,
2 unemployment, and general distress,

3 “(B) the unemployment rate in the area,
4 as determined by the most recent available
5 data, was at least 1½ times the national unem-
6 ployment rate for the period to which such data
7 relate,

8 “(C) the poverty rate for each population
9 census tract within the nominated area is at
10 least 20 percent, and

11 “(D) in the case of an urban area, at least
12 70 percent of the households living in the area
13 have incomes below 80 percent of the median
14 income of households within the jurisdiction of
15 the local government (determined in the same
16 manner as under section 119(b)(2) of the
17 Housing and Community Development Act of
18 1974).

19 “(4) CONSIDERATION OF HIGH INCIDENCE OF
20 CRIME.—The Secretary of Housing and Urban De-
21 velopment shall take into account, in selecting nomi-
22 nated areas for designation as renewal communities
23 under this section, the extent to which such areas
24 have a high incidence of crime.

1 “(5) CONSIDERATION OF COMMUNITIES IDENTI-
2 FIED IN GAO STUDY.—The Secretary of Housing
3 and Urban Development shall take into account, in
4 selecting nominated areas for designation as renewal
5 communities under this section, if the area has cen-
6 sus tracts identified in the May 12, 1998, report of
7 the Government Accounting Office regarding the
8 identification of economically distressed areas.

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

11 “(1) IN GENERAL.—The Secretary of Housing
12 and Urban Development may designate any nomi-
13 nated area as a renewal community under subsection
14 (a) only if—

15 “(A) the local government and the State in
16 which the area is located agree in writing that,
17 during any period during which the area is a
18 renewal community, such governments will fol-
19 low a specified course of action which meets the
20 requirements of paragraph (2) and is designed
21 to reduce the various burdens borne by employ-
22 ers or employees in such area, and

23 “(B) the economic growth promotion re-
24 quirements of paragraph (3) are met.

25 “(2) COURSE OF ACTION.—

1 “(A) IN GENERAL.—A course of action
2 meets the requirements of this paragraph if
3 such course of action is a written document,
4 signed by a State (or local government) and
5 neighborhood organizations, which evidences a
6 partnership between such State or government
7 and community-based organizations and which
8 commits each signatory to specific and measur-
9 able goals, actions, and timetables. Such course
10 of action shall include at least 4 of the fol-
11 lowing:

12 “(i) A reduction of tax rates or fees
13 applying within the renewal community.

14 “(ii) An increase in the level of effi-
15 ciency of local services within the renewal
16 community.

17 “(iii) Crime reduction strategies, such
18 as crime prevention (including the provi-
19 sion of such services by nongovernmental
20 entities).

21 “(iv) Actions to reduce, remove, sim-
22 plify, or streamline governmental require-
23 ments applying within the renewal commu-
24 nity.

1 “(v) Involvement in the program by
2 private entities, organizations, neighbor-
3 hood organizations, and community
4 groups, particularly those in the renewal
5 community, including a commitment from
6 such private entities to provide jobs and
7 job training for, and technical, financial, or
8 other assistance to, employers, employees,
9 and residents from the renewal community.

10 “(vi) The gift (or sale at below fair
11 market value) of surplus real property
12 (such as land, homes, and commercial or
13 industrial structures) in the renewal com-
14 munity to neighborhood organizations,
15 community development corporations, or
16 private companies.

17 “(B) RECOGNITION OF PAST EFFORTS.—

18 For purposes of this section, in evaluating the
19 course of action agreed to by any State or local
20 government, the Secretary of Housing and
21 Urban Development shall take into account the
22 past efforts of such State or local government
23 in reducing the various burdens borne by em-
24 ployers and employees in the area involved.

1 “(3) ECONOMIC GROWTH PROMOTION REQUIRE-
2 MENTS.—The economic growth promotion require-
3 ments of this paragraph are met with respect to a
4 nominated area if the local government and the
5 State in which such area is located certify in writing
6 that such government and State (respectively) have
7 repealed, will not enforce, or will reduce within the
8 area at least 4 of the following if such area is des-
9 ignated as a renewal community:

10 “(A) Licensing requirements for occupa-
11 tions that do not ordinarily require a profes-
12 sional degree.

13 “(B) Zoning restrictions on home-based
14 businesses which do not create a public nui-
15 sance.

16 “(C) Permit requirements for street ven-
17 dors who do not create a public nuisance.

18 “(D) Zoning or other restrictions that im-
19 pede the formation of schools or child care cen-
20 ters.

21 “(E) Franchises or other restrictions on
22 competition for businesses providing public
23 services, including taxicabs, jitneys, cable tele-
24 vision, or trash hauling.

1 This paragraph shall not apply to the extent that
2 such regulation of businesses and occupations is nec-
3 essary for and well-tailored to the protection of
4 health and safety.

5 “(e) COORDINATION WITH TREATMENT OF EM-
6 POWERMENT ZONES AND ENTERPRISE COMMUNITIES.—

7 “(1) IN GENERAL.—For purposes of this title,
8 the designation under section 1391 of any area as
9 an empowerment zone or enterprise community shall
10 cease to be in effect as of the date that any portion
11 of such area is designated as a renewal community.

12 “(2) SPECIAL RULE FOR WAGE CREDIT.—For
13 purposes of section 1400H (relating to renewal com-
14 munity employment credit)—

15 “(A) there shall not be taken into account
16 wages taken into account under section 1396
17 (without regard to section 1400H), and

18 “(B) the \$15,000 amount in section
19 1396(c) shall (in applying section 1400H) be
20 reduced for any calendar year by the amount of
21 wages paid or incurred during such year which
22 are taken into account in determining the credit
23 under section 1396 (without regard to section
24 1400H).

1 “(f) DEFINITIONS AND SPECIAL RULES.—For pur-
2 poses of this subchapter—

3 “(1) GOVERNMENTS.—If more than one govern-
4 ment seeks to nominate an area as a renewal com-
5 munity, any reference to, or requirement of, this sec-
6 tion shall apply to all such governments.

7 “(2) LOCAL GOVERNMENT.—The term ‘local
8 government’ means—

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

12 “(B) any combination of political subdivi-
13 sions described in subparagraph (A) recognized
14 by the Secretary of Housing and Urban Devel-
15 opment.

16 “(3) STATE.—The term ‘State’ means the sev-
17 eral States.

18 “(4) APPLICATION OF RULES RELATING TO
19 CENSUS TRACTS.—The rules of sections 1392(b)(4)
20 shall apply.

21 “(5) CENSUS DATA.—Population and poverty
22 rate shall be determined by using 1990 census data.

23 **“PART II—RENEWAL COMMUNITY CAPITAL GAIN;
24 RENEWAL COMMUNITY BUSINESS**

“Sec. 1400F. Renewal community capital gain.

“Sec. 1400G. Renewal community business defined.

1 **“SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.**

2 “(a) GENERAL RULE.—Gross income does not in-
3 clude any qualified capital gain recognized on the sale or
4 exchange of a qualified community asset held for more
5 than 5 years.

6 “(b) QUALIFIED COMMUNITY ASSET.—For purposes
7 of this section—

8 “(1) IN GENERAL.—The term ‘qualified com-
9 munity asset’ means—

10 “(A) any qualified community stock,

11 “(B) any qualified community partnership
12 interest, and

13 “(C) any qualified community business
14 property.

15 “(2) QUALIFIED COMMUNITY STOCK.—

16 “(A) IN GENERAL.—Except as provided in
17 subparagraph (B), the term ‘qualified commu-
18 nity stock’ means any stock in a domestic cor-
19 poration if—

20 “(i) such stock is acquired by the tax-
21 payer after December 31, 2000, and before
22 January 1, 2010, at its original issue (di-
23 rectly or through an underwriter) from the
24 corporation solely in exchange for cash,

25 “(ii) as of the time such stock was
26 issued, such corporation was a renewal

1 community business (or, in the case of a
2 new corporation, such corporation was
3 being organized for purposes of being a re-
4 newal community business), and

5 “(iii) during substantially all of the
6 taxpayer’s holding period for such stock,
7 such corporation qualified as a renewal
8 community business.

9 “(B) REDEMPTIONS.—A rule similar to
10 the rule of section 1202(c)(3) shall apply for
11 purposes of this paragraph.

12 “(3) QUALIFIED COMMUNITY PARTNERSHIP IN-
13 TEREST.—The term ‘qualified community partner-
14 ship interest’ means any capital or profits interest in
15 a domestic partnership if—

16 “(A) such interest is acquired by the tax-
17 payer after December 31, 2000, and before
18 January 1, 2010, from the partnership solely in
19 exchange for cash,

20 “(B) as of the time such interest was ac-
21 quired, such partnership was a renewal commu-
22 nity business (or, in the case of a new partner-
23 ship, such partnership was being organized for
24 purposes of being a renewal community busi-
25 ness), and

1 “(C) during substantially all of the tax-
2 payer’s holding period for such interest, such
3 partnership qualified as a renewal community
4 business.

5 A rule similar to the rule of paragraph (2)(B) shall
6 apply for purposes of this paragraph.

7 “(4) QUALIFIED COMMUNITY BUSINESS PROP-
8 ERTY.—

9 “(A) IN GENERAL.—The term ‘qualified
10 community business property’ means tangible
11 property if—

12 “(i) such property was acquired by
13 the taxpayer by purchase (as defined in
14 section 179(d)(2)) after December 31,
15 2000, and before January 1, 2010,

16 “(ii) the original use of such property
17 in the renewal community commences with
18 the taxpayer, and

19 “(iii) during substantially all of the
20 taxpayer’s holding period for such prop-
21 erty, substantially all of the use of such
22 property was in a renewal community busi-
23 ness of the taxpayer.

24 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
25 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 before January
5 1, 2010, and

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

8 The determination of whether a property is sub-
9 stantially improved shall be made under clause
10 (ii) of section 1400B(b)(4)(B), except that ‘De-
11 cember 31, 2000’ shall be substituted for ‘De-
12 cember 31, 1997’ in such clause.

13 “(c) QUALIFIED CAPITAL GAIN.—For purposes of
14 this section—

15 “(1) IN GENERAL.—Except as otherwise pro-
16 vided in this subsection, the term ‘qualified capital
17 gain’ means any gain recognized on the sale or ex-
18 change of—

19 “(A) a capital asset, or

20 “(B) property used in the trade or busi-
21 ness (as defined in section 1231(b).

22 “(2) GAIN BEFORE 2001 OR AFTER 2014 NOT
23 QUALIFIED.—The term ‘qualified capital gain’ shall
24 not include any gain attributable to periods before
25 January 1, 2001, or after December 31, 2014.

1 “(3) CERTAIN RULES TO APPLY.—Rules similar
2 to the rules of paragraphs (3), (4), and (5) of sec-
3 tion 1400B(e) shall apply for purposes of this sub-
4 section.

5 “(d) CERTAIN RULES TO APPLY.—For purposes of
6 this section, rules similar to the rules of paragraphs (5),
7 (6), and (7) of subsection (b), and subsections (f) and
8 (g), of section 1400B shall apply; except that for such pur-
9 poses section 1400B(g)(2) shall be applied by substituting
10 ‘January 1, 2001’ for ‘January 1, 1998’ and ‘December
11 31, 2014’ for ‘December 31, 2007’.

12 **“SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.**

13 “‘For purposes of this subchapter, the term ‘renewal
14 community business’ means any entity or proprietorship
15 which would be a qualified business entity or qualified pro-
16 prietorship under section 1397C if references to renewal
17 communities were substituted for references to empower-
18 ment zones in such section.

19 **“PART III—ADDITIONAL INCENTIVES**

 “Sec. 1400H. Renewal community employment credit.

 “Sec. 1400I. Commercial revitalization deduction.

 “Sec. 1400J. Increase in expensing under section 179.

20 **“SEC. 1400H. RENEWAL COMMUNITY EMPLOYMENT CREDIT.**

21 “(a) IN GENERAL.—Subject to the modification in
22 subsection (b), a renewal community shall be treated as
23 an empowerment zone for purposes of section 1396.

1 “(b) MODIFICATION.—In applying section 1396 with
2 respect to renewal communities, the applicable percentage
3 shall be—

4 “(1) 15 percent in the case of calendar years
5 2001, 2002, 2003, or 2004, and

6 “(2) 20 percent in the case of calendar years
7 after 2004 and before 2010.

8 **“SEC. 1400I. COMMERCIAL REVITALIZATION DEDUCTION.**

9 “(a) GENERAL RULE.—At the election of the tax-
10 payer, either—

11 “(1) one-half of any qualified revitalization ex-
12 penditures chargeable to capital account with respect
13 to any qualified revitalization building shall be allow-
14 able as a deduction for the taxable year in which the
15 building is placed in service, or

16 “(2) a deduction for all such expenditures shall
17 be allowable ratably over the 120-month period be-
18 ginning with the month in which the building is
19 placed in service.

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

22 “(1) QUALIFIED REVITALIZATION BUILDING.—
23 The term ‘qualified revitalization building’ means
24 any building (and its structural components) if—

1 “(A) such building is located in a renewal
2 community and is placed in service after De-
3 cember 31, 2000,

4 “(B) a commercial revitalization deduction
5 amount is allocated to the building under sub-
6 section (d), and

7 “(C) depreciation is allowable with respect
8 to the building (without regard to this section).

9 “(2) QUALIFIED REVITALIZATION EXPENDI-
10 TURE.—

11 “(A) IN GENERAL.—The term ‘qualified
12 revitalization expenditure’ means any amount
13 properly chargeable to capital account—

14 “(i) for property for which deprecia-
15 tion is allowable under section 168 (with-
16 out regard to this section) and which is—

17 “(I) nonresidential real property,
18 or

19 “(II) an addition or improvement
20 to property described in subclause (I),

21 “(ii) in connection with the construc-
22 tion of any qualified revitalization building
23 which was not previously placed in service
24 or in connection with the substantial reha-
25 bilitation (within the meaning of section

1 47(c)(1)(C)) of a building which was
2 placed in service before the beginning of
3 such rehabilitation, and

4 “(iii) for land (including land which is
5 functionally related to such property and
6 subordinate thereto).

7 “(B) DOLLAR LIMITATION.—The aggre-
8 gate amount which may be treated as qualified
9 revitalization expenditures with respect to any
10 qualified revitalization building for any taxable
11 year shall not exceed the excess of—

12 “(i) \$10,000,000, reduced by

13 “(ii) any such expenditures with re-
14 spect to the building taken into account by
15 the taxpayer or any predecessor in deter-
16 mining the amount of the deduction under
17 this section for all preceding taxable years.

18 “(C) CERTAIN EXPENDITURES NOT IN-
19 CLUDED.—The term ‘qualified revitalization ex-
20 penditure’ does not include—

21 “(i) ACQUISITION COSTS.—The costs
22 of acquiring any building or interest there-
23 in and any land in connection with such
24 building to the extent that such costs ex-
25 ceed 30 percent of the qualified revitaliza-

1 tion expenditures determined without re-
2 gard to this clause.

3 “(ii) CREDITS.—Any expenditure
4 which the taxpayer may take into account
5 in computing any credit allowable under
6 this title unless the taxpayer elects to take
7 the expenditure into account only for pur-
8 poses of this section.

9 “(c) LIMITATION ON AGGREGATE EXPENDITURES
10 ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN
11 A STATE.—

12 “(1) IN GENERAL.—The aggregate qualified re-
13 vitalization expenditures chargeable to capital ac-
14 count with respect to any building which may be
15 taken into account in determining the deduction
16 under this section with respect to such building shall
17 not exceed the commercial revitalization expenditure
18 amount allocated to such building under this sub-
19 section by the commercial revitalization agency.
20 Such allocation shall be made at the same time and
21 in the same manner as under paragraphs (1) and
22 (7) of section 42(h).

23 “(2) COMMERCIAL REVITALIZATION EXPENDI-
24 TURE AMOUNT FOR AGENCIES.—

1 “(A) IN GENERAL.—The aggregate com-
2 mercial revitalization expenditure amount which
3 a commercial revitalization agency may allocate
4 for any calendar year is the amount of the
5 State commercial revitalization expenditure ceil-
6 ing determined under this paragraph for such
7 calendar year for such agency.

8 “(B) STATE COMMERCIAL REVITALIZATION
9 EXPENDITURE CEILING.—The State commercial
10 revitalization expenditure ceiling applicable to
11 any State—

12 “(i) for each calendar year after 2000
13 and before 2010 is \$12,000,000 for each
14 renewal community in the State, and

15 “(ii) for each calendar year thereafter
16 is zero.

17 “(C) COMMERCIAL REVITALIZATION AGEN-
18 CY.—For purposes of this section, the term
19 ‘commercial revitalization agency’ means any
20 agency authorized by a State to carry out this
21 section.

22 “(d) RESPONSIBILITIES OF COMMERCIAL REVITAL-
23 IZATION AGENCIES.—

24 “(1) PLANS FOR ALLOCATION.—Notwith-
25 standing any other provision of this section, the

1 commercial revitalization deduction amount with re-
2 spect to any building shall be zero unless—

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

10 “(B) such agency notifies the chief execu-
11 tive officer (or its equivalent) of the local juris-
12 diction within which the building is located of
13 such allocation and provides such individual a
14 reasonable opportunity to comment on the allo-
15 cation.

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

19 “(A) which sets forth selection criteria to
20 be used to determine priorities of the commer-
21 cial revitalization agency which are appropriate
22 to local conditions,

23 “(B) which considers—

24 “(i) the degree to which a project con-
25 tributes to the implementation of a stra-

1 tegie plan that is devised for a renewal
2 community through a citizen participation
3 process,

4 “(ii) the amount of any increase in
5 permanent, full-time employment by reason
6 of any project, and

7 “(iii) the active involvement of resi-
8 dents and nonprofit groups within the re-
9 newal community, and

10 “(C) which provides a procedure that the
11 agency (or its agent) will follow in monitoring
12 compliance with this section.

13 “(e) SPECIAL RULES.—

14 “(1) DEDUCTION IN LIEU OF DEPRECIATION.—
15 The deduction provided by this section for qualified
16 revitalization expenditures shall—

17 “(A) with respect to the deduction deter-
18 mined under subsection (a)(1), be in lieu of any
19 depreciation deduction otherwise allowable on
20 account of $\frac{1}{2}$ of such expenditures, and

21 “(B) with respect to the deduction deter-
22 mined under subsection (a)(2), be in lieu of any
23 depreciation deduction otherwise allowable on
24 account of all of such expenditures.

1 “(2) BASIS ADJUSTMENT, ETC.—For purposes
2 of sections 1016 and 1250, the deduction under this
3 section shall be treated in the same manner as a
4 depreciation deduction.

5 “(3) SUBSTANTIAL REHABILITATIONS TREATED
6 AS SEPARATE BUILDINGS.—A substantial rehabilita-
7 tion (within the meaning of section 47(e)(1)(C)) of
8 a building shall be treated as a separate building for
9 purposes of subsection (a).

10 “(4) CLARIFICATION OF ALLOWANCE OF DE-
11 DUCTION UNDER MINIMUM TAX.—Notwithstanding
12 section 56(a)(1), the deduction under this section
13 shall be allowed in determining alternative minimum
14 taxable income under section 55.

15 “(f) REGULATIONS.—For purposes of this section,
16 the Secretary shall, by regulations, provide for the applica-
17 tion of rules similar to the rules of section 49 and sub-
18 sections (a) and (b) of section 50.

19 “(g) TERMINATION.—This section shall not apply to
20 any building placed in service after December 31, 2009.

21 **“SEC. 1400J. INCREASE IN EXPENSING UNDER SECTION 179.**

22 “(a) IN GENERAL.—For purposes of section
23 1397A—

24 “(1) a renewal community shall be treated as
25 an empowerment zone,

1 “(2) a renewal community business shall be
2 treated as an empowerment zone business, and

3 “(3) qualified renewal property shall be treated
4 as enterprise zone property.

5 “(b) QUALIFIED RENEWAL PROPERTY.—For pur-
6 poses of this section—

7 “(1) IN GENERAL.—The term ‘qualified renewal
8 property’ means any property to which section 168
9 applies (or would apply but for section 179) if—

10 “(A) such property was acquired by the
11 taxpayer by purchase (as defined in section
12 179(d)(2)) after December 31, 2000, and be-
13 fore January 1, 2010, and

14 “(B) such property would be qualified zone
15 property (as defined in section 1397D) if ref-
16 erences to renewal communities were sub-
17 stituted for references to empowerment zones in
18 section 1397D.

19 “(2) CERTAIN RULES TO APPLY.—The rules of
20 subsections (a)(2) and (b) of section 1397D shall
21 apply for purposes of this section.”.

22 (b) EXCEPTION FOR COMMERCIAL REVITALIZATION
23 DEDUCTION FROM PASSIVE LOSS RULES.—

24 (1) Paragraph (3) of section 469(i) is amended
25 by redesignating subparagraphs (C), (D), and (E) as

1 subparagraphs (D), (E), and (F), respectively, and
2 by inserting after subparagraph (B) the following
3 new subparagraph:

4 “(C) EXCEPTION FOR COMMERCIAL REVI-
5 TALIZATION DEDUCTION.—Subparagraph (A)
6 shall not apply to any portion of the passive ac-
7 tivity loss for any taxable year which is attrib-
8 utable to the commercial revitalization deduc-
9 tion under section 1400I.”.

10 (2) Subparagraph (E) of section 469(i)(3), as
11 redesignated by subparagraph (A), is amended to
12 read as follows:

13 “(E) ORDERING RULES TO REFLECT EX-
14 CEPTIONS AND SEPARATE PHASE-OUTS.—If
15 subparagraph (B), (C), or (D) applies for a tax-
16 able year, paragraph (1) shall be applied—

17 “(i) first to the portion of the passive
18 activity loss to which subparagraph (C)
19 does not apply,

20 “(ii) second to the portion of the pas-
21 sive activity credit to which subparagraph
22 (B) or (D) does not apply,

23 “(iii) third to the portion of such
24 credit to which subparagraph (B) applies,

1 “(iv) fourth to the portion of such loss
2 to which subparagraph (C) applies, and

3 “(v) then to the portion of such credit
4 to which subparagraph (D) applies.”.

5 (3)(A) Subparagraph (B) of section 469(i)(6) is
6 amended by striking “or” at the end of clause (i),
7 by striking the period at the end of clause (ii) and
8 inserting “, or”, and by adding at the end the fol-
9 lowing new clause:

10 “(iii) any deduction under section
11 1400I (relating to commercial revitaliza-
12 tion deduction).”.

13 (B) The heading for such subparagraph (B) is
14 amended by striking “OR REHABILITATION CREDIT”
15 and inserting “, REHABILITATION CREDIT, OR COM-
16 MERCIAL REVITALIZATION DEDUCTION”.

17 (c) CLERICAL AMENDMENT.—The table of sub-
18 chapters for chapter 1 is amended by adding at the end
19 the following new item:

 “Subchapter X. Renewal Communities.”.

1 **SEC. 102. EXTENSION OF EXPENSING OF ENVIRONMENTAL**
2 **REMEDATION COSTS TO RENEWAL COMMU-**
3 **NITIES; EXTENSION OF TERMINATION DATE**
4 **FOR RENEWAL COMMUNITIES AND EM-**
5 **POWERMENT ZONES.**

6 (a) EXTENSION.—

7 (1) IN GENERAL.—Subparagraph (A) of section
8 198(c)(2) (defining targeted area) is amended by
9 striking “and” at the end of clause (iii), by striking
10 the period at the end of clause (iv) and inserting
11 “, and”, and by adding at the end the following new
12 clause:

13 “(v) any renewal community (as de-
14 fined in section 1400E).”.

15 (2) EFFECTIVE DATE.—The amendment made
16 by paragraph (1) shall apply to expenditures paid or
17 incurred after December 31, 2000.

18 (b) EXTENSION OF TERMINATION DATE.—Sub-
19 section (h) of section 198 is amended by inserting before
20 the period “(December 31, 2009, in the case of an em-
21 powerment zone or renewal community)”.

22 **SEC. 103. WORK OPPORTUNITY CREDIT FOR HIRING YOUTH**
23 **RESIDING IN RENEWAL COMMUNITIES.**

24 (a) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and
25 (B) of section 51(d)(5) are each amended by striking “em-
26 powerment zone or enterprise community” and inserting

1 “empowerment zone, enterprise community, or renewal
2 community”.

3 (b) QUALIFIED SUMMER YOUTH EMPLOYEE.—
4 Clause (iv) of section 51(d)(7)(A) is amended by striking
5 “empowerment zone or enterprise community” and insert-
6 ing “empowerment zone, enterprise community, or re-
7 newal community”.

8 (c) HEADINGS.—Paragraphs (5)(B) and (7)(C) of
9 section 51(d) are each amended by inserting “OR COMMU-
10 NITY” in the heading after “ZONE”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to individuals who begin work for
13 the employer after December 31, 2000.

14 **SEC. 104. EVALUATION AND REPORTING REQUIREMENTS.**

15 Not later than the close of the fourth calendar year
16 after the year in which the Secretary of Housing and
17 Urban Development first designates an area as a renewal
18 community under section 1400E of the Internal Revenue
19 Code of 1986, and at the close of each fourth calendar
20 year thereafter, such Secretary shall prepare and submit
21 to the Congress a report on the effects of such designa-
22 tions in stimulating the creation of new jobs, particularly
23 for disadvantaged workers and long-term unemployed in-
24 dividuals, and promoting the revitalization of economically
25 distressed areas.

1 **SEC. 105. EXCLUSION OF EFFECTS OF THIS TITLE FROM**
 2 **PAYGO SCORECARD.**

3 Upon the enactment of this title, the Director of the
 4 Office of Management and Budget shall not make any es-
 5 timates of changes in receipts under section 252(d) of the
 6 Balanced Budget and Emergency Deficit Control Act of
 7 1985 resulting from the enactment of this title.

8 **TITLE II—NEW MILLENNIUM**
 9 **CLASSROOMS**

10 **SEC. 201. CREDIT FOR COMPUTER DONATIONS TO**
 11 **SCHOOLS, SENIOR CENTERS, PUBLIC LIBRAR-**
 12 **IES, AND OTHER TRAINING CENTERS.**

13 (a) IN GENERAL.—Subpart D of part IV of sub-
 14 chapter A of chapter 1 (relating to business related cred-
 15 its) is amended by adding at the end the following new
 16 section:

17 **“SEC. 48D. CREDIT FOR COMPUTER DONATIONS TO**
 18 **SCHOOLS, SENIOR CENTERS, PUBLIC LIBRAR-**
 19 **IES, AND OTHER TRAINING CENTERS.**

20 “(a) GENERAL RULE.—For purposes of section 38,
 21 the computer donation credit determined under this sec-
 22 tion is an amount equal to 50 percent of the qualified com-
 23 puter contributions made by the taxpayer during the tax-
 24 able year as determined after the application of section
 25 170(e)(6)(A) to any entity located in—

1 “(1) a renewal community designated under
2 section 1400E,

3 “(2) an empowerment zone or enterprise com-
4 munity designated under section 1391,

5 “(3) an Indian reservation (as defined in sec-
6 tion 168(j)(6)), or

7 “(4) a low-income community (as defined in
8 subsection (c).

9 “(b) QUALIFIED COMPUTER CONTRIBUTION.—For
10 purposes of this section, the term ‘qualified computer con-
11 tribution’ has the meaning given the term ‘qualified ele-
12 mentary or secondary educational contribution’ by section
13 170(e)(6)(B), except that—

14 “(1) clause (ii) thereof shall be applied—

15 “(A) by substituting ‘3 years’ for ‘2 years’,

16 “(B) by inserting ‘or reacquired’ after ‘ac-
17 quired’, and

18 “(C) by inserting ‘for the taxpayer’s own
19 use’ after ‘constructed by the taxpayer’,

20 “(2) clause (iii) thereof shall be applied by in-
21 serting ‘, the person from whom the donor re-
22 acquires the property,’ after ‘the donor’,

23 “(3) such term shall include the contribution of
24 a computer (as defined in section 168(i)(2)(B)(ii))
25 only if computer software (as defined in section

1 197(e)(3)(B)) that serves as a computer operating
2 system has been lawfully installed in such computer,

3 “(4) notwithstanding clauses (i) and (iv) of sec-
4 tion 170(e)(6)(B), such term shall include the con-
5 tribution of computer technology or equipment to—

6 “(A) multipurpose senior centers (as de-
7 fined in section 102(35) of the Older Americans
8 Act of 1965 (42 U.S.C. 3002(35), as in effect
9 on the date of the enactment of the American
10 Community Renewal and New Markets Em-
11 powerment Act) described in section 501(e)(3)
12 and exempt from tax under section 501(a) to be
13 used by individuals who have attained 60 years
14 of age to improve job skills in computers,

15 “(B) a public library (within the meaning
16 of section 213(2)(A) of the Library Services
17 and Technology Act (20 U.S.C. 9122(2)(A), as
18 in effect on the date of the enactment of the
19 American Community Renewal and New Mar-
20 kets Empowerment Act) established and main-
21 tained by an entity described in section
22 170(c)(1), or

23 “(C) an organization exempt from tax
24 under section 501(a) which provides employ-
25 ment, vocational, and job-training services to

1 individuals with barriers to employment, includ-
2 ing welfare recipients and individuals with dis-
3 abilities, and

4 “(5) such term shall only include contributions
5 which meet the minimum standards prescribed by
6 the Secretary by regulation, after consultation, at
7 the option of the Secretary, with the National Tele-
8 communications and Information Agency and any
9 other Federal agency with expertise in computer
10 technology.

11 “(c) LOW-INCOME COMMUNITY.—For purposes of
12 this section—

13 “(1) IN GENERAL.—The term ‘low-income com-
14 munity’ means any population census tract if—

15 “(A)(i) the poverty rate for such tract is at
16 least 20 percent, or

17 “(ii)(I) in the case of a tract not located
18 within a metropolitan area, the median family
19 income for such tract does not exceed 80 per-
20 cent of statewide median family income, or

21 “(II) in the case of a tract located within
22 a metropolitan area, the median family income
23 for such tract does not exceed 80 percent of the
24 greater of statewide median family income or

1 the metropolitan area median family income,
2 and

3 “(B) the unemployment rate for such
4 tract, as determined by the most recent avail-
5 able data, was at least 1½ times the national
6 unemployment rate for the period to which such
7 data relate.

8 “(2) AREAS NOT WITHIN CENSUS TRACTS.—In
9 the case of an area which is not tracted for popu-
10 lation census tracts, the equivalent county divisions
11 (as defined by the Bureau of the Census for pur-
12 poses of defining poverty areas) shall be used for
13 purposes of determining poverty rates, median fam-
14 ily income, and unemployment rates.

15 “(d) CERTAIN RULES MADE APPLICABLE.—For pur-
16 poses of this section, rules similar to the rules of para-
17 graphs (1) and (2) of section 41(f) shall apply.

18 “(e) TERMINATION.—This section shall not apply to
19 taxable years beginning after December 31, 2009.”.

20 (b) CURRENT YEAR BUSINESS CREDIT CALCULA-
21 TION.—Section 38(b) (relating to current year business
22 credit) is amended by striking “plus” at the end of para-
23 graph (11), by striking the period at the end of paragraph
24 (12) and inserting “, plus”, and by adding at the end the
25 following:

1 “(13) the computer donation credit determined
2 under section 45D(a).”.

3 (c) DISALLOWANCE OF DEDUCTION BY AMOUNT OF
4 CREDIT.—Section 280C (relating to certain expenses for
5 which credits are allowable) is amended by adding at the
6 end the following:

7 “(d) CREDIT FOR COMPUTER DONATIONS.—No de-
8 duction shall be allowed for that portion of the qualified
9 computer contributions (as defined in section 45D(b))
10 made during the taxable year that is equal to the amount
11 of credit determined for the taxable year under section
12 45D(a). In the case of a corporation which is a member
13 of a controlled group of corporations (within the meaning
14 of section 52(a)) or a trade or business which is treated
15 as being under common control with other trades or busi-
16 nesses (within the meaning of section 52(b)), this sub-
17 section shall be applied under rules prescribed by the Sec-
18 retary similar to the rules applicable under subsections (a)
19 and (b) of section 52.”.

20 (d) LIMITATION ON CARRYBACK.—Subsection (d) of
21 section 39 (relating to carryback and carryforward of un-
22 used credits) is amended by adding at the end the fol-
23 lowing:

24 “(9) NO CARRYBACK OF COMPUTER DONATION
25 CREDIT BEFORE EFFECTIVE DATE.—No amount of

1 unused business credit available under section 45D
 2 may be carried back to a taxable year beginning on
 3 or before the date of the enactment of this para-
 4 graph.”.

5 (e) CLERICAL AMENDMENT.—The table of sections
 6 for subpart D of part IV of subchapter A of chapter 1
 7 is amended by inserting after the item relating to section
 8 45C the following:

“Sec. 45D. Credit for computer donations to schools, senior cen-
 ters, public libraries, and other training centers.”.

9 (f) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to contributions made in taxable
 11 years beginning after December 31, 2000.

12 **TITLE III—EXPANSION AND EX-**
 13 **TENSION OF EMPOWERMENT**
 14 **ZONE TAX INCENTIVES**

15 **SEC. 301. ADDITIONAL EMPOWERMENT ZONE DESIGNA-**
 16 **TIONS.**

17 Section 1391 is amended by adding at the end the
 18 following new subsection:

19 “(h) ADDITIONAL DESIGNATIONS PERMITTED.—

20 “(1) IN GENERAL.—In addition to the areas
 21 designated under subsections (a) and (g), the appro-
 22 priate Secretaries may designate in the aggregate an
 23 additional 9 nominated areas as empowerment zones
 24 under this section, subject to the availability of eligi-

1 ble nominated areas. Of that number, not more than
2 7 may be designated in urban areas and not more
3 than 2 may be designated in rural areas.

4 “(2) PERIOD DESIGNATIONS MAY BE MADE AND
5 TAKE EFFECT.—A designation may be made under
6 this subsection after the date of the enactment of
7 this subsection and before January 1, 2001. Subject
8 to subparagraphs (B) and (C) of subsection (d)(1),
9 such designations shall remain in effect during the
10 period beginning on January 1, 2001, and ending on
11 December 31, 2009.

12 “(3) MODIFICATIONS TO ELIGIBILITY CRITERIA,
13 ETC.—The rules of subsection (g)(3) shall apply to
14 designations under this subsection.

15 “(4) EMPOWERMENT ZONES WHICH BECOME
16 RENEWAL COMMUNITIES.—The number of areas
17 which may be designated as empowerment zones
18 under this subsection shall be increased by 1 for
19 each area which ceases to be an empowerment zone
20 by reason of section 1400E(e). Each additional area
21 designated by reason of the preceding sentence shall
22 have the same urban or rural character as the area
23 it is replacing.”

1 **SEC. 302. EXTENSION OF ENTERPRISE ZONE TREATMENT**
2 **THROUGH 2009.**

3 Subparagraph (A) of section 1391(d)(1) (relating to
4 period for which designation is in effect) is amended to
5 read as follows:

6 “(A) December 31, 2009.”

7 **SEC. 303. 20 PERCENT EMPLOYMENT CREDIT FOR ALL EM-**
8 **POWERMENT ZONES.**

9 (a) 20 PERCENT CREDIT.—Subsection (b) of section
10 1396 (relating to empowerment zone employment credit)
11 is amended to read as follows:

12 “(b) APPLICABLE PERCENTAGE.—For purposes of
13 this section, the applicable percentage is 20 percent.”

14 (b) ALL EMPOWERMENT ZONES ELIGIBLE FOR
15 CREDIT.—Section 1396 is amended by striking subsection
16 (e).

17 (c) CONFORMING AMENDMENT.—Subsection (d) of
18 section 1400 is amended to read as follows:

19 “(d) SPECIAL RULE FOR APPLICATION OF EMPLOY-
20 MENT CREDIT.—With respect to the DC Zone, section
21 1396(d)(1)(B) (relating to empowerment zone employ-
22 ment credit) shall be applied by substituting ‘the District
23 of Columbia’ for ‘such empowerment zone’.”

24 (d) EFFECTIVE DATE.—The amendments made by
25 this section shall apply to wages paid or incurred after
26 December 31, 2000.

1 **SEC. 304. INCREASED EXPENSING UNDER SECTION 179.**

2 (a) IN GENERAL.—Subparagraph (A) of section
3 1397A(a)(1) is amended by striking “\$20,000” and in-
4 serting “\$35,000”.

5 (b) EXPENSING FOR PROPERTY USED IN DEVELOP-
6 ABLE SITES.—Section 1397A is amended by striking sub-
7 section (c).

8 (c) EFFECTIVE DATE.—The amendment made by
9 subsection (a) shall apply to taxable years beginning after
10 December 31, 2000.

11 **SEC. 305. HIGHER LIMITS ON TAX-EXEMPT EMPOWERMENT**
12 **ZONE FACILITY BONDS.**

13 (a) IN GENERAL.—Paragraph (3) of section 1394(f)
14 (relating to bonds for empowerment zones designated
15 under section 1391(g)) is amended to read as follows:

16 “(3) EMPOWERMENT ZONE FACILITY BOND.—
17 For purposes of this subsection, the term ‘empower-
18 ment zone facility bond’ means any bond which
19 would be described in subsection (a) if only em-
20 powerment zones were taken into account under sec-
21 tions 1397C and 1397D.” .

22 (b) CONFORMING AMENDMENTS.—

23 (1) Subsection (f) of section 1394 is amended
24 by striking “new empowerment zone facility bond”
25 each place it appears and inserting “empowerment
26 zone facility bond”.

1 (2) The heading for such subsection is amended
2 to read as follows:

3 “(f) BONDS FOR EMPOWERMENT ZONES.—”.

4 (3) Paragraph (1) of section 1394(c) is
5 amended—

6 (A) by striking “empowerment zone or” in
7 subparagraph (A), and

8 (B) by striking “empowerment zones and”
9 in subparagraph (B).

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to obligations issued after Decem-
12 ber 31, 2000.

13 **SEC. 306. NONRECOGNITION OF GAIN ON ROLLOVER OF**
14 **EMPOWERMENT ZONE INVESTMENTS.**

15 (a) IN GENERAL.—Part III of subchapter U of chap-
16 ter 1 is amended—

17 (1) by redesignating subpart C as subpart D,

18 (2) by redesignating sections 1397B and 1397C
19 as sections 1397C and 1397D, respectively, and

20 (3) by inserting after subpart B the following
21 new subpart:

22 **“Subpart C—Nonrecognition of Gain on Rollover of**
23 **Empowerment Zone Investments**

“Sec. 1397B. Nonrecognition of Gain on Rollover of Empower-
ment Zone Investments.

1 **“SEC. 1397B. NONRECOGNITION OF GAIN ON ROLLOVER OF**
2 **EMPOWERMENT ZONE INVESTMENTS.**

3 “(a) NONRECOGNITION OF GAIN.—In the case of any
4 sale of a qualified empowerment zone asset held by the
5 taxpayer for more than 1 year and with respect to which
6 such taxpayer elects the application of this section, gain
7 from such sale shall be recognized only to the extent that
8 the amount realized on such sale exceeds—

9 “(1) the cost of any qualified empowerment
10 zone asset (with respect to the same zone as the
11 asset sold) purchased by the taxpayer during the 60-
12 day period beginning on the date of such sale, re-
13 duced by

14 “(2) any portion of such cost previously taken
15 into account under this section.

16 This section shall apply only to gain which is qualified cap-
17 ital gain.

18 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
19 poses of this section—

20 “(1) QUALIFIED EMPOWERMENT ZONE
21 ASSET.—

22 “(A) IN GENERAL.—The term ‘qualified
23 empowerment zone asset’ means any property
24 which would be a qualified community asset (as
25 defined in section 1400F) if in section 1400F—

1 “(i) references to empowerment zones
2 were substituted for references to renewal
3 communities, and

4 “(ii) references to enterprise zone
5 businesses (as defined in section 1397C)
6 were substituted for references to renewal
7 community businesses.

8 “(B) TREATMENT OF DC ZONE.—

**For termination of rollover with respect to the
District of Columbia Enterprise Zone for property
acquired after December 31, 2002, see section
1400(f).**

9 “(2) QUALIFIED CAPITAL GAIN.—

10 “(A) IN GENERAL.—Except as otherwise
11 provided in this paragraph, the term ‘qualified
12 capital gain’ means any gain from the sale or
13 exchange of—

14 “(i) a capital asset, or

15 “(ii) property used in the trade or
16 business (as defined in section 1231(b)).

17 “(B) CERTAIN RULES TO APPLY.—Rules
18 similar to the rules of paragraphs (3) and (4)
19 of section 1400B(e) shall apply for purposes of
20 this subsection.

21 “(3) PURCHASE.—A taxpayer shall be treated
22 as having purchased any property if, but for para-
23 graph (4), the unadjusted basis of such property in

1 the hands of the taxpayer would be its cost (within
2 the meaning of section 1012).

3 “(4) BASIS ADJUSTMENTS.—If gain from any
4 sale is not recognized by reason of subsection (a),
5 such gain shall be applied to reduce (in the order ac-
6 quired) the basis for determining gain or loss of any
7 qualified empowerment zone asset which is pur-
8 chased by the taxpayer during the 60-day period de-
9 scribed in subsection (a). This paragraph shall not
10 apply for purposes of section 1202.

11 “(5) HOLDING PERIOD.—For purposes of deter-
12 mining whether the nonrecognition of gain under
13 subsection (a) applies to any qualified empowerment
14 zone asset which is sold—

15 “(A) the taxpayer’s holding period for such
16 asset and the asset referred to in subsection
17 (a)(1) shall be determined without regard to
18 section 1223, and

19 “(B) only the first year of the taxpayer’s
20 holding period for the asset referred to in sub-
21 section (a)(1) shall be taken into account for
22 purposes of paragraphs (2)(A)(iii), (3)(C), and
23 (4)(A)(iii) of section 1400F(b).”

24 (b) CONFORMING AMENDMENTS.—

1 (1) Paragraph (23) of section 1016(a) is
2 amended—

3 (A) by striking “or 1045” and inserting
4 “1045, or 1397B”, and

5 (B) by striking “or 1045(b)(4)” and in-
6 serting “1045(b)(4), or 1397B(b)(4)”.

7 (2) Paragraph (15) of section 1223 is amended
8 to read as follows:

9 “(15) Except for purposes of sections
10 1202(a)(2), 1202(c)(2)(A), 1400B(b), and
11 1400F(b), in determining the period for which the
12 taxpayer has held property the acquisition of which
13 resulted under section 1045 or 1397B in the non-
14 recognition of any part of the gain realized on the
15 sale of other property, there shall be included the pe-
16 riod for which such other property has been held as
17 of the date of such sale.”

18 (3) Paragraph (2) of section 1394(b) is
19 amended—

20 (A) by striking “section 1397C” and in-
21 serting “section 1397D”, and

22 (B) by striking “section 1397C(a)(2)” and
23 inserting “section 1397D(a)(2)”.

24 (4) Paragraph (3) of section 1394(b) is
25 amended—

1 (A) by striking “section 1397B” each place
2 it appears and inserting “section 1397C”, and

3 (B) by striking “section 1397B(d)” and in-
4 serting “section 1397C(d)”.

5 (5) Sections 1400(e) and 1400B(c) are each
6 amended by striking “section 1397B” each place it
7 appears and inserting “section 1397C”.

8 (6) The table of subparts for part III of sub-
9 chapter U of chapter 1 is amended by striking the
10 last item and inserting the following new items:

“Subpart C. Nonrecognition of gain on rollover of empowerment
zone investments.

“Subpart D. General provisions.”

11 (7) The table of sections for subpart D of such
12 part III is amended to read as follows:

“Sec. 1397C. Enterprise zone business defined.

“Sec. 1397D. Qualified zone property defined.”

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to qualified empowerment zone as-
15 sets acquired after December 31, 2000.

16 **SEC. 307. INCREASED EXCLUSION OF GAIN ON SALE OF EM-**
17 **POWERMENT ZONE STOCK.**

18 (a) IN GENERAL.—Subsection (a) of section 1202 is
19 amended to read as follows:

20 “(a) EXCLUSION.—

21 “(1) IN GENERAL.—In the case of a taxpayer
22 other than a corporation, gross income shall not in-

1 include 50 percent of any gain from the sale or ex-
2 change of qualified small business stock held for
3 more than 5 years.

4 “(2) EMPOWERMENT ZONE BUSINESSES.—

5 “(A) IN GENERAL.—In the case of quali-
6 fied small business stock acquired after the date
7 of the enactment of this paragraph in a cor-
8 poration which is a qualified business entity (as
9 defined in section 1397C(b)) during substan-
10 tially all of the taxpayer’s holding period for
11 such stock, paragraph (1) shall be applied by
12 substituting ‘60 percent’ for ‘50 percent’.

13 “(B) CERTAIN RULES TO APPLY.—Rules
14 similar to the rules of paragraphs (5) and (7)
15 of section 1400B(b) shall apply for purposes of
16 this paragraph.

17 “(C) GAIN AFTER 2014 NOT QUALIFIED.—
18 Subparagraph (A) shall not apply to gain at-
19 tributable to periods after December 31,
20 2014.”.

21 (b) CONFORMING AMENDMENT.—Paragraph (8) of
22 section 1(h) is amended by striking “means” and all that
23 follows and inserting “means the excess of—

24 “(A) the gain which would be excluded
25 from gross income under section 1202 but for

1 the percentage limitation in section 1202(a),
2 over

3 “(B) the gain excluded from gross income
4 under section 1202.”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to stock acquired after December
7 31, 2000.

8 **SEC. 308. FUNDING ENTITLEMENT FOR ROUND II EM-**
9 **POWERMENT ZONES.**

10 (a) IN GENERAL.—

11 (1) ENTITLEMENT.—Section 2007(a)(1) of the
12 Social Security Act (42 U.S.C. 1397f(a)(1)) is
13 amended—

14 (A) in subparagraph (A), by striking “in
15 the State; and” and inserting “that is in the
16 State and is designated pursuant to section
17 1391(b) of the Internal Revenue Code of
18 1986;”;

19 (B) by adding after subparagraph (B) the
20 following:

21 “(C)(i) 8 grants under this section for
22 each qualified empowerment zone that is in an
23 urban area in the State and is designated pur-
24 suant to section 1391(g) of such Code; and

1 “(ii) 8 grants under this section for each
2 qualified empowerment zone that is in a rural
3 area in the State and is designated pursuant to
4 section 1391(g) of such Code;

5 “(D) 8 grants under this section for each
6 qualified enterprise community that is in the
7 State and is designated pursuant to section 766
8 of the Agriculture, Rural Development, Food
9 and Drug Administration, and Related Agencies
10 Appropriations Act, 1999; and

11 “(E) 1 grant under this section for each
12 strategic planning community.”.

13 (2) AMOUNT OF GRANTS.—Section 2007(a)(2)
14 of such Act (42 U.S.C. 1397f(a)(2)) is amended—

15 (A) in the heading of subparagraph (A), by
16 inserting “ORIGINAL” before “EMPOWER-
17 MENT”;

18 (B) in subparagraph (A), in the matter
19 preceding clause (i), by inserting “referred to in
20 paragraph (1)(A)” after “empowerment zone”;

21 (C) by redesignating subparagraph (C) as
22 subparagraph (F); and

23 (D) by inserting after subparagraph (B)
24 the following:

1 “(C) ADDITIONAL EMPOWERMENT
2 GRANTS.—The amount of the grant to a State
3 under this section for a qualified empowerment
4 zone referred to in paragraph (1)(C) shall be—

5 “(i) if the zone is in an urban area,
6 \$11,675,000 for each of fiscal years 2001
7 through 2008; or

8 “(ii) if the zone is in a rural area,
9 \$4,600,000 for each of fiscal years 2001
10 through 2008,

11 multiplied by the proportion of the population
12 of the zone that resides in the State.

13 “(D) ADDITIONAL ENTERPRISE COMMU-
14 NITY GRANTS.—The amount of the grant to a
15 State under this section for a qualified enter-
16 prise community referred to in paragraph
17 (1)(D) shall be \$2,750,000, multiplied by the
18 proportion of the population of the community
19 that resides in the State.

20 “(E) STRATEGIC PLANNING COMMUNITY
21 GRANTS.—The amount of the grant to a State
22 under this section for a strategic planning com-
23 munity shall be \$3,000,000, multiplied by the
24 proportion of the population of the community
25 that resides in the State.”.

1 (3) TIMING OF GRANTS.—Section 2007(a)(3) of
2 such Act (42 U.S.C. 1397f(a)(3)) is amended—

3 (A) in the heading of subparagraph (A), by
4 inserting “ORIGINAL” before “QUALIFIED”;

5 (B) in subparagraph (A), in the matter
6 preceding clause (i), by inserting “referred to in
7 paragraph (1)(A)” after “empowerment zone”;
8 and

9 (C) by adding after subparagraph (B) the
10 following:

11 “(C) ADDITIONAL QUALIFIED EMPOWER-
12 MENT ZONES.—With respect to each qualified
13 empowerment zone referred to in paragraph
14 (1)(C), the Secretary shall make 1 grant under
15 this section to the State in which the zone lies,
16 on the first day of fiscal year 2001 and of each
17 of the 7 succeeding fiscal years.

18 “(D) ADDITIONAL QUALIFIED ENTERPRISE
19 COMMUNITIES.—With respect to each qualified
20 enterprise community referred to in paragraph
21 (1)(D), the Secretary shall make 1 grant under
22 this section to the State in which the commu-
23 nity lies on the first day of fiscal year 2001 and
24 of each of the 7 succeeding fiscal years.

1 “(E) STRATEGIC PLANNING COMMU-
2 NITIES.—With respect to each strategic plan-
3 ning community, the Secretary shall make 1
4 grant under this section to the State in which
5 the community is located, on October 1, 2001.”.

6 (4) FUNDING.—Section 2007(a)(4) of such Act
7 (42 U.S.C. 1397f(a)(4)) is amended—

8 (A) by striking “(4) FUNDING.—
9 \$1,000,000” and inserting the following:

10 “(4) FUNDING.—

11 “(A) ORIGINAL GRANTS.—\$1,000,000”;

12 (B) by inserting “for empowerment zones
13 and enterprise communities described in sub-
14 paragraphs (A) and (B) of paragraph (1)” be-
15 fore the period; and

16 (C) by adding after and below the end the
17 following:

18 “(B) ADDITIONAL EMPOWERMENT ZONE
19 GRANTS.—\$1,585,000,000 shall be made avail-
20 able to the Secretary for grants under this sec-
21 tion for empowerment zones referred to in para-
22 graph (1)(C).

23 “(C) ADDITIONAL ENTERPRISE COMMU-
24 NITY GRANTS.—\$55,000,000 shall be made
25 available to the Secretary for grants under this

1 section for enterprise communities referred to
2 in paragraph (1)(D).

3 “(D) STRATEGIC PLANNING COMMUNITY
4 GRANTS.—\$45,000,000 shall be made available
5 to the Secretary for grants under this section
6 for strategic planning communities.”.

7 (5) DIRECT FUNDING FOR INDIAN TRIBES.—
8 Section 2007(a) of such Act (42 U.S.C. 1397f(a)) is
9 amended by adding at the end the following:

10 “(5) DIRECT FUNDING FOR INDIAN TRIBES.—

11 “(A) IN GENERAL.—The Secretary may
12 make a grant under this section directly to the
13 governing body of an Indian tribe if—

14 “(i) the tribe is identified in the stra-
15 tegic plan of a qualified empowerment zone
16 or qualified enterprise community as the
17 entity that assumes sole or primary re-
18 sponsibility for carrying out activities and
19 projects under the grant; and

20 “(ii) the grant is to be used for activi-
21 ties and projects that are—

22 “(I) included in the strategic
23 plan of the qualified empowerment
24 zone or qualified enterprise commu-
25 nity, consistent with this section; and

1 “(II) approved by the Secretary
 2 of Agriculture, in the case of a quali-
 3 fied empowerment zone or qualified
 4 enterprise community in a rural area,
 5 or the Secretary of Housing and
 6 Urban Development, in the case of a
 7 qualified empowerment zone or quali-
 8 fied enterprise community in an urban
 9 area.

10 “(B) RULES OF INTERPRETATION.—

11 “(i) If grant under this section is
 12 made directly to the governing body of an
 13 Indian tribe under subparagraph (A), the
 14 tribe shall be considered a State for pur-
 15 poses of this section.

16 “(ii) This subparagraph shall not be
 17 construed as making applicable to this sec-
 18 tion the provisions of the Indian Self-De-
 19 termination and Education Assistance
 20 Act.”.

21 (6) DEFINITIONS.—

22 (A) QUALIFIED ENTERPRISE COMMU-
 23 NITY.—Section 2007(f)(2)(A) of such Act (42
 24 U.S.C. 1397f(f)(2)(A)) is amended by inserting
 25 “or pursuant to section 766 of the Agriculture,

1 Rural Development, Food and Drug Adminis-
2 tration, and Related Agencies Appropriations
3 Act, 1999” before the semicolon.

4 (B) STRATEGIC PLAN.—Section 2007(f)(3)
5 of such Act (42 U.S.C. 1397f(f)(3)) is amended
6 by inserting “or under section 766 of the Agri-
7 culture, Rural Development, Food and Drug
8 Administration, and Related Agencies Appro-
9 priations Act, 1999” before the period.

10 (C) STRATEGIC PLANNING COMMUNITY.—
11 Section 2007(f) of such Act (42 U.S.C.
12 1397f(f)) is amended by adding at the end the
13 following:

14 “(7) STRATEGIC PLANNING COMMUNITY.—The
15 term ‘strategic planning community’ means a re-
16 spondent to the Notice Inviting Applications at 63
17 Federal Register 19162 (April 16, 1998) whose ap-
18 plication was ranked 16th through 30th in the com-
19 petition that concluded in December 1998.”.

20 (D) INDIAN TRIBE.—Section 2007(f) of
21 such Act (42 U.S.C. 1397f(f)), as amended by
22 subparagraph (C), is amended by adding at the
23 end the following:

24 “(8) INDIAN TRIBE.—The term ‘Indian tribe’
25 means any Indian tribe, band, nation, or other orga-

1 nized group or community, including any Alaska Na-
2 tive village or regional or village corporation as de-
3 fined in or established pursuant to the Alaska Na-
4 tive Claims Settlement Act, which is recognized as
5 eligible for the special programs and services pro-
6 vided by the United States to Indians because of
7 their status as Indians.”.

8 (b) USE OF GRANT FUNDS.—

9 (1) REVOLVING LOAN ACTIVITIES.—Section
10 2007(b) of the Social Security Act (42 U.S.C.
11 1397f(b)) is amended by adding at the end the fol-
12 lowing:

13 “(5) REVOLVING LOAN ACTIVITIES.—

14 “(A) IN GENERAL.—In order to assist dis-
15 advantaged adults and youths in achieving and
16 maintaining economic self-support, a State may
17 use amounts paid under this section to fund re-
18 volving loan funds or similar arrangements for
19 the purpose of making loans to residents, insti-
20 tutions, organizations, or businesses that hire
21 disadvantaged adults and youths.

22 “(B) RULES FOR DISBURSEMENT.—

23 Amounts to be used as described in subpara-
24 graph (A) shall be disbursed by the Secretary,
25 consistent with the provisions of the Cash Man-

1 agement Improvement Act and its implementing
2 rules, regulations, and procedures issued by the
3 Secretary of the Treasury—

4 “(i) in the case of a grant to a revolving
5 loan fund—

6 “(I) pursuant to a written irrevocable grant commitment; and

7
8 “(II) at such time or times as the
9 Secretary determines that the funds
10 are needed to meet the purposes of
11 such commitment; or

12 “(ii) in the case of a grant for purposes of capitalizing an insured depository
13 institution (as defined in section 3 of the
14 Federal Deposit Insurance Act (12 U.S.C.
15 1813)) or an insured credit union (as defined in section 101 of the Federal Credit
16 Union Act (12 U.S.C. 1742)), at such time
17 or times as the Secretary determines that
18 funds are needed for such capitalization.”.

19
20
21 (2) USE AS NON-FEDERAL SHARE.—Section
22 2007(b) of such Act (42 U.S.C. 1397f(b)), as
23 amended by paragraph (1), is amended by adding at
24 the end the following:

1 “(6) A State may use amounts received from a
2 grant under this section to pay all or part of the
3 non-Federal share of expenditures under any other
4 Federal grant to a local public or nonprofit private
5 agency or organization for activities consistent with
6 the purposes of this section, unless the statutory au-
7 thority for such other grant expressly prohibits
8 counting of Federal grant funds as such non-Federal
9 share.”.

10 (c) ENVIRONMENTAL REVIEW.—Section 2007 of the
11 Social Security Act (42 U.S.C. 1397f) is amended—

12 (1) by redesignating subsection (f) as sub-
13 section (g); and

14 (2) by inserting after subsection (e) the fol-
15 lowing:

16 “(f) ENVIRONMENTAL REVIEW.—

17 “(1) EXECUTION OF RESPONSIBILITY BY THE
18 SECRETARY OF HOUSING AND URBAN DEVELOPMENT
19 AND THE SECRETARY OF AGRICULTURE.—

20 “(A) APPLICABILITY.—This subsection
21 shall apply to grants under this section in con-
22 nection with empowerment zones, enterprise
23 communities, and strategic planning commu-
24 nities (as defined in subsection (g)).

1 “(B) EXECUTION OF RESPONSIBILITY.—

2 With respect to grants described in subpara-
3 graph (A), the Secretary of Housing and Urban
4 Development and the Secretary of Agriculture,
5 as appropriate, shall execute the responsibilities
6 under the National Environmental Policy Act of
7 1969 and other provisions of law that further
8 the purposes of such Act (as specified in regula-
9 tions issued by each such Secretary under para-
10 graph (2)(B)) that would otherwise apply to the
11 Secretary of Health and Human Services, and
12 may provide for the assumption of such respon-
13 sibilities in accordance with paragraphs (2)
14 through (5).

15 “(C) DEFINITION OF SECRETARY.—Except
16 as otherwise specified, in this subsection, the
17 term ‘Secretary’ means the Secretary of Hous-
18 ing and Urban Development for purposes of
19 grants under this section with respect to quali-
20 fied empowerment zones and qualified enter-
21 prise communities in urban areas, and strategic
22 planning areas, and the Secretary of Agri-
23 culture for purposes of grants under this sec-
24 tion with respect to qualified empowerment

1 zones and qualified enterprise communities in
2 rural areas.

3 “(2) ASSUMPTION OF RESPONSIBILITY BY
4 STATES, UNITS OF GENERAL LOCAL GOVERNMENT,
5 AND INDIAN TRIBES.—

6 “(A) RELEASE OF FUNDS.—In order to as-
7 sure that the policies of the National Environ-
8 mental Policy Act of 1969 and other provisions
9 of law that further the purposes of such Act (as
10 specified in regulations issued by the Secretary
11 under subparagraph (B)) are most effectively
12 implemented in connection with the expenditure
13 of funds under this section, and to assure to the
14 public undiminished protection of the environ-
15 ment, the Secretary may, under such regula-
16 tions, in lieu of the environmental protection
17 procedures otherwise applicable, provide for the
18 release of funds for particular projects to recipi-
19 ents of assistance under this section if the
20 State, unit of general local government, or In-
21 dian tribe, as designated by the Secretary in ac-
22 cordance with regulations issued by the Sec-
23 retary under subparagraph (B), assumes all of
24 the responsibilities for environmental review,
25 decisionmaking, and action pursuant to such

1 Act, and such other provisions of law as the
2 regulations of the Secretary specify, that would
3 otherwise apply to the Secretary were the Sec-
4 retary to undertake such projects as Federal
5 projects.

6 “(B) IMPLEMENTATION.—The Secretary of
7 Housing and Urban Development and the Sec-
8 retary of Agriculture shall each issue regula-
9 tions to carry out this subsection only after con-
10 sultation with the Council on Environmental
11 Quality. Such regulations shall—

12 “(i) specify any other provisions of
13 law that further the purposes of the Na-
14 tional Environmental Policy Act of 1969
15 and to which the assumption of responsi-
16 bility as provided in this subsection ap-
17 plies;

18 “(ii) provide eligibility criteria and
19 procedures for the designation of a State,
20 unit of general local government, or Indian
21 tribe to assume all of the responsibilities
22 described in subparagraph (A);

23 “(iii) specify the purposes for which
24 funds may be committed without regard to

1 the procedure established under paragraph
2 (3);

3 “(iv) provide for monitoring of the
4 performance of environmental reviews
5 under this subsection;

6 “(v) in the discretion of the Secretary,
7 provide for the provision or facilitation of
8 training for such performance; and

9 “(vi) subject to the discretion of the
10 Secretary, provide for suspension or termi-
11 nation by the Secretary of the assumption
12 under subparagraph (A).

13 “(C) RESPONSIBILITIES OF STATE, UNIT
14 OF GENERAL LOCAL GOVERNMENT, OR INDIAN
15 TRIBE.—The Secretary’s duty under subpara-
16 graph (B) shall not be construed to limit any
17 responsibility assumed by a State, unit of gen-
18 eral local government, or Indian tribe with re-
19 spect to any particular release of funds under
20 subparagraph (A).

21 “(3) PROCEDURE.—The Secretary shall ap-
22 prove the release of funds for projects subject to the
23 procedures authorized by this subsection only if, not
24 less than 15 days prior to such approval and prior
25 to any commitment of funds to such projects (except

1 for such purposes specified in the regulations issued
2 under paragraph (2)(B)), the recipient submits to
3 the Secretary a request for such release accompanied
4 by a certification of the State, unit of general local
5 government, or Indian tribe that meets the require-
6 ments of paragraph (4). The approval by the Sec-
7 retary of any such certification shall be deemed to
8 satisfy the Secretary's responsibilities pursuant to
9 paragraph (1) under the National Environmental
10 Policy Act of 1969 and such other provisions of law
11 as the regulations of the Secretary specify insofar as
12 those responsibilities relate to the releases of funds
13 for projects to be carried out pursuant thereto that
14 are covered by such certification.

15 “(4) CERTIFICATION.—A certification under the
16 procedures authorized by this subsection shall—

17 “(A) be in a form acceptable to the Sec-
18 retary;

19 “(B) be executed by the chief executive of-
20 ficer or other officer of the State, unit of gen-
21 eral local government, or Indian tribe who
22 qualifies under regulations of the Secretary;

23 “(C) specify that the State, unit of general
24 local government, or Indian tribe under this

1 subsection has fully carried out its responsibil-
2 ities as described under paragraph (2); and

3 “(D) specify that the certifying officer—

4 “(i) consents to assume the status of
5 a responsible Federal official under the
6 National Environmental Policy Act of
7 1969 and each provision of law specified in
8 regulations issued by the Secretary insofar
9 as the provisions of such Act or other such
10 provisions of law apply pursuant to para-
11 graph (2); and

12 “(ii) is authorized and consents on be-
13 half of the State, unit of general local gov-
14 ernment, or Indian tribe and himself or
15 herself to accept the jurisdiction of the
16 Federal courts for the purpose of enforce-
17 ment of the responsibilities as such an offi-
18 cial.

19 “(5) APPROVAL BY STATES.—In cases in which
20 a unit of general local government carries out the re-
21 sponsibilities described in paragraph (2), the Sec-
22 retary may permit the State to perform those ac-
23 tions of the Secretary described in paragraph (3).
24 The performance of such actions by the State, where
25 permitted, shall be deemed to satisfy the responsibil-

ities referred to in the second sentence of paragraph
 (3).”.

SEC. 309. CUSTOMS USER FEES.

Section 13031(j)(3) of the Consolidated Omnibus
 Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3))
 is amended by striking “2003” and inserting “2008”.

**TITLE IV—FAITH BASED
 SUBSTANCE ABUSE TREATMENT**

**SEC. 401. PREVENTION AND TREATMENT OF SUBSTANCE
 ABUSE; SERVICES PROVIDED THROUGH RELI-
 GIOUS ORGANIZATIONS.**

Title V of the Public Health Service Act (42 U.S.C.
 290aa et seq.) is amended by adding at the end the fol-
 lowing part:

**“PART G—SERVICES PROVIDED THROUGH RELIGIOUS
 ORGANIZATIONS**

“SEC. 581. APPLICABILITY TO DESIGNATED PROGRAMS.

“(a) DESIGNATED PROGRAMS.—Subject to sub-
 section (b), this part applies to discretionary and formula
 grant programs administered by the Substance Abuse and
 Mental Health Services Administration that make awards
 of Federal financial assistance to public or private entities
 for the purpose of carrying out activities to prevent or
 treat substance abuse (in this part referred to as a ‘des-
 ignated program’). Designated programs include the pro-

1 gram under subpart II of part B of title XIX (relating
2 to formula grants to the States).

3 “(b) LIMITATION.—This part does not apply to any
4 award of Federal financial assistance under a designated
5 program for a purpose other than the purpose specified
6 in subsection (a).

7 “(c) DEFINITIONS.—For purposes of this part (and
8 subject to subsection (b)):

9 “(1) The term ‘designated award recipient’
10 means a public or private entity that has received an
11 award of financial assistance under a designated
12 program (whether the award is a designated direct
13 award or a designated subaward).

14 “(2) The term ‘designated direct award’ means
15 an award of financial assistance under a designated
16 program that is received directly from the Federal
17 Government.

18 “(3) The term ‘designated subaward’ means an
19 award of financial assistance made by a non-Federal
20 entity, which award consists in whole or in part of
21 Federal financial assistance provided through an
22 award under a designated program.

23 “(4) The term ‘designated program’ has the
24 meaning given such term in subsection (a).

1 “(5) The term ‘financial assistance’ means a
2 grant, cooperative agreement, contract, or
3 voucherized assistance.

4 “(6) The term ‘program beneficiary’ means an
5 individual who receives program services.

6 “(7) The term ‘program participant’ has the
7 meaning given such term in section 582(a)(2).

8 “(8) The term ‘program services’ means treat-
9 ment for substance abuse, or preventive services re-
10 garding such abuse, provided pursuant to an award
11 of financial assistance under a designated program.

12 “(9) The term ‘religious organization’ means a
13 nonprofit religious organization.

14 “(10) The term ‘voucherized assistance’
15 means—

16 “(A) a system of selecting and reimbursing
17 program services in which—

18 “(i) the beneficiary is given a docu-
19 ment or other authorization that may be
20 used to pay for program services;

21 “(ii) the beneficiary chooses the orga-
22 nization that will provide services to him or
23 her according to rules specified by the des-
24 ignated award recipient; and

1 “(iii) the organization selected by the
2 beneficiary is reimbursed by the designated
3 award recipient for program services pro-
4 vided; or

5 “(B) any other mode of financial assist-
6 ance to pay for program services in which the
7 program beneficiary determines the allocation
8 of program funds through his or her selection
9 of one service provider from among alternatives.

10 **“SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM PAR-**
11 **TICIPANTS.**

12 “(a) IN GENERAL.—

13 “(1) SCOPE OF AUTHORITY.—Notwithstanding
14 any other provision of law, a religious
15 organization—

16 “(A) may be a designated award recipient;

17 “(B) may make designated subawards to
18 other public or nonprofit private entities (in-
19 cluding other religious organizations);

20 “(C) may provide for the provision of pro-
21 gram services to program beneficiaries through
22 the use of voucherized assistance; and

23 “(D) may be a provider of services under
24 a designated program, including a provider that
25 accepts voucherized assistance.

1 “(2) DEFINITION OF PROGRAM PARTICIPANT.—

2 For purposes of this part, the term ‘program partici-
3 pant’ means a public or private entity that has re-
4 ceived a designated direct award, or a designated
5 subaward, regardless of whether the entity provides
6 program services. Such term includes an entity
7 whose only participation in a designated program is
8 to provide program services pursuant to the accept-
9 ance of voucherized assistance.

10 “(b) RELIGIOUS ORGANIZATIONS.—The purpose of
11 this section is to allow religious organizations to be pro-
12 gram participants on the same basis as any other non-
13 profit private provider without impairing the religious
14 character of such organizations, and without diminishing
15 the religious freedom of program beneficiaries.

16 “(c) NONDISCRIMINATION AGAINST RELIGIOUS OR-
17 GANIZATIONS.—

18 “(1) ELIGIBILITY AS PROGRAM PARTICI-
19 PANTS.—Religious organizations are eligible to be
20 program participants on the same basis as any other
21 nonprofit private organization as long as the pro-
22 grams are implemented consistent with the Estab-
23 lishment Clause of the First Amendment to the
24 United States Constitution. The Federal Govern-
25 ment may under the preceding sentence apply to re-

1 religious organizations the same eligibility conditions
 2 in designated programs as are applied to any non-
 3 profit private organization as long as the conditions
 4 are consistent with the Free Exercise Clause of the
 5 First Amendment.

6 “(2) NONDISCRIMINATION.—Neither the Fed-
 7 eral Government nor a State receiving funds under
 8 such programs shall discriminate against an organi-
 9 zation that is or applies to be a program participant
 10 on the basis that the organization has a religious
 11 character.

12 “(d) RELIGIOUS CHARACTER AND FREEDOM.—

13 “(1) RELIGIOUS ORGANIZATIONS.—Except as
 14 provided in this section, any religious organization
 15 that is a program participant shall retain its inde-
 16 pendence from Federal, State, and local government,
 17 including such organization’s control over the defini-
 18 tion, development, practice, and expression of its re-
 19 ligious beliefs.

20 “(2) ADDITIONAL SAFEGUARDS.—Neither the
 21 Federal Government nor a State shall require a reli-
 22 gious organization to—

23 “(A) alter its form of internal governance;

24 or

1 “(B) remove religious art, icons, scripture,
2 or other symbols;
3 in order to be a program participant.

4 “(e) EMPLOYMENT PRACTICES.—A religious organi-
5 zation’s exemption provided under section 702 of the Civil
6 Rights Act of 1964 regarding employment practices shall
7 not be affected by its participation in, or receipt of funds
8 from, a designated program.

9 “(f) RIGHTS OF PROGRAM BENEFICIARIES.—

10 “(1) IN GENERAL.—With respect to an indi-
11 vidual who is a program beneficiary or a prospective
12 program beneficiary, if the individual objects to a
13 program participant on the basis that the partici-
14 pant is a religious organization, the following ap-
15 plies:

16 “(A) If the organization received a des-
17 ignated direct award, the organization shall
18 refer the individual to an alternative entity that
19 provides program services and shall, to the ex-
20 tent practicable, provide appropriate follow-up
21 services.

22 “(B) If the organization received a des-
23 ignated subaward, the non-Federal entity that
24 made the subaward shall refer the individual to
25 an alternative entity that provides program

1 services and shall, to the extent practicable,
2 provide appropriate follow-up services.

3 “(C) If the organization is providing serv-
4 ices pursuant to voucherized assistance, the
5 designated award recipient that operates the
6 voucherized assistance program shall refer the
7 individual to an alternative entity that provides
8 program services and shall, to the extent prac-
9 ticable, provide appropriate follow-up services.

10 “(D) If the local government involved
11 makes available a list of entities in the geo-
12 graphic area that provide program services, the
13 program participant with the responsibility for
14 making the referral under subparagraph (A),
15 (B), or (C), as the case may be, shall obtain a
16 copy of such list and consider the list in making
17 the referral (except that this subparagraph does
18 not apply if the program participant is the local
19 government or the State).

20 “(E) Referrals under any of subpara-
21 graphs (A) through (C) shall be made to alter-
22 native entities that will provide program serv-
23 ices the monetary value of which is not less
24 than the monetary value of the program serv-

1 ices that the individual would have received
2 from the religious organization involved.

3 “(2) NONDISCRIMINATION.—Except as other-
4 wise provided in law, a religious organization that is
5 a program participant shall not in providing pro-
6 gram services discriminate against a program bene-
7 ficiary on the basis of religion or religious belief.

8 “(g) FISCAL ACCOUNTABILITY.—

9 “(1) IN GENERAL.—Except as provided in para-
10 graph (2), any religious organization that is a pro-
11 gram participant shall be subject to the same regula-
12 tions as other recipients of awards of Federal finan-
13 cial assistance to account, in accordance with gen-
14 erally accepted auditing principles, for the use of the
15 funds provided under such awards.

16 “(2) LIMITED AUDIT.—With respect to the
17 award involved, if a religious organization that is a
18 program participant maintains the Federal funds in
19 a separate account from non-Federal funds, then
20 only the Federal funds shall be subject to audit.

21 “(h) COMPLIANCE.—With respect to compliance with
22 this section by an agency, a religious organization may
23 obtain judicial review of agency action in accordance with
24 chapter 7 of title 5, United States Code.

1 **“SEC. 583. LIMITATIONS ON USE OF FUNDS FOR CERTAIN**
2 **PURPOSES.**

3 “(a) IN GENERAL.—Except as provided in subsection
4 (b), no funds provided directly to an entity under a des-
5 ignated program shall be expended for sectarian worship
6 or instruction.

7 “(b) EXCEPTION.—Subsection (a) shall not apply to
8 assistance provided to or on behalf of a program bene-
9 ficiary if the beneficiary may choose where such assistance
10 is redeemed or allocated.

11 **“SEC. 584. FINANCIAL ASSISTANCE NOT AID TO INSTITU-**
12 **TIONS.**

13 “Financial assistance under a designated program is
14 aid to the beneficiary, not to the organization providing
15 program services.

16 **“SEC. 585. EDUCATIONAL REQUIREMENTS FOR PERSONNEL**
17 **IN DRUG TREATMENT PROGRAMS.**

18 “(a) FINDINGS.—The Congress finds that—

19 “(1) establishing formal educational qualifica-
20 tion for counselors and other personnel in drug
21 treatment programs may undermine the effective-
22 ness of such programs; and

23 “(2) such formal educational requirements for
24 counselors and other personnel may hinder or pre-
25 vent the provision of needed drug treatment services.

1 “(b) LIMITATION ON EDUCATIONAL REQUIREMENTS
2 OF PERSONNEL.—

3 “(1) TREATMENT OF RELIGIOUS EDUCATION.—

4 “(A) IN GENERAL.—If any State or local
5 government that is a program participant im-
6 poses formal educational qualifications on pro-
7 viders of program services, including religious
8 organizations, such State or local government
9 shall treat religious education and training of
10 personnel as having a critical and positive role
11 in the delivery of program services.

12 “(B) EDUCATION AND TRAINING ON PRE-
13 VENTION AND TREATMENT OF SUBSTANCE
14 ABUSE.—In applying to religious organizations
15 educational qualifications for personnel of such
16 organizations who provide program services, a
17 State or local government that is a program
18 participant shall, with respect to education and
19 training on preventing and treating substance
20 abuse, give credit for such education and train-
21 ing that is provided by religious organizations
22 equivalent to credit given for secular course
23 work that provides such education and training.

24 “(C) GENERAL EDUCATIONAL REQUIRE-
25 MENTS.—In applying to religious organizations

1 educational qualifications for personnel of such
2 organizations who provide program services, a
3 State or local government that is a program
4 participant shall, if such qualifications include
5 course work that does not relate specifically to
6 preventing or treating substance abuse, give
7 credit for religious education equivalent to cred-
8 it given for secular course work.

9 “(2) RESTRICTION OF DISCRIMINATION RE-
10 QUIREMENTS.—

11 “(A) IN GENERAL.—Subject to paragraph
12 (1), a State or local government that is a pro-
13 gram participant may establish formal edu-
14 cational qualifications for personnel in organiza-
15 tions providing program services that contribute
16 to success in reducing drug use among program
17 beneficiaries.

18 “(B) EXCEPTION.—The Secretary shall
19 waive the application of any educational quali-
20 fication imposed under subparagraph (A) for an
21 individual religious organization, if the Sec-
22 retary determines that—

23 “(i) the religious organization has a
24 record of prior successful drug treatment
25 for at least the preceding three years;

1 “(ii) the educational qualifications
2 have effectively barred such religious orga-
3 nization from becoming a program pro-
4 vider;

5 “(iii) the organization has applied to
6 the Secretary to waive the qualifications;
7 and

8 “(iv) the State or local government
9 has failed to demonstrate empirically that
10 the educational qualifications in question
11 are necessary to the successful operation of
12 a drug treatment program.”.

13 **TITLE V—HOMEOWNERSHIP**

14 **SEC. 501. TRANSFER OF UNOCCUPIED AND SUBSTANDARD** 15 **HUD-HELD HOUSING TO LOCAL GOVERN-** 16 **MENTS AND COMMUNITY DEVELOPMENT** 17 **CORPORATIONS.**

18 Section 204 of the Departments of Veterans Affairs
19 and Housing and Urban Development, and Independent
20 Agencies Appropriations Act, 1997 (12 U.S.C. 1715z-
21 11a) is amended—

22 (1) by striking “FLEXIBLE AUTHORITY.—” and
23 inserting “DISPOSITION OF HUD-OWNED PROP-
24 ERTIES. (a) FLEXIBLE AUTHORITY FOR MULTI-
25 FAMILY PROJECTS.—”; and

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

3 “(b) TRANSFER OF UNOCCUPIED AND SUBSTANDARD
4 HOUSING TO LOCAL GOVERNMENTS AND COMMUNITY
5 DEVELOPMENT CORPORATIONS.—

6 “(1) TRANSFER AUTHORITY.—Notwithstanding
7 the authority under subsection (a) and the last sen-
8 tence of section 204(g) of the National Housing Act
9 (12 U.S.C. 1710(g)), the Secretary of Housing and
10 Urban Development shall transfer ownership of any
11 qualified HUD property, subject to the requirements
12 of this section, to a unit of general local government
13 having jurisdiction for the area in which the prop-
14 erty is located or to a community development cor-
15 poration which operates within such a unit of gen-
16 eral local government in accordance with this sub-
17 section, but only to the extent that units of general
18 local government and community development cor-
19 porations consent to transfer and the Secretary de-
20 termines that such transfer is practicable.

21 “(2) QUALIFIED HUD PROPERTIES.—For pur-
22 poses of this subsection, the term ‘qualified HUD
23 property’ means any property for which, as of the
24 date that notification of the property is first made
25 under paragraph (3)(B), not less than 6 months

1 have elapsed since the later of the date that the
2 property was acquired by the Secretary or the date
3 that the property was determined to be unoccupied
4 or substandard, that is owned by the Secretary and
5 is—

6 “(A) an unoccupied multifamily housing
7 project;

8 “(B) a substandard multifamily housing
9 project; or

10 “(C) an unoccupied single family property
11 that—

12 “(i) has been determined by the Sec-
13 retary not to be an eligible asset under sec-
14 tion 204(h) of the National Housing Act
15 (12 U.S.C. 1710(h)); or

16 “(ii) is an eligible asset under such
17 section 204(h), but—

18 “(I) is not subject to a specific
19 sale agreement under such section;
20 and

21 “(II) has been determined by the
22 Secretary to be inappropriate for con-
23 tinued inclusion in the program under
24 such section 204(h) pursuant to para-
25 graph (10) of such section.

1 “(3) TIMING.—The Secretary shall establish
2 procedures that provide for—

3 “(A) time deadlines for transfers under
4 this subsection;

5 “(B) notification to units of general local
6 government and community development cor-
7 porations of qualified HUD properties in their
8 jurisdictions;

9 “(C) such units and corporations to ex-
10 press interest in the transfer under this sub-
11 section of such properties;

12 “(D) a right of first refusal for transfer of
13 qualified HUD properties to units of general
14 local government and community development
15 corporations, under which—

16 “(i) the Secretary shall establish a pe-
17 riod during which the Secretary may not
18 transfer such properties except to such
19 units and corporations;

20 “(ii) the Secretary shall offer qualified
21 HUD properties that are single family
22 properties for purchase by units of general
23 local government at a cost of \$1 for each
24 property, but only to the extent that the
25 costs to the Federal Government of dis-

1 posal at such price do not exceed the costs
2 to the Federal Government of disposing of
3 property subject to the procedures for sin-
4 gle family property established by the Sec-
5 retary pursuant to the authority under the
6 last sentence of section 204(g) of the Na-
7 tional Housing Act (12 U.S.C. 1710(g));

8 “(iii) the Secretary may accept an
9 offer to purchase a property made by a
10 community development corporation only if
11 the offer provides for purchase on a cost
12 recovery basis; and

13 “(iv) the Secretary shall accept an
14 offer to purchase such a property that is
15 made during such period by such a unit or
16 corporation and that complies with the re-
17 quirements of this paragraph;

18 “(E) a written explanation, to any unit of
19 general local government or community develop-
20 ment corporation making an offer to purchase
21 a qualified HUD property under this subsection
22 that is not accepted, of the reason that such
23 offer was not acceptable.

24 “(4) OTHER DISPOSITION.—With respect to
25 any qualified HUD property, if the Secretary does

1 not receive an acceptable offer to purchase the prop-
2 erty pursuant to the procedure established under
3 paragraph (3), the Secretary shall dispose of the
4 property to the unit of general local government in
5 which property is located or to community develop-
6 ment corporations located in such unit of general
7 local government on a negotiated, competitive bid, or
8 other basis, on such terms as the Secretary deems
9 appropriate.

10 “(5) SATISFACTION OF INDEBTEDNESS.—Be-
11 fore transferring ownership of any qualified HUD
12 property pursuant to this subsection, the Secretary
13 shall satisfy any indebtedness incurred in connection
14 with the property to be transferred, by canceling the
15 indebtedness.

16 “(6) DETERMINATION OF STATUS OF PROP-
17 erties.—To ensure compliance with the require-
18 ments of this subsection, the Secretary shall take the
19 following actions:

20 “(A) UPON ENACTMENT.—Upon the enact-
21 ment of this subsection, the Secretary shall
22 promptly assess each residential property owned
23 by the Secretary to determine whether such
24 property is a qualified HUD property.

1 “(B) UPON ACQUISITION.—Upon acquiring
2 any residential property, the Secretary shall
3 promptly determine whether the property is a
4 qualified HUD property.

5 “(C) UPDATES.—The Secretary shall peri-
6 odically reassess the residential properties
7 owned by the Secretary to determine whether
8 any such properties have become qualified
9 HUD properties.

10 “(7) TENANT LEASES.—This subsection shall
11 not affect the terms or the enforceability of any con-
12 tract or lease entered into with respect to any resi-
13 dential property before the date that such property
14 becomes a qualified HUD property.

15 “(8) USE OF PROPERTY.—Property transferred
16 under this subsection shall be used only for appro-
17 priate neighborhood revitalization efforts, including
18 homeownership, rental units, commercial space, and
19 parks, consistent with local zoning regulations, local
20 building codes, and subdivision regulations and re-
21 strictions of record.

22 “(9) INAPPLICABILITY TO PROPERTIES MADE
23 AVAILABLE FOR HOMELESS.—Notwithstanding any
24 other provision of this subsection, this subsection
25 shall not apply to any properties that the Secretary

1 determines are to be made available for use by the
2 homeless pursuant to subpart E of part 291 of title
3 24, Code of Federal Regulations, during the period
4 that the properties are so available.

5 “(10) PROTECTION OF EXISTING CONTRACTS.—

6 This subsection may not be construed to alter, af-
7 fect, or annul any legally binding obligations entered
8 into with respect to a qualified HUD property before
9 the property becomes a qualified HUD property.

10 “(11) DEFINITIONS.—For purposes of this sub-

11 section, the following definitions shall apply:

12 “(A) COMMUNITY DEVELOPMENT COR-

13 PORATION.—The term ‘community development
14 corporation’ means a nonprofit organization
15 whose primary purpose is to promote commu-
16 nity development by providing housing opportu-
17 nities for low-income families.

18 “(B) COST RECOVERY BASIS.—The term

19 ‘cost recovery basis’ means, with respect to any
20 sale of a residential property by the Secretary,
21 that the purchase price paid by the purchaser
22 is equal to or greater than the sum of (i) the
23 appraised value of the property, as determined
24 in accordance with such requirements as the
25 Secretary shall establish, and (ii) the costs in-

1 curred by the Secretary in connection with such
2 property during the period beginning on the
3 date on which the Secretary acquires title to the
4 property and ending on the date on which the
5 sale is consummated.

6 “(C) MULTIFAMILY HOUSING PROJECT.—
7 The term ‘multifamily housing project’ has the
8 meaning given the term in section 203 of the
9 Housing and Community Development Amend-
10 ments of 1978.

11 “(D) RESIDENTIAL PROPERTY.—The term
12 ‘residential property’ means a property that is
13 a multifamily housing project or a single family
14 property.

15 “(E) SECRETARY.—The term ‘Secretary’
16 means the Secretary of Housing and Urban De-
17 velopment.

18 “(F) SEVERE PHYSICAL PROBLEMS.—The
19 term ‘severe physical problems’ means, with re-
20 spect to a dwelling unit, that the unit—

21 “(i) lacks hot or cold piped water, a
22 flush toilet, or both a bathtub and a show-
23 er in the unit, for the exclusive use of that
24 unit;

1 “(ii) on not less than three separate
2 occasions during the preceding winter
3 months, was uncomfortably cold for a pe-
4 riod of more than 6 consecutive hours due
5 to a malfunction of the heating system for
6 the unit;

7 “(iii) has no functioning electrical
8 service, exposed wiring, any room in which
9 there is not a functioning electrical outlet,
10 or has experienced three or more blown
11 fuses or tripped circuit breakers during the
12 preceding 90-day period;

13 “(iv) is accessible through a public
14 hallway in which there are no working
15 light fixtures, loose or missing steps or
16 railings, and no elevator; or

17 “(v) has severe maintenance problems,
18 including water leaks involving the roof,
19 windows, doors, basement, or pipes or
20 plumbing fixtures, holes or open cracks in
21 walls or ceilings, severe paint peeling or
22 broken plaster, and signs of rodent infesta-
23 tion.

1 “(G) SINGLE FAMILY PROPERTY.—The
2 term ‘single family property’ means a 1- to 4-
3 family residence.

4 “(H) SUBSTANDARD.—The term ‘sub-
5 standard’ means, with respect to a multifamily
6 housing project, that 25 percent or more of the
7 dwelling units in the project have severe phys-
8 ical problems.

9 “(I) UNIT OF GENERAL LOCAL GOVERN-
10 MENT.—The term ‘unit of general local govern-
11 ment’ has the meaning given such term in sec-
12 tion 102(a) of the Housing and Community De-
13 velopment Act of 1974.

14 “(J) UNOCCUPIED.—The term ‘unoccu-
15 pied’ means, with respect to a residential prop-
16 erty, that the unit of general local government
17 having jurisdiction over the area in which the
18 project is located has certified in writing that
19 the property is not inhabited.

20 “(12) REGULATIONS.—

21 “(A) INTERIM.—Not later than 30 days
22 after the date of the enactment of this sub-
23 section, the Secretary shall issue such interim
24 regulations as are necessary to carry out this
25 subsection.

1 “(B) FINAL.—Not later than 60 days after
2 the date of the enactment of this subsection,
3 the Secretary shall issue such final regulations
4 as are necessary to carry out this subsection.”.

5 **SEC. 502. TRANSFER OF HUD ASSETS IN REVITALIZATION**
6 **AREAS.**

7 In carrying out the program under section 204(h) of
8 the National Housing Act (12 U.S.C. 1710(h)), upon the
9 request of the chief executive officer of a county or the
10 government of appropriate jurisdiction and not later than
11 60 days after such request is made, the Secretary of Hous-
12 ing and Urban Development shall designate as a revital-
13 ization area all portions of such county that meet the cri-
14 teria for such designation under paragraph (3) of such
15 section.

16 **SEC. 503. RISK-SHARING DEMONSTRATION.**

17 Section 249 of the National Housing Act (12 U.S.C.
18 1715z-14) is amended—

19 (1) by striking the section heading and insert-
20 ing the following:

21 “RISK-SHARING DEMONSTRATION”;

22 (2) by striking “reinsurance” each place such
23 term appears and insert “risk-sharing”;

24 (3) in subsection (a)—

1 (A) in the first sentence, by inserting “and
2 insured community development financial insti-
3 tutions” after “private mortgage insurers”;

4 (B) in the second sentence—

5 (i) by striking “two” and inserting
6 “4”; and

7 (ii) by striking “March 15, 1988” and
8 inserting “the expiration of the 5-year pe-
9 riod beginning on the date of the enact-
10 ment of the American Community Renewal
11 and New Markets Empowerment Act”; and

12 (C) in the last sentence, by striking “10
13 percent” and inserting “20 percent”;

14 (4) in subsection (b)—

15 (A) in the first sentence, by inserting “and
16 with insured community development financial
17 institutions” before the period at the end;

18 (B) in the first sentence, by striking
19 “which have been determined to be qualified in-
20 surers under section 302(b)(2)(C)”;

21 (C) in the second sentence, by inserting
22 “and insured community development financial
23 institutions” after “private mortgage insurance
24 companies”;

1 (D) by striking paragraph (1) and insert-
2 ing the following new paragraph:

3 “(1) assume the first loss on any mortgage in-
4 sured pursuant to section 203(b), 234, or 245 that
5 covers a one- to four-family dwelling and is included
6 in the program under this section, up to the percent-
7 age of loss that is set forth in the risk-sharing con-
8 tract;”; and

9 (E) in paragraph (2)—

10 (i) by striking “carry out (under ap-
11 propriate delegation) such” and inserting
12 “delegate underwriting;”; and

13 (ii) by striking “function” and insert-
14 ing “functions”;

15 (5) in subsection (c)—

16 (A) in the first sentence—

17 (i) by striking “of” the first place it
18 appears and insert “for”;

19 (ii) by striking “insurance reserves”
20 and inserting “loss reserves”; and

21 (iii) by striking “such insurance” and
22 inserting “such reserves”; and

23 (B) in the second sentence, by inserting
24 “or insured community development financial

1 institution” after “private mortgage insurance
2 company”;

3 (6) in subsection (d), by inserting “or insured
4 community development financial institution” after
5 “private mortgage insurance company”; and

6 (7) by adding at the end the following new sub-
7 section:

8 “(e) INSURED COMMUNITY DEVELOPMENT FINAN-
9 CIAL INSTITUTIONS.—For purposes of this section, the
10 term ‘insured community development financial institu-
11 tion’ means a community development financial institu-
12 tion, as such term is defined in section 103 of Reigle Com-
13 munity Development and Regulatory Improvement Act of
14 1994 (12 U.S.C. 4702) that is an insured depository insti-
15 tution (as such term is defined in section 3 of the Federal
16 Deposit Insurance Act (12 U.S.C. 1813)) or an insured
17 credit union (as such term is defined in section 101 of
18 the Federal Credit Union Act (12 U.S.C. 1752)).”.

19 **TITLE VI—AMERICA’S PRIVATE**
20 **INVESTMENT COMPANIES**

21 **SEC. 601. SHORT TITLE.**

22 This title may be cited as the “America’s Private In-
23 vestment Companies Act”.

24 **SEC. 602. FINDINGS AND PURPOSES.**

25 (a) FINDINGS.—The Congress finds that—

1 (1) people living in distressed areas, both urban
2 and rural, that are characterized by high levels of
3 joblessness, poverty, and low incomes have not bene-
4 fited adequately from the economic expansion experi-
5 enced by the Nation as a whole;

6 (2) unequal access to economic opportunities
7 continues to make the social costs of joblessness and
8 poverty to our Nation very high; and

9 (3) there are significant untapped markets in
10 our Nation, and many of these are in areas that are
11 underserved by institutions that can make equity
12 and credit investments.

13 (b) PURPOSES.—The purposes of this title are to—

14 (1) license private for profit community devel-
15 opment entities that will focus on making equity and
16 credit investments for large-scale business develop-
17 ments that benefit low-income communities;

18 (2) provide credit enhancement for those enti-
19 ties for use in low-income communities; and

20 (3) provide a vehicle under which the economic
21 and social returns on financial investments made
22 pursuant to this title may be available both to the
23 investors in these entities and to the residents of the
24 low-income communities.

1 **SEC. 603. DEFINITIONS.**

2 As used in this title:

3 (1) ADMINISTRATOR.—The term “Adminis-
4 trator” means the Administrator of the Small Busi-
5 ness Administration.

6 (2) AGENCY.—The term “agency” has the
7 meaning given such term in section 551(1) of title
8 5, United States Code.

9 (3) APIC.—The term “APIC” means a busi-
10 ness entity that has been licensed under the terms
11 of this title as an America’s Private Investment
12 Company, and the license of which has not been re-
13 voked.

14 (4) COMMUNITY DEVELOPMENT ENTITY.—The
15 term “community development entity” means an en-
16 tity the primary mission of which is serving or pro-
17 viding investment capital for low-income commu-
18 nities or low-income persons and which maintains
19 accountability to residents of low-income commu-
20 nities.

21 (5) HUD.—The term “HUD” means the Sec-
22 retary of Housing and Urban Development or the
23 Department of Housing and Urban Development, as
24 the context requires.

25 (6) LICENSE.—The term “license” means a li-
26 cense issued by HUD as provided in section 604.

1 (7) LOW-INCOME COMMUNITY.—The term “low-
2 income community” means—

3 (A) a census tract or tracts that have—

4 (i) a poverty rate of 20 percent or
5 greater, based on the most recent census
6 data; or

7 (ii) a median family income that does
8 not exceed 80 percent of the greater of (I)
9 the median family income for the metro-
10 politan area in which such census tract or
11 tracts are located, or (II) the median fam-
12 ily income for the State in which such cen-
13 sus tract or tracts are located; or

14 (B) a property that was located on a mili-
15 tary installation that was closed or realigned
16 pursuant to title II of the Defense Authoriza-
17 tion Amendments and Base Closure and Re-
18 alignment Act (Public Law 100–526; 10 U.S.C.
19 2687 note), the Defense Base Closure and Re-
20 alignment Act of 1990 (part A of title XXIX of
21 Public Law 101–510; 10 U.S.C. 2687 note),
22 section 2687 of title 10, United States Code, or
23 any other similar law enacted after the date of
24 the enactment of this Act that provides for clo-
25 sure or realignment of military installations.

1 (8) LOW-INCOME PERSON.—The term “low-in-
2 come person” means a person who is a member of
3 a low-income family, as such term is defined in sec-
4 tion 104 of the Cranston-Gonzalez National Afford-
5 able Housing Act (42 U.S.C. 12704).

6 (9) PRIVATE EQUITY CAPITAL.—

7 (A) IN GENERAL.—The term “private eq-
8 uity capital”—

9 (i) in the case of a corporate entity,
10 the paid-in capital and paid-in surplus of
11 the corporate entity;

12 (ii) in the case of a partnership entity,
13 the contributed capital of the partners of
14 the partnership entity;

15 (iii) in the case of a limited liability
16 company entity, the equity investment of
17 the members of the limited liability com-
18 pany entity; and

19 (iv) earnings from investments of the
20 entity that are not distributed to investors
21 and are available for reinvestment by the
22 entity.

23 (B) EXCLUSIONS.—Such term does not in-
24 clude any—

1 (i) funds borrowed by an entity from
2 any source or obtained through the
3 issuance of leverage; except that this clause
4 may not be construed to exclude amounts
5 evidenced by a legally binding and irrev-
6 ocable investment commitment in the enti-
7 ty, or the use by an entity of a pledge of
8 such investment commitment to obtain
9 bridge financing from a private lender to
10 fund the entity's activities on an interim
11 basis; or

12 (ii) funds obtained directly or indi-
13 rectly from any Federal, State, or local
14 government or any government agency, ex-
15 cept for—

16 (I) funds invested by an employee
17 welfare benefit plan or pension plan;
18 and

19 (II) credits against any Federal,
20 State, or local taxes.

21 (10) QUALIFIED ACTIVE BUSINESS.—The term
22 “qualified active business” means a business or
23 trade—

24 (A) that, at the time that an investment is
25 made in the business or trade, is deriving at

1 least 50 percent of its gross income from the
2 conduct of trade or business activities in low-in-
3 come communities;

4 (B) a substantial portion of the use of the
5 tangible property of which is used within low-
6 income communities;

7 (C) a substantial portion of the services
8 that the employees of which perform are per-
9 formed in low-income communities; and

10 (D) less than 5 percent of the aggregate
11 unadjusted bases of the property of which is at-
12 tributable to certain financial property, as the
13 Secretary shall set forth in regulations, or in
14 collectibles, other than collectibles held pri-
15 marily for sale to customers.

16 (11) QUALIFIED DEBENTURE.—The term
17 “qualified debenture” means a debt instrument hav-
18 ing terms that meet the requirements established
19 pursuant to section 606(c)(1).

20 (12) QUALIFIED LOW-INCOME COMMUNITY IN-
21 VESTMENT.—The term “qualified low-income com-
22 munity investment” mean an equity investment in,
23 or a loan to, a qualified active business.

1 (13) SECRETARY.—The term “Secretary”
2 means the Secretary of Housing and Urban Develop-
3 ment, unless otherwise specified in this title.

4 **SEC. 604. AUTHORIZATION.**

5 (a) LICENSES.—The Secretary is authorized to li-
6 cense community development entities as America’s Pri-
7 vate Investment Companies, in accordance with the terms
8 of this title.

9 (b) REGULATIONS.—The Secretary shall regulate
10 APICs for compliance with sound financial management
11 practices, and the program and procedural goals of this
12 title and other related Acts, and other purposes as re-
13 quired or authorized by this title, or determined by the
14 Secretary. The Secretary shall issue such regulations as
15 are necessary to carry out the licensing and regulatory and
16 other duties under this title, and may issue notices and
17 other guidance or directives as the Secretary determines
18 are appropriate to carry out such duties.

19 (c) USE OF CREDIT SUBSIDY FOR LICENSES.—

20 (1) NUMBER OF LICENSES.—The number of
21 APICs licensed at any one time may not exceed—

22 (A) the number that may be supported by
23 the amount of budget authority appropriated in
24 accordance with section 504(b) of the Federal
25 Credit Reform Act of 1990 (2 U.S.C. 661c) for

1 the cost (as such term is defined in section 502
2 of such Act) of the subsidy and the investment
3 strategies of such APICs; or

4 (B) to the extent the limitation under sec-
5 tion 605(e)(1) applies, the number authorized
6 under such section.

7 (2) USE OF ADDITIONAL CREDIT SUBSIDY.—
8 Subject to the limitation under paragraph (1), the
9 Secretary may use any budget authority available
10 after credit subsidy has been allocated for the APICs
11 initially licensed pursuant to section 605 as follows:

12 (A) ADDITIONAL LICENSES.—To license
13 additional APICs.

14 (B) CREDIT SUBSIDY INCREASES.—To in-
15 crease the credit subsidy allocated to an APIC
16 as an award for high performance under this
17 title, except that such increases may be made
18 only in accordance with the following require-
19 ments and limitations:

20 (i) TIMING.—An increase may only be
21 provided for an APIC that has been li-
22 censed for a period of not less than 2
23 years.

24 (ii) COMPETITION.—An increase may
25 only be provided for a fiscal year pursuant

1 to a competition for such fiscal year among
2 APICs eligible for, and requesting, such an
3 increase. The competition shall be based
4 upon criteria that the Secretary shall es-
5 tablish, which shall include the financial
6 soundness and performance of the APICs,
7 as measured by achievement of the public
8 performance goals included in the APICs
9 statements required under section
10 605(a)(6) and audits conducted under sec-
11 tion 609(b)(2). Among the criteria estab-
12 lished by the Secretary to determine pri-
13 ority for selection under this section, the
14 Secretary shall include making investments
15 in and loans to qualified active businesses
16 in urban or rural areas that have been des-
17 ignated under subchapter U of Chapter 1
18 of the Internal Revenue Code of 1986 as
19 empowerment zones or enterprise commu-
20 nities.

21 (d) COOPERATION AND COORDINATION.—

22 (1) PROGRAM POLICIES.—The Secretary is au-
23 thorized to coordinate and cooperate, through memo-
24 randa of understanding, an APIC liaison committee,
25 or otherwise, with the Administrator, the Secretary

1 of the Treasury, and other agencies in the discretion
2 of the Secretary, on implementation of this title, in-
3 cluding regulation, examination, and monitoring of
4 APICs under this title.

5 (2) FINANCIAL SOUNDNESS REQUIREMENTS.—

6 The Secretary shall consult with the Administrator
7 and the Secretary of the Treasury, and may consult
8 with such other heads of agencies as the Secretary
9 may consider appropriate, in establishing any regu-
10 lations, requirements, guidelines, or standards for fi-
11 nancial soundness or management practices of
12 APICs or entities applying for licensing as APICs.
13 In implementing and monitoring compliance with
14 any such regulations, requirements, guidelines, and
15 standards, the Secretary shall enter into such agree-
16 ments and memoranda of understanding with the
17 Administrator and the Secretary of the Treasury as
18 may be appropriate to provide for such officials to
19 provide any assistance that may be agreed to.

20 (3) OPERATIONS.—The Secretary may carry
21 out this title—

22 (A) directly, through agreements with
23 other Federal entities under section 1535 of
24 title 31, United States Code, or otherwise, or

1 (B) indirectly, under contracts or agree-
2 ments, as the Secretary shall determine.

3 (e) FEES AND CHARGES FOR ADMINISTRATIVE
4 COSTS.—To the extent provided in appropriations Acts,
5 the Secretary is authorized to impose fees and charges for
6 application, review, licensing, and regulation, or other ac-
7 tions under this title, and to pay for the costs of such
8 activities from the fees and charges collected.

9 (f) GUARANTEE FEES.—The Secretary is authorized
10 to set and collect fees for loan guarantee commitments and
11 loan guarantees that the Secretary makes under this title.

12 (g) FUNDING.—

13 (1) AUTHORIZATION OF APPROPRIATIONS FOR
14 LOAN GUARANTEE COMMITMENTS.—For each of fis-
15 cal years 2000, 2001, 2002, 2003, and 2004, there
16 is authorized to be appropriated up to \$36,000,000
17 for the cost (as such term is defined in section
18 502(5) of the Federal Credit Reform Act of 1990)
19 of annual loan guarantee commitments under this
20 title. Amounts appropriated under this paragraph
21 shall remain available until expended.

22 (2) AGGREGATE LOAN GUARANTEE COMMIT-
23 MENT LIMITATION.—The Secretary may make com-
24 mitments to guarantee loans only to the extent that
25 the total loan principal, any part of which is guaran-

1 teed, will not exceed \$1,000,000,000, unless another
2 such amount is specified in appropriation Acts for
3 any fiscal year.

4 (3) AUTHORIZATION OF APPROPRIATIONS FOR
5 ADMINISTRATIVE EXPENSES.—For each of the fiscal
6 years 2000, 2001, 2002, 2003, and 2004, there is
7 authorized to be appropriated \$1,000,000 for admin-
8 istrative expenses for carrying out this title. The
9 Secretary may transfer amounts appropriated under
10 this paragraph to any appropriation account of
11 HUD or another agency, to carry out the program
12 under this title. Any agency to which the Secretary
13 may transfer amounts under this title is authorized
14 to accept such transferred amounts in any appro-
15 priation account of such agency.

16 **SEC. 605. SELECTION OF APICS.**

17 (a) ELIGIBLE APPLICANTS.—An entity shall be eligi-
18 ble to be selected for licensing under section 604 as an
19 APIC only if the entity submits an application in compli-
20 ance with the requirements established pursuant to sub-
21 section (b) and the entity meets or complies with the fol-
22 lowing requirements:

23 (1) ORGANIZATION.—The entity shall be a pri-
24 vate, for-profit entity that qualifies as a community
25 development entity for the purposes of the New Mar-

1 kets Tax Credits, to the extent such credits are es-
2 tablished under Federal law.

3 (2) MINIMUM PRIVATE EQUITY CAPITAL.—The
4 amount of private equity capital reasonably available
5 to the entity, as determined by the Secretary, at the
6 time that a license is approved may not be less than
7 \$25,000,000.

8 (3) QUALIFIED MANAGEMENT.—The manage-
9 ment of the entity shall, in the determination of the
10 Secretary, meet such standards as the Secretary
11 shall establish to ensure that the management of the
12 APIC is qualified, and has the financial expertise,
13 knowledge, experience, and capability necessary, to
14 make investments for community and economic de-
15 velopment in low-income communities.

16 (4) CONFLICT OF INTEREST.—The entity shall
17 demonstrate that, in accordance with sound financial
18 management practices, the entity is structured to
19 preclude financial conflict of interest between the
20 APIC and a manager or investor.

21 (5) INVESTMENT STRATEGY.—The entity shall
22 prepare and submit to the Secretary an investment
23 strategy that includes benchmarks for evaluation of
24 its progress, that includes an analysis of existing lo-
25 cally owned businesses in the communities in which

1 the investments under the strategy will be made,
2 that prioritizes such businesses for investment op-
3 portunities, and that fulfills the specific public pur-
4 pose goals of the entity.

5 (6) STATEMENT OF PUBLIC PURPOSE GOALS.—

6 The entity shall prepare and submit to the Secretary
7 a statement of the public purpose goals of the entity,
8 which shall—

9 (A) set forth goals that shall promote com-
10 munity and economic development, which shall
11 include—

12 (i) making investments in low-income
13 communities that further economic devel-
14 opment objectives by targeting such invest-
15 ments in businesses or trades that comply
16 with the requirements under subpara-
17 graphs (A) through (C) of section 603(10)
18 relating to low-income communities in a
19 manner that benefits low-income persons;

20 (ii) creating jobs in low-income com-
21 munities for residents of such commu-
22 nities;

23 (iii) involving community-based orga-
24 nizations and residents in community de-
25 velopment activities;

1 (iv) such other goals as the Secretary
2 shall specify; and

3 (v) such elements as the entity may
4 set forth to achieve specific public purpose
5 goals;

6 (B) include such other elements as the
7 Secretary shall specify; and

8 (C) include proposed measurements and
9 strategies for meeting the goals.

10 (7) COMPLIANCE WITH LAWS.—The entity shall
11 agree to comply with applicable laws, including Fed-
12 eral executive orders, Office of Management and
13 Budget circulars, and requirements of the Depart-
14 ment of the Treasury, and such operating and regu-
15 latory requirements as the Secretary may impose
16 from time to time.

17 (8) OTHER.—The entity shall satisfy any other
18 application requirements that the Secretary may im-
19 pose by regulation or Federal Register notice.

20 (b) COMPETITIONS.—The Secretary shall select eligi-
21 ble entities under subsection (a) to be licensed under sec-
22 tion 604 as APICs on the basis of competitions. The Sec-
23 retary shall announce each such competition by causing
24 a notice to be published in the Federal Register that in-
25 vites applications for licenses and sets forth the require-

1 ments for application and such other terms of the competi-
2 tion not otherwise provided for, as determined by the Sec-
3 retary.

4 (c) SELECTION.—In competitions under subsection
5 (b), the Secretary shall select eligible entities under sub-
6 section (a) for licensing as APICs on the basis of—

7 (1) the extent to which the entity is expected to
8 achieve the goals of this title by meeting or exceed-
9 ing criteria established under subsection (d); and

10 (2) to the extent practicable and subject to the
11 existence of approvable applications, ensuring geo-
12 graphical diversity among the applicants selected
13 and diversity of APICs investment strategies, so that
14 urban and rural communities are both served, in the
15 determination of the Secretary, by the program
16 under this title.

17 (d) SELECTION CRITERIA.—The Secretary shall es-
18 tablish selection criteria for competitions under subsection
19 (b), which shall include the following criteria:

20 (1) CAPACITY.—

21 (A) MANAGEMENT.—The extent to which
22 the entity's management has the quality, expe-
23 rience, and expertise to make and manage suc-
24 cessful investments for community and eco-
25 nomic development in low-income communities.

1 (B) STATE AND LOCAL COOPERATION.—

2 The extent to which the entity demonstrates a
3 capacity to cooperate with States or units of
4 general local government and with community-
5 based organizations and residents of low-income
6 communities.

7 (2) INVESTMENT STRATEGY.—The quality of
8 the entity's investment strategy submitted in accord-
9 ance with subsection (a)(5) and the extent to which
10 the investment strategy furthers the goals of this
11 title pursuant to paragraph (3) of this subsection.

12 (3) PUBLIC PURPOSE GOALS.—With respect to
13 the statement of public purpose goals of the entity
14 submitted in accordance with subsection (a)(6), and
15 the strategy and measurements included therein—

16 (A) the extent to which such goals promote
17 community and economic development;

18 (B) the extent to which such goals provide
19 for making qualified investments in low-income
20 communities that further economic development
21 objectives, such as—

22 (i) creating, within 2 years of the
23 completion of the initial such investment,
24 job opportunities, opportunities for owner-
25 ship, and other economic opportunities

1 within a low-income community, both
2 short-term and of a longer duration;

3 (ii) improving the economic vitality of
4 a low-income community, including stimu-
5 lating other business development;

6 (iii) bringing new income into a low-
7 income community and assisting in the re-
8 vitalization of such community;

9 (iv) converting real property for the
10 purpose of creating a site for business in-
11 cubation and location, or business district
12 revitalization;

13 (v) enhancing economic competition,
14 including the advancement of technology;

15 (vi) rural development;

16 (vii) mitigating, rehabilitating, and
17 reusing real property considered subject to
18 the Solid Waste Disposal Act (42 U.S.C.
19 6901 et seq.; commonly referred to as the
20 Resource Conservation and Recovery Act)
21 or restoring coal mine-scarred land;

22 (viii) creation of local wealth through
23 investments in employee stock ownership
24 companies or resident-owned ventures; and

1 (ix) any other objective that the Sec-
2 retary may establish to further the pur-
3 poses of this title;

4 (C) the quality of jobs to be created for
5 residents of low-income communities, taking
6 into consideration such factors as the payment
7 of higher wages, job security, employment bene-
8 fits, opportunity for advancement, and personal
9 asset building;

10 (D) the extent to which achievement of
11 such goals will involve community-based organi-
12 zations and residents in community develop-
13 ment activities; and

14 (E) the extent to which the investments re-
15 ferred to in subparagraph (B) are likely to ben-
16 efit existing small business in low-income com-
17 munities or will encourage the growth of small
18 business in such communities.

19 (4) OTHER.—Any other criteria that the Sec-
20 retary may establish to carry out the purposes of
21 this title.

22 (e) FIRST YEAR REQUIREMENTS.—

23 (1) NUMERICAL LIMITATION.—The number of
24 APICs may not, at any time during the 1-year pe-

1 riod that begins upon the Secretary awarding the
2 first license for an APIC under this title, exceed 15.

3 (2) LIMITATION ON ALLOCATION OF AVAILABLE
4 CREDIT SUBSIDY.—Of the amount of budget author-
5 ity initially made available for allocation under this
6 title for APICs, the amount allocated for any single
7 APIC may not exceed 20 percent.

8 (3) NATIVE AMERICAN PRIVATE INVESTMENT
9 COMPANY.—Subject only to the absence of an ap-
10 provable application from an entity, during the 1-
11 year period referred to in paragraph (1), of the enti-
12 ties selected and licensed by the Secretary as APICs,
13 at least one shall be an entity that has as its pri-
14 mary purpose the making of qualified low-income
15 community investments in areas that are within In-
16 dian country (as such term is defined in section
17 1151 of title 18, United States Code) or within
18 lands that have status as Hawaiian home land under
19 section 204 of the Hawaiian Homes Commission
20 Act, 1920 (42 Stat. 108) or are acquired pursuant
21 to such Act. The Secretary may establish specific se-
22 lection criteria for applicants under this paragraph.

23 (f) COMMUNICATIONS BETWEEN HUD AND APPLI-
24 CANTS.—

1 (1) IN GENERAL.—The Secretary shall set forth
2 in regulations the procedures under which HUD and
3 applicants for APIC licenses, and others, may com-
4 municate. Such regulations shall—

5 (A) specify by position the HUD officers
6 and employees who may communicate with such
7 applicants and others;

8 (B) permit HUD officers and employees to
9 request and discuss with the applicant and oth-
10 ers (such as banks or other credit or business
11 references, or potential investors, that the appli-
12 cant specifies in writing) any more detailed in-
13 formation that may be desirable to facilitate
14 HUD’s review of the applicant’s application;

15 (C) restrict HUD officers and employees
16 from revealing to any applicant—

17 (i) the fact or chances of award of a
18 license to such applicant, unless there has
19 been a public announcement of the results
20 of the competition; and

21 (ii) any information with respect to
22 any other applicant; and

23 (D) set forth requirements for making and
24 keeping records of any communications con-
25 ducted under this subsection, including require-

1 ments for making such records available to the
2 public after the award of licenses under an ini-
3 tial or subsequent notice, as appropriate, under
4 subsection (a).

5 (2) **TIMING.**—Regulations under this subsection
6 may be issued as interim rules for effect on or be-
7 fore the date of publication of the first notice under
8 subsection (a), and shall apply only with respect to
9 applications under such notice. Regulations to imple-
10 ment this subsection with respect to any notice after
11 the first such notice shall be subject to notice and
12 comment rulemaking.

13 (3) **INAPPLICABILITY OF DEPARTMENT OF HUD**
14 **ACT PROVISION.**—Section 12(e)(2) of the Depart-
15 ment of Housing and Urban Development Act (42
16 U.S.C. 3537a(e)(2)) is amended by inserting before
17 the period at the end the following: “or any license
18 provided under the America’s Private Investment
19 Companies Act”.

20 **SEC. 606. OPERATIONS OF APICS.**

21 (a) **POWERS AND AUTHORITIES.**—

22 (1) **IN GENERAL.**—An APIC shall have any
23 powers or authorities that—

1 (A) the APIC derives from the jurisdiction
2 in which it is organized, or that the APIC oth-
3 erwise has;

4 (B) may be conferred by a license under
5 this title; and

6 (C) the Secretary may prescribe by regula-
7 tion.

8 (2) NEW MARKET ASSISTANCE.—Nothing in
9 this title shall preclude an APIC or its investors
10 from receiving an allocation of New Market Tax
11 Credits (to the extent such credits are established
12 under Federal law) if the APIC satisfies any appli-
13 cable terms and conditions under the Internal Rev-
14 enue Code of 1986.

15 (b) INVESTMENT LIMITATIONS.—

16 (1) QUALIFIED LOW-INCOME COMMUNITY IN-
17 VESTMENTS.—Substantially all investments that an
18 APIC makes shall be qualified low-income commu-
19 nity investments if the investments are financed
20 with—

21 (A) amounts available from the proceeds of
22 the issuance of an APIC's qualified debenture
23 guaranteed under this title;

24 (B) proceeds of the sale of obligations de-
25 scribed under subsection (c)(3)(C)(iii); or

1 (C) the use of private equity capital, as de-
2 termined by the Secretary, in an amount speci-
3 fied in the APIC's license.

4 (2) SINGLE BUSINESS INVESTMENTS.—An
5 APIC shall not, as a matter of sound financial prac-
6 tice, invest in any one business an amount that ex-
7 ceeds an amount equal to 35 percent of the sum
8 of—

9 (A) the APIC's private equity capital; plus

10 (B) an amount equal to the percentage
11 limit that the Secretary determines that an
12 APIC may have outstanding at any one time,
13 under subsection (c)(2)(A).

14 (c) BORROWING POWERS; QUALIFIED DEBEN-
15 TURES.—

16 (1) ISSUANCE.—An APIC may issue qualified
17 debentures. The Secretary shall, by regulation, speci-
18 fy the terms and requirements for debentures to be
19 considered qualified debentures for purposes of this
20 title, except that the term to maturity of any quali-
21 fied debenture may not exceed 21 years and each
22 qualified debenture shall bear interest during all or
23 any part of that time period at a rate or rates ap-
24 proved by the Secretary.

1 (2) LEVERAGE LIMITS.—In general, as a mat-
2 ter of sound financial management practices—

3 (A) the total amount of qualified debentures that an APIC issues under this title that
4 an APIC may have outstanding at any one time
5 shall not exceed an amount equal to 200 per-
6 cent of the private equity capital of the APIC,
7 as determined by the Secretary; and

8 (B) an APIC shall not have more than
9 \$300,000,000 in face value of qualified debentures issued under this title outstanding at any
10 one time.

11 (3) REPAYMENT.—

12 (A) CONDITION OF BUSINESS WIND-UP.—
13 An APIC shall have repaid, or have otherwise
14 been relieved of indebtedness, with respect to
15 any interest or principal amounts of borrowings
16 under this subsection no less than 2 years be-
17 fore the APIC may dissolve or otherwise com-
18 plete the wind-up of its business.

19 (B) TIMING.—An APIC may repay any in-
20 terest or principal amounts of borrowings under
21 this subsection at any time: *Provided*, That the
22 repayment of such amounts shall not relieve an
23 APIC of any duty otherwise applicable to the
24 APIC of any duty otherwise applicable to the
25

1 APIC under this title, unless the Secretary or-
2 ders such relief.

3 (C) USE OF INVESTMENT PROCEEDS BE-
4 FORE REPAYMENT.—Until an APIC has repaid
5 all interest and principal amounts on APIC bor-
6 rowings under this subsection, an APIC may
7 use the proceeds of investments, in accordance
8 with regulations issued by the Secretary, only
9 to—

10 (i) pay for proper costs and expenses
11 the APIC incurs in connection with such
12 investments;

13 (ii) pay for the reasonable administra-
14 tive expenses of the APIC;

15 (iii) purchase Treasury securities;

16 (iv) repay interest and principal
17 amounts on APIC borrowings under this
18 subsection;

19 (v) make interest, dividend, or other
20 distributions to or on behalf of an investor;
21 or

22 (vi) undertake such other purposes as
23 the Secretary may approve.

24 (D) USE OF INVESTMENT PROCEEDS
25 AFTER REPAYMENT.—After an APIC has re-

1 paid all interest and principal amounts on
2 APIC borrowings under this subsection, and
3 subject to continuing compliance with sub-
4 section (a), the APIC may use the proceeds
5 from investments to make interest, dividend, or
6 other distributions to or on behalf of investors
7 in the nature of returns on capital, or the with-
8 drawal of private equity capital, without regard
9 to subparagraph (C) but in conformity with the
10 APIC's investment strategy and statement of
11 public purpose goals.

12 (d) REUSE OF QUALIFIED DEBENTURE PRO-
13 CEEDS.—An APIC may use the proceeds of sale of Treas-
14 ury securities purchased under subsection (c)(3)(C)(iii) to
15 make qualified low-income community investments, sub-
16 ject to the Secretary's approval. In making the request
17 for the Secretary's approval, the APIC shall follow the
18 procedures applicable to an APIC's request for HUD
19 guarantee action, as the Secretary may modify such proce-
20 dures for implementation of this subsection. Such proce-
21 dures shall include the description and certifications that
22 an APIC must include in all requests for guarantee action,
23 and the environmental certification applicable to initial ex-
24 penditures for a project or activity.

1 (e) ANTIPIRATING.—Notwithstanding any other pro-
 2 vision of law, an APIC may not use any private equity
 3 capital required to be contributed under this title, or the
 4 proceeds from the sale of any qualified debenture under
 5 this title, to make an investment, as determined by the
 6 Secretary, to assist directly in the relocation of any indus-
 7 trial or commercial plant, facility, or operation, from 1
 8 area to another area, if the relocation is likely to result
 9 in a significant loss of employment in the labor market
 10 area from which the relocation occurs.

11 (f) EXCLUSION OF APIC FROM DEFINITION OF
 12 DEBTOR UNDER BANKRUPTCY PROVISIONS.—Section
 13 109(b)(2) of title 11, United States Code, is amended by
 14 inserting before “credit union” the following: “America’s
 15 Private Investment Company licensed under the America’s
 16 Private Investment Companies Act,”.

17 **SEC. 607. CREDIT ENHANCEMENT BY THE FEDERAL GOV-**
 18 **ERNMENT.**

19 (a) ISSUANCE AND GUARANTEE OF QUALIFIED DE-
 20 BENTURES.—

21 (1) AUTHORITY.—To the extent consistent with
 22 the Federal Credit Reform Act of 1990, the Sec-
 23 retary is authorized to make commitments to guar-
 24 antee and guarantee the timely payment of all prin-
 25 cipal and interest as scheduled on qualified debentures.

1 tures issued by APICs. Such commitments and
2 guarantees may only be made in accordance with the
3 terms and conditions established under paragraph
4 (2).

5 (2) TERMS AND CONDITIONS.—The Secretary
6 shall establish such terms and conditions as the Sec-
7 retary determines to be appropriate for commit-
8 ments and guarantees under this subsection, includ-
9 ing terms and conditions relating to amounts, expi-
10 ration, number, priorities of repayment, security,
11 collateral, amortization, payment of interest (includ-
12 ing the timing thereof), and fees and charges. The
13 terms and conditions applicable to any particular
14 commitment or guarantee may be established in doc-
15 uments that the Secretary approves for such com-
16 mitment or guarantee.

17 (3) SENIORITY.—Notwithstanding any other
18 provision of Federal law or any law or the constitu-
19 tion of any State, qualified debentures guaranteed
20 under this subsection by the Secretary shall be sen-
21 ior to any other debt obligation, equity contribution
22 or earnings, or the distribution of dividends, inter-
23 est, or other amounts, of an APIC.

24 (b) ISSUANCE OF TRUST CERTIFICATES.—The Sec-
25 retary, or an agent or entity selected by the Secretary,

1 is authorized to issue trust certificates representing own-
2 ership of all or a fractional part of guaranteed qualified
3 debentures issued by APICs and held in trust.

4 (c) GUARANTEE OF TRUST CERTIFICATES.—

5 (1) IN GENERAL.—The Secretary is authorized,
6 upon such terms and conditions as the Secretary de-
7 termines to be appropriate, to guarantee the timely
8 payment of the principal of and interest on trust
9 certificates issued by the Secretary, or an agent or
10 other entity, for purposes of this section. Such guar-
11 antee shall be limited to the extent of principal and
12 interest on the guaranteed qualified debentures
13 which compose the trust.

14 (2) SUBSTITUTION OPTION.—The Secretary
15 shall have the option to replace in the corpus of the
16 trust any prepaid or defaulted qualified debenture
17 with a debenture, another full faith and credit in-
18 strument, or any obligations of the United States,
19 that may reasonably substitute for such prepaid or
20 defaulted qualified debenture.

21 (3) PROPORTIONATE REDUCTION OPTION.—In
22 the event that the Secretary elects not to exercise
23 the option under paragraph (2), and a qualified de-
24 benture in such trust is prepaid, or in the event of
25 default of a qualified debenture, the guarantee of

1 timely payment of principal and interest on the trust
2 certificate shall be reduced in proportion to the
3 amount of principal and interest that such prepaid
4 qualified debenture represents in the trust. Interest
5 on prepaid or defaulted qualified debentures shall
6 accrue and be guaranteed by the Secretary only
7 through the date of payment of the guarantee. Dur-
8 ing the term of a trust certificate, it may be called
9 for redemption due to prepayment or default of all
10 qualified debentures that are in the corpus of the
11 trust.

12 (d) FULL FAITH AND CREDIT BACKING OF GUARAN-
13 TEES.—The full faith and credit of the United States is
14 pledged to the timely payment of all amounts which may
15 be required to be paid under any guarantee by the Sec-
16 retary pursuant to this section.

17 (e) SUBROGATION AND LIENS.—

18 (1) SUBROGATION.—In the event the Secretary
19 pays a claim under a guarantee issued under this
20 section, the Secretary shall be subrogated fully to
21 the rights satisfied by such payment.

22 (2) PRIORITY OF LIENS.—No State or local
23 law, and no Federal law, shall preclude or limit the
24 exercise by the Secretary of its ownership rights in

1 the debentures in the corpus of a trust under this
2 section.

3 (f) REGISTRATION.—

4 (1) IN GENERAL.—The Secretary shall provide
5 for a central registration of all trust certificates
6 issued pursuant to this section.

7 (2) AGENTS.—The Secretary may contract with
8 an agent or agents to carry out on behalf of the Sec-
9 retary the pooling and the central registration func-
10 tions of this section notwithstanding any other provi-
11 sion of law, including maintenance on behalf of and
12 under the direction of the Secretary, such commer-
13 cial bank accounts or investments in obligations of
14 the United States as may be necessary to facilitate
15 trusts backed by qualified debentures guaranteed
16 under this title and the issuance of trust certificates
17 to facilitate formation of the corpus of the trusts.
18 The Secretary may require such agent or agents to
19 provide a fidelity bond or insurance in such amounts
20 as the Secretary determines to be necessary to pro-
21 tect the interests of the Government.

22 (3) FORM.—Book-entry or other electronic
23 forms of registration for trust certificates under this
24 title are authorized.

1 (g) TIMING OF ISSUANCE OF GUARANTEES OF
2 QUALIFIED DEBENTURES AND TRUST CERTIFICATES.—
3 The Secretary may, from time to time in the Secretary's
4 discretion, exercise the authority to issue guarantees of
5 qualified debentures under this title or trust certificates
6 under this title.

7 **SEC. 608. APIC REQUESTS FOR GUARANTEE ACTIONS.**

8 (a) IN GENERAL.—The Secretary may issue a guar-
9 antee under this title for a qualified debenture that an
10 APIC intends to issue only pursuant to a request to the
11 Secretary by the APIC for such guarantee that is made
12 in accordance with regulations governing the content and
13 procedures for such requests, that the Secretary shall pre-
14 scribe. Such regulations shall provide that each such re-
15 quest shall include—

16 (1) a description of the manner in which the
17 APIC intends to use the proceeds from the qualified
18 debenture;

19 (2) a certification by the APIC that the APIC
20 is in substantial compliance with—

21 (A) this title and other applicable laws, in-
22 cluding any requirements established under this
23 title by the Secretary;

24 (B) all terms and conditions of its license,
25 any cease-and-desist order issued under section

1 610, and of any penalty or condition that may
2 have arisen from examination or monitoring by
3 the Secretary or otherwise, including the satis-
4 faction of any financial audit exception that
5 may have been outstanding; and

6 (C) all requirements relating to the alloca-
7 tion and use of New Markets Tax Credits, to
8 the extent such credits are established under
9 Federal law; and

10 (3) any other information or certification that
11 the Secretary considers appropriate.

12 (b) REQUESTS FOR GUARANTEE OF QUALIFIED DE-
13 BENTURES THAT INCLUDE FUNDING FOR INITIAL EX-
14 PENDITURE FOR A PROJECT OR ACTIVITY.—In addition
15 to the description and certification that an APIC is re-
16 quired to supply in all requests for guarantee action under
17 subsection (a), in the case of an APIC’s request for a
18 guarantee that includes a qualified debenture, the pro-
19 ceeds of which the APIC expects to be used as its initial
20 expenditure for a project or activity in which the APIC
21 intends to invest, and the expenditure for which would re-
22 quire an environmental assessment under the National
23 Environmental Policy Act of 1969 and other related laws
24 that further the purposes of such Act, such request for
25 guarantee action shall include evidence satisfactory to the

1 Secretary of the certification of the completion of environ-
 2 mental review of the project or activity required of the cog-
 3 nizant State or local government under subsection (c). If
 4 the environmental review responsibility for the project or
 5 activity has not been assumed by a State or local govern-
 6 ment under subsection (c), then the Secretary shall be re-
 7 sponsible for carrying out the applicable responsibilities
 8 under the National Environmental Policy Act of 1969 and
 9 other provisions of law that further the purposes of such
 10 Act that relate to the project or activity, and the Secretary
 11 shall execute such responsibilities before acting on the
 12 APIC's request for the guarantee that is covered by this
 13 subsection.

14 (c) RESPONSIBILITY FOR ENVIRONMENTAL RE-
 15 VIEWS.—

16 (1) EXECUTION OF RESPONSIBILITY BY THE
 17 SECRETARY.—This subsection shall apply to guaran-
 18 tees by the Secretary of qualified debentures under
 19 this title, the proceeds of which would be used in
 20 connection with qualified low-income community in-
 21 vestments of APICs under this title.

22 (2) ASSUMPTION OF RESPONSIBILITY BY COG-
 23 NIZANT UNIT OF GENERAL GOVERNMENT.—

24 (A) GUARANTEE OF QUALIFIED DEBEN-
 25 TURES.—In order to assure that the policies of

1 the National Environmental Policy Act of 1969
2 and other provisions of law that further the
3 purposes of such Act (as specified in regula-
4 tions issued by the Secretary) are most effec-
5 tively implemented in connection with the ex-
6 penditure of funds under this title, and to as-
7 sure to the public undiminished protection of
8 the environment, the Secretary may, under such
9 regulations, in lieu of the environmental protec-
10 tion procedures otherwise applicable, provide for
11 the guarantee of qualified debentures, any part
12 of the proceeds of which are to fund particular
13 qualified low-income community investments of
14 APICs under this title, if a State or unit of
15 general local government, as designated by the
16 Secretary in accordance with regulations issued
17 by the Secretary, assumes all of the responsibil-
18 ities for environmental review, decisionmaking,
19 and action pursuant to the National Environ-
20 mental Policy Act of 1969 and such other pro-
21 visions of law that further such Act as the reg-
22 ulations of the Secretary specify, that would
23 otherwise apply to the Secretary were the Sec-
24 retary to undertake the funding of such invest-
25 ments as a Federal action.

1 (B) IMPLEMENTATION.—The Secretary
2 shall issue regulations to carry out this sub-
3 section only after consultation with the Council
4 on Environmental Quality. Such regulations
5 shall—

6 (i) specify any other provisions of law
7 which further the purposes of the National
8 Environmental Policy Act of 1969 and to
9 which the assumption of responsibility as
10 provided in this subsection applies;

11 (ii) provide eligibility criteria and pro-
12 cedures for the designation of a State or
13 unit of general local government to assume
14 all of the responsibilities in this subsection;

15 (iii) specify the purposes for which
16 funds may be committed without regard to
17 the procedure established under paragraph
18 (3);

19 (iv) provide for monitoring of the per-
20 formance of environmental reviews under
21 this subsection;

22 (v) in the discretion of the Secretary,
23 provide for the provision or facilitation of
24 training for such performance; and

1 (vi) subject to the discretion of the
2 Secretary, provide for suspension or termi-
3 nation by the Secretary of the assumption
4 under subparagraph (A).

5 (C) RESPONSIBILITIES OF STATES AND
6 UNITS OF GENERAL LOCAL GOVERNMENT.—The
7 Secretary's duty under subparagraph (B) shall
8 not be construed to limit any responsibility as-
9 sumed by a State or unit of general local gov-
10 ernment with respect to any particular request
11 for guarantee under subparagraph (A), or the
12 use of funds for a qualified investment.

13 (3) PROCEDURE.—Subject to compliance by the
14 APIC with the requirements of this title, the Sec-
15 retary shall approve the request for guarantee of a
16 qualified debenture, any part of the proceeds of
17 which is to fund particular qualified low-income
18 community investments of an APIC under this title,
19 that is subject to the procedures authorized by this
20 subsection only if, not less than 15 days prior to
21 such approval and prior to any commitment of funds
22 to such investment (except for such purposes speci-
23 fied in the regulations issued under paragraph
24 (2)(B)), the APIC submits to the Secretary a re-
25 quest for guarantee of a qualified debenture that is

1 accompanied by evidence of a certification of the
2 State or unit of general local government which
3 meets the requirements of paragraph (4). The ap-
4 proval by the Secretary of any such certification
5 shall be deemed to satisfy the Secretary's respon-
6 sibilities pursuant to paragraph (1) under the Na-
7 tional Environmental Policy Act of 1969 and such
8 other provisions of law as the regulations of the Sec-
9 retary specify insofar as those responsibilities relate
10 to the guarantees of qualified debentures, any parts
11 of the proceeds of which are to fund such invest-
12 ments, which are covered by such certification.

13 (4) CERTIFICATION.—A certification under the
14 procedures authorized by this subsection shall—

15 (A) be in a form acceptable to the Sec-
16 retary;

17 (B) be executed by the chief executive offi-
18 cer or other officer of the State or unit of gen-
19 eral local government who qualifies under regu-
20 lations of the Secretary;

21 (C) specify that the State or unit of gen-
22 eral local government under this subsection has
23 fully carried out its responsibilities as described
24 under paragraph (2); and

25 (D) specify that the certifying officer—

1 (i) consents to assume the status of a
2 responsible Federal official under the Na-
3 tional Environmental Policy Act of 1969
4 and each provision of law specified in regu-
5 lations issued by the Secretary insofar as
6 the provisions of such Act or other such
7 provision of law apply pursuant to para-
8 graph (2); and

9 (ii) is authorized and consents on be-
10 half of the State or unit of general local
11 government and himself or herself to ac-
12 cept the jurisdiction of the Federal courts
13 for the purpose of enforcement of the re-
14 sponsibilities as such an official.

15 **SEC. 609. EXAMINATION AND MONITORING OF APICS.**

16 (a) IN GENERAL.—The Secretary shall, under regula-
17 tions, through audits, performance agreements, license
18 conditions, or otherwise, examine and monitor the oper-
19 ations and activities of APICs for compliance with sound
20 financial management practices, and for satisfaction of the
21 program and procedural goals of this title and other re-
22 lated Acts. The Secretary may undertake any responsi-
23 bility under this section in cooperation with an APIC liai-
24 son committee, or any agency that is a member of such
25 a committee, or other agency.

1 (b) MONITORING, UPDATING, AND PROGRAM RE-
2 VIEW.—

3 (1) REPORTING AND UPDATING.—The Sec-
4 retary shall establish such annual or more frequent
5 reporting requirements for APICs, and such require-
6 ments for the updating of the statement of public
7 purpose goals, investment strategy (including the
8 benchmarks in such strategy), and other documents
9 that may have been used in the license application
10 process under this title, as the Secretary determines
11 necessary to assist the Secretary in monitoring the
12 compliance and performance of APICs.

13 (2) ANNUAL AUDITS.—The Secretary shall re-
14 quire each APIC to have an independent audit con-
15 ducted annually of the operations of the APIC. The
16 Secretary, in consultation with the Administrator
17 and the Secretary of the Treasury, shall establish re-
18 quirements and standards for such audits, including
19 requirements that such audits be conducted in ac-
20 cordance with generally accepted accounting prin-
21 ciples, that the APIC submit the results of the audit
22 to Secretary, and that specify the information to be
23 submitted.

24 (3) EXAMINATIONS.—The Secretary shall, no
25 less often than once every 2 years, examine the oper-

1 ations and portfolio of each APIC licensed under
2 this title for compliance with sound financial man-
3 agement practices, and for compliance with this title.

4 (4) EXAMINATION STANDARDS.—

5 (A) SOUND FINANCIAL MANAGEMENT
6 PRACTICES.—The Secretary shall examine each
7 APIC to ensure, as a matter of sound financial
8 management practices, substantial compliance
9 with this and other applicable laws, including
10 Federal executive orders, Department of Treas-
11 ury and Office of Management and Budget
12 guidance, circulars, and application and licens-
13 ing requirements on a continuing basis. The
14 Secretary may, by regulation, establish any ad-
15 ditional standards for sound financial manage-
16 ment practices, including standards that ad-
17 dress solvency and financial exposure.

18 (B) PERFORMANCE AND OTHER EXAMINA-
19 TIONS.—The Secretary shall monitor each
20 APIC's progress in meeting the goals in the
21 APIC's statement of public purpose goals, exe-
22 cuting the APIC's investment strategy, and
23 other matters.

24 (c) INSPECTOR GENERAL RESPONSIBILITY.—In car-
25 rying out monitoring of HUD's responsibilities under this

1 title and for purposes of ensuring that the program under
2 this title is operated in accordance with sound financial
3 management practices, the Inspector General of the De-
4 partment of Housing and Urban Development shall con-
5 sult with the Inspector General of the Department of the
6 Treasury and the Inspector General of the Small Business
7 Administration, as appropriate, and may enter into such
8 agreements and memoranda of understanding as may be
9 necessary to obtain the cooperation of the Inspectors Gen-
10 eral of the Department of the Treasury and the Small
11 Business Administration in carrying out such function.

12 (d) ANNUAL REPORT BY SECRETARY.—The Sec-
13 retary shall submit a report to the Congress annually re-
14 garding the operations, activities, financial health, and
15 achievements of the APIC program under this title. The
16 report shall list each investment made by an APIC and
17 include a summary of the examinations conducted under
18 subsection (b)(3), the guarantee actions of HUD, and any
19 regulatory or policy actions taken by HUD. The report
20 shall distinguish recently licensed APICs from APICs that
21 have held licenses for a longer period for purposes of indi-
22 cating program activities and performance.

23 (e) GAO REPORT.—

24 (1) REQUIREMENT.—Not later than 2 years
25 after the date of the enactment of this Act, the

1 Comptroller General of the United States shall sub-
2 mit a report to the Congress regarding the operation
3 of the program under this title for licensing and
4 guarantees for APICs.

5 (2) CONTENTS.—The report shall include—

6 (A) an analysis of the operations and mon-
7 itoring by HUD of the APIC program under
8 this title;

9 (B) the administrative and capacity needs
10 of HUD required to ensure the integrity of the
11 program;

12 (C) the extent and adequacy of any credit
13 subsidy appropriated for the program; and

14 (D) the management of financial risk and
15 liability of the Federal Government under the
16 program.

17 **SEC. 610. PENALTIES.**

18 (a) VIOLATIONS SUBJECT TO PENALTY.—The Sec-
19 retary may impose a penalty under this subsection on any
20 APIC or manager of an APIC that, by any act, practice,
21 or failure to act, engages in fraud, mismanagement, or
22 noncompliance with this title, the regulations under this
23 title, or a condition of the APIC's license under this title.
24 The Secretary shall, by regulation, identify, by generic de-

1 scription of a role or responsibilities, any manager of an
2 APIC that is subject to a penalty under this section.

3 (b) PENALTIES REQUIRING NOTICE AND AN OPPOR-
4 TUNITY TO RESPOND.—If, after notice in writing to an
5 APIC or the manager of an APIC that the APIC or man-
6 ager has engaged in any action, practice, or failure to act
7 that, under subsection (a), is subject to a penalty, and
8 after an opportunity for the APIC or manager to respond
9 to the notice, the Secretary determines that the APIC or
10 manager engaged in such action or failure to act, the Sec-
11 retary may, in addition to other penalties imposed—

12 (1) assess a civil money penalty, except than
13 any civil money penalty under this subsection shall
14 be in an amount not exceeding \$10,000;

15 (2) issue an order to cease and desist with re-
16 spect to such action, practice, or failure to act of the
17 APIC or manager;

18 (3) suspend, or condition the use of, the APIC's
19 license, including deferring, for the period of the
20 suspension, any commitment to guarantee any new
21 qualified debenture of the APIC, except that any
22 suspension or condition under this paragraph may
23 not exceed 90 days; and

1 (4) impose any other penalty that the Secretary
2 determines to be less burdensome to the APIC than
3 a penalty under subsection (c).

4 (c) PENALTIES REQUIRING NOTICE AND HEAR-
5 ING.—If, after notice in writing to an APIC or the man-
6 ager of an APIC that an APIC or manager has engaged
7 in any action, practice, or failure to act that, under sub-
8 section (a), is subject to a penalty, and after an oppor-
9 tunity for administrative hearing, the Secretary deter-
10 mines that the APIC or manager engaged in such action
11 or failure to act, the Secretary may—

12 (1) assess a civil money penalty against the
13 APIC or a manager in any amount;

14 (2) require the APIC to divest any interest in
15 an investment, on such terms and conditions as the
16 Secretary may impose; or

17 (3) revoke the APIC’s license.

18 (d) EFFECTIVE DATE OF PENALTIES.—

19 (1) PRIOR NOTICE REQUIREMENT.—Except as
20 provided in paragraph (2) of this subsection, a pen-
21 alty under subsection (b) or (c) shall not be due and
22 payable and shall not otherwise take effect or be
23 subject to enforcement by an order of a court, before
24 notice of the penalty is published in the Federal
25 Register.

1 (2) CEASE-AND-DESIST ORDERS AND SUSPEN-
2 SION OR CONDITIONING OF LICENSE.—In the case of
3 a cease-and-desist order under subsection (b)(2) or
4 the suspension or conditioning of an APIC’s license
5 under subsection (b)(3), the following procedures
6 shall apply:

7 (A) ACTION WITHOUT PUBLISHED NO-
8 TICE.—The Secretary may order an APIC or
9 manager to cease and desist from an action,
10 practice, or failure to act or may suspend or
11 condition an APIC’s license, for not more than
12 45 days without prior publication of notice in
13 the Federal Register, but such cease-and-desist
14 order or suspension or conditioning shall take
15 effect only after the Secretary has issued a
16 written notice (which may include a writing in
17 electronic form) of such action to the APIC.
18 Notwithstanding subsection (b), such written
19 notice shall be effective without regard to
20 whether the APIC has been accorded an oppor-
21 tunity to respond. Upon such notice, such
22 cease-and-desist order or suspension or condi-
23 tioning shall be subject to enforcement by an
24 order of a court.

1 (B) PUBLICATION OF NOTICE OF SUSPEN-
2 SION OR CONDITIONING OF LICENSE.—Upon a
3 suspension or conditioning of a license taking
4 effect pursuant to subparagraph (A), the Sec-
5 retary shall promptly cause a notice of suspen-
6 sion or conditioning of such license for a period
7 of not more than 90 days to be published in the
8 Federal Register. The Secretary shall provide
9 the APIC an opportunity to respond to such no-
10 tice. For purposes of the determining the dura-
11 tion of the period of any suspension or condi-
12 tioning under this subparagraph, the first day
13 of such period shall be the day of issuance of
14 the written notice under this paragraph of the
15 suspension or conditioning.

16 (C) REVOCATION OF LICENSE.—During
17 the period of the suspension or conditioning of
18 an APIC's license, the Secretary may take ac-
19 tion under subsection (c)(3) to revoke the li-
20 cense of the APIC, in accordance with the pro-
21 cedures applicable to such subsection. Notwith-
22 standing any other provision of this section, if
23 the Secretary takes such action, the Secretary
24 may extend the suspension or conditioning of
25 the APIC's license, for one or more periods of

1 not more than 90 days each, by causing notice
2 of such action to be published in the Federal
3 Register—

4 (i) for the first such extension, before
5 the expiration of the period under subpara-
6 graph (B); and

7 (ii) for any subsequent extension, be-
8 fore the expiration of the preceding exten-
9 sion period under this subparagraph.

10 (D) TERM OF EFFECTIVENESS.—A cease-and-
11 desist order or the suspension or conditioning of an
12 APIC’s license by the Secretary under this para-
13 graph shall remain in effect in accordance with the
14 terms of the order, suspension, or conditioning until
15 final adjudication in any action undertaken to chal-
16 lenge the order, or the suspension or conditioning, or
17 the revocation, of an APIC’s license.

18 **SEC. 611. EFFECTIVE DATE.**

19 (a) IN GENERAL.—Except as provided in subsection
20 (b), this title shall take effect upon the expiration of the
21 6-month period beginning on the date of the enactment
22 of this Act.

23 (b) ISSUANCE OF REGULATIONS AND GUIDELINES.—
24 Any authority under this title of the Secretary, the Admin-
25 istrator, and the Secretary of the Treasury to issue regula-

1 tions, standards, guidelines, or licensing requirements,
 2 and any authority of such officials to consult or enter into
 3 agreements or memoranda of understanding regarding
 4 such issuance, shall take effect on the date of the enact-
 5 ment of this Act.

6 **SEC. 612. SUNSET.**

7 After the expiration of the 5-year period beginning
 8 upon the date that the Secretary awards the first license
 9 for an APIC under this title—

10 (1) the Secretary may not license any APIC;

11 and

12 (2) no amount may be appropriated for the
 13 costs (as such term is defined in section 502 of the
 14 Federal Credit Reform Act of 1990 (2 U.S.C. 661e))
 15 of any guarantee under this title for any debenture
 16 issued by an APIC.

17 This section may not be construed to prohibit, limit, or
 18 affect the award, allocation, or use of any budget authority
 19 for the costs of such guarantees that is appropriated be-
 20 fore the expiration of such period.

21 **TITLE VII—NEW MARKETS TAX**
 22 **CREDIT**

23 **SEC. 701. NEW MARKETS TAX CREDIT.**

24 (a) IN GENERAL.—Subpart D of part IV of sub-
 25 chapter A of chapter 1 (relating to business-related cred-

1 its), as amended by section 201(a), is amended by adding
2 at the end the following new section:

3 **“SEC. 45E. NEW MARKETS TAX CREDIT.**

4 “(a) ALLOWANCE OF CREDIT.—

5 “(1) IN GENERAL.—For purposes of section 38,
6 in the case of a taxpayer who holds a qualified equity
7 investment on a credit allowance date of such
8 investment which occurs during the taxable year, the
9 new markets tax credit determined under this section
10 for such taxable year is an amount equal to the
11 applicable percentage of the amount paid to the
12 qualified community development entity for such investment
13 at its original issue.

14 “(2) APPLICABLE PERCENTAGE.—For purposes
15 of paragraph (1), the applicable percentage is—

16 “(A) 5 percent with respect to the first 3
17 credit allowance dates, and

18 “(B) 6 percent with respect to the remainder
19 of the credit allowance dates.

20 “(3) CREDIT ALLOWANCE DATE.—For purposes
21 of paragraph (1), the term ‘credit allowance date’
22 means, with respect to any qualified equity
23 investment—

24 “(A) the date on which such investment is
25 initially made, and

1 “(B) each of the 6 anniversary dates of
2 such date thereafter.

3 “(b) QUALIFIED EQUITY INVESTMENT.—For pur-
4 poses of this section—

5 “(1) IN GENERAL.—The term ‘qualified equity
6 investment’ means any equity investment in a quali-
7 fied community development entity if—

8 “(A) such investment is acquired by the
9 taxpayer at its original issue (directly or
10 through an underwriter) solely in exchange for
11 cash,

12 “(B) substantially all of the proceeds from
13 such investment is used by the qualified com-
14 munity development entity to make qualified
15 low-income community investments, and

16 “(C) such investment is designated for
17 purposes of this section by the qualified com-
18 munity development entity.

19 Such term shall not include any equity investment
20 issued by a qualified community development entity
21 more than 5 years after the date that such entity re-
22 ceives an allocation under subsection (f). Any alloca-
23 tion not used within such 5-year period may be re-
24 allocated by the Secretary under subsection (f).

1 “(2) LIMITATION.—The maximum amount of
2 equity investments issued by a qualified community
3 development entity which may be designated under
4 paragraph (1)(C) by such entity shall not exceed the
5 portion of the limitation amount allocated under
6 subsection (f) to such entity.

7 “(3) SAFE HARBOR FOR DETERMINING USE OF
8 CASH.—The requirement of paragraph (1)(B) shall
9 be treated as met if at least 85 percent of the aggre-
10 gate gross assets of the qualified community devel-
11 opment entity are invested in qualified low-income
12 community investments.

13 “(4) TREATMENT OF SUBSEQUENT PUR-
14 CHASERS.—The term ‘qualified equity investment’
15 includes any equity investment which would (but for
16 paragraph (1)(A)) be a qualified equity investment
17 in the hands of the taxpayer if such investment was
18 a qualified equity investment in the hands of a prior
19 holder.

20 “(5) REDEMPTIONS.—A rule similar to the rule
21 of section 1202(c)(3) shall apply for purposes of this
22 subsection.

23 “(6) EQUITY INVESTMENT.—The term ‘equity
24 investment’ means—

1 “(A) any stock in a qualified community
2 development entity which is a corporation, and

3 “(B) any capital interest in a qualified
4 community development entity which is a part-
5 nership.

6 “(c) QUALIFIED COMMUNITY DEVELOPMENT ENTI-
7 TY.—For purposes of this section—

8 “(1) IN GENERAL.—The term ‘qualified com-
9 munity development entity’ means any domestic cor-
10 poration or partnership if—

11 “(A) the primary mission of the entity is
12 serving, or providing investment capital for,
13 low-income communities or low-income persons,

14 “(B) the entity maintains accountability to
15 residents of low-income communities through
16 representation on governing or advisory boards
17 or otherwise, and

18 “(C) the entity is certified by the Secretary
19 for purposes of this section as being a qualified
20 community development entity.

21 “(2) SPECIAL RULES FOR CERTAIN ORGANIZA-
22 TIONS.—The requirements of paragraph (1) shall be
23 treated as met by—

1 “(A) any specialized small business invest-
2 ment company (as defined in section
3 1044(c)(3)), and

4 “(B) any community development financial
5 institution (as defined in section 103 of the
6 Community Development Banking and Finan-
7 cial Institutions Act of 1994 (12 U.S.C. 4702)).

8 “(d) QUALIFIED LOW-INCOME COMMUNITY INVEST-
9 MENTS.—For purposes of this section—

10 “(1) IN GENERAL.—The term ‘qualified low-in-
11 come community investment’ means—

12 “(A) any equity investment in, or loan to,
13 any qualified active low-income community busi-
14 ness,

15 “(B) the purchase from another commu-
16 nity development entity of any loan made by
17 such entity which is a qualified low-income com-
18 munity investment if the amount received by
19 such other entity from such purchase is used by
20 such other entity to make qualified low-income
21 community investments,

22 “(C) financial counseling and other serv-
23 ices specified in regulations prescribed by the
24 Secretary to businesses located in, and resi-
25 dents of, low-income communities, and

1 “(D) any equity investment in, or loan to,
2 any qualified community development entity if
3 substantially all of the investment or loan is
4 used by such entity to make qualified low-in-
5 come community investments described in sub-
6 paragraphs (A), (B), and (C).

7 “(2) QUALIFIED ACTIVE LOW-INCOME COMMU-
8 NITY BUSINESS.—

9 “(A) IN GENERAL.—For purposes of para-
10 graph (1), the term ‘qualified active low-income
11 community business’ means, with respect to any
12 taxable year, any corporation or partnership if
13 for such year—

14 “(i) at least 50 percent of the total
15 gross income of such entity is derived from
16 the active conduct of a qualified business
17 within any low-income community,

18 “(ii) a substantial portion of the use
19 of the tangible property of such entity
20 (whether owned or leased) is within any
21 low-income community,

22 “(iii) a substantial portion of the serv-
23 ices performed for such entity by its em-
24 ployees are performed in any low-income
25 community,

1 “(iv) less than 5 percent of the aver-
2 age of the aggregate unadjusted bases of
3 the property of such entity is attributable
4 to collectibles (as defined in section
5 408(m)(2)) other than collectibles that are
6 held primarily for sale to customers in the
7 ordinary course of such business, and

8 “(v) less than 5 percent of the aver-
9 age of the aggregate unadjusted bases of
10 the property of such entity is attributable
11 to nonqualified financial property (as de-
12 fined in section 1397C(e)).

13 “(B) PROPRIETORSHIP.—Such term shall
14 include any business carried on by an individual
15 as a proprietor if such business would meet the
16 requirements of subparagraph (A) were it incor-
17 porated.

18 “(C) PORTIONS OF BUSINESS MAY BE
19 QUALIFIED ACTIVE LOW-INCOME COMMUNITY
20 BUSINESS.—The term ‘qualified active low-in-
21 come community business’ includes any trades
22 or businesses which would qualify as a qualified
23 active low-income community business if such
24 trades or businesses were separately incor-
25 porated.

1 “(3) QUALIFIED BUSINESS.—For purposes of
2 this subsection, the term ‘qualified business’ has the
3 meaning given to such term by section 1397C(d); ex-
4 cept that—

5 “(A) in lieu of applying paragraph (2)(B)
6 thereof, the rental to others of real property lo-
7 cated in any low-income community shall be
8 treated as a qualified business if there are sub-
9 stantial improvements located on such property,

10 “(B) paragraph (3) thereof shall not apply,

11 and

12 “(C) such term shall not include any busi-
13 ness if a significant portion of the equity inter-
14 ests in such business are held by any person
15 who holds a significant portion of the equity in-
16 vestments in the community development entity.

17 “(e) LOW-INCOME COMMUNITY.—For purposes of
18 this section—

19 “(1) IN GENERAL.—The term ‘low-income com-
20 munity’ means any population census tract if—

21 “(A) the poverty rate for such tract is at
22 least 20 percent,

23 “(B)(i) in the case of a tract not located
24 within a metropolitan area, the median family

1 income for such tract does not exceed 80 per-
2 cent of statewide median family income, or

3 “(ii) in the case of a tract located within
4 a metropolitan area, the median family income
5 for such tract does not exceed 80 percent of the
6 greater of statewide median family income or
7 the metropolitan area median family income, or

8 “(C) as determined by the Secretary based
9 on objective criteria, a substantial population of
10 low-income individuals reside in such tract, an
11 inadequate access to investment capital exists in
12 such tract, or other indications of economic dis-
13 tress exist in such tract.

14 “(2) AREAS NOT WITHIN CENSUS TRACTS.—In
15 the case of an area which is not tracted for popu-
16 lation census tracts, the equivalent county divisions
17 (as defined by the Bureau of the Census for pur-
18 poses of defining poverty areas) shall be used for
19 purposes of determining poverty rates and median
20 family income.

21 “(f) NATIONAL LIMITATION ON AMOUNT OF INVEST-
22 MENTS DESIGNATED.—

23 “(1) IN GENERAL.—There is a new markets tax
24 credit limitation for each calendar year. Such limita-
25 tion is—

1 “(A) \$500,000,000 for 2001,

2 “(B) \$1,500,000,000 for 2002 and 2003,

3 “(C) \$2,500,000,000 for 2004 and 2005,

4 “(D) \$3,000,000,000 for 2006,

5 “(E) \$3,500,000,000 for 2007.

6 “(2) ALLOCATION OF LIMITATION.—The limita-
7 tion under paragraph (1) shall be allocated by the
8 Secretary among qualified community development
9 entities selected by the Secretary. In making alloca-
10 tions under the preceding sentence, the Secretary
11 shall give priority to entities with records of having
12 successfully provided capital or technical assistance
13 to disadvantaged businesses or communities.

14 “(3) CARRYOVER OF UNUSED LIMITATION.—If
15 the new markets tax credit limitation for any cal-
16 endar year exceeds the aggregate amount allocated
17 under paragraph (2) for such year, such limitation
18 for the succeeding calendar year shall be increased
19 by the amount of such excess.

20 “(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

21 “(1) IN GENERAL.—If, at any time during the
22 7-year period beginning on the date of the original
23 issue of a qualified equity investment in a qualified
24 community development entity, there is a recapture
25 event with respect to such investment, then the tax

1 imposed by this chapter for the taxable year in
2 which such event occurs shall be increased by the
3 credit recapture amount.

4 “(2) CREDIT RECAPTURE AMOUNT.—For pur-
5 poses of paragraph (1), the credit recapture amount
6 is an amount equal to the sum of—

7 “(A) the aggregate decrease in the credits
8 allowed to the taxpayer under section 38 for all
9 prior taxable years which would have resulted if
10 no credit had been determined under this sec-
11 tion with respect to such investment, plus

12 “(B) interest at the overpayment rate es-
13 tablished under section 6621 on the amount de-
14 termined under subparagraph (A) for each
15 prior taxable year for the period beginning on
16 the due date for filing the return for the prior
17 taxable year involved.

18 No deduction shall be allowed under this chapter for
19 interest described in subparagraph (B).

20 “(3) RECAPTURE EVENT.—For purposes of
21 paragraph (1), there is a recapture event with re-
22 spect to an equity investment in a qualified commu-
23 nity development entity if—

24 “(A) such entity ceases to be a qualified
25 community development entity,

1 “(B) the proceeds of the investment cease
2 to be used as required of subsection (b)(1)(B),
3 or

4 “(C) such investment is redeemed by such
5 entity.

6 “(4) SPECIAL RULES.—

7 “(A) TAX BENEFIT RULE.—The tax for
8 the taxable year shall be increased under para-
9 graph (1) only with respect to credits allowed
10 by reason of this section which were used to re-
11 duce tax liability. In the case of credits not so
12 used to reduce tax liability, the carryforwards
13 and carrybacks under section 39 shall be appro-
14 priately adjusted.

15 “(B) NO CREDITS AGAINST TAX.—Any in-
16 crease in tax under this subsection shall not be
17 treated as a tax imposed by this chapter for
18 purposes of determining the amount of any
19 credit under this chapter or for purposes of sec-
20 tion 55.

21 “(h) BASIS REDUCTION.—The basis of any qualified
22 equity investment shall be reduced by the amount of any
23 credit determined under this section with respect to such
24 investment.

1 “(i) REGULATIONS.—The Secretary shall prescribe
2 such regulations as may be appropriate to carry out this
3 section, including regulations—

4 “(1) which limit the credit for investments
5 which are directly or indirectly subsidized by other
6 Federal benefits (including the credit under section
7 42 and the exclusion from gross income under sec-
8 tion 103),

9 “(2) which prevent the abuse of the provisions
10 of this section through the use of related parties,

11 “(3) which impose appropriate reporting re-
12 quirements, and

13 “(4) which apply the provisions of this section
14 to newly formed entities.”.

15 (b) CREDIT MADE PART OF GENERAL BUSINESS
16 CREDIT.—

17 (1) IN GENERAL.—Subsection (b) of section 38,
18 as amended by section 201(b), is amended by strik-
19 ing “plus” at the end of paragraph (12), by striking
20 the period at the end of paragraph (13) and insert-
21 ing “, plus”, and by adding at the end the following
22 new paragraph:

23 “(14) the new markets tax credit determined
24 under section 45E(a).”.

1 (2) LIMITATION ON CARRYBACK.—Subsection
2 (d) of section 39, as amended by section 201(d), is
3 amended by adding at the end the following new
4 paragraph:

5 “(10) NO CARRYBACK OF NEW MARKETS TAX
6 CREDIT BEFORE JANUARY 1, 2001.—No portion of
7 the unused business credit for any taxable year
8 which is attributable to the credit under section 45E
9 may be carried back to a taxable year ending before
10 January 1, 2001.”.

11 (c) DEDUCTION FOR UNUSED CREDIT.—Subsection
12 (c) of section 196 is amended by striking “and” at the
13 end of paragraph (7), by striking the period at the end
14 of paragraph (8) and inserting “, and”, and by adding
15 at the end the following new paragraph:

16 “(9) the new markets tax credit determined
17 under section 45E(a).”.

18 (d) CLERICAL AMENDMENT.—The table of sections
19 for subpart D of part IV of subchapter A of chapter 1,
20 as amended by section 201(e), is amended by adding at
21 the end the following new item:

 “Sec. 45E. New markets tax credit.”.

22 (e) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to investments made after Decem-
24 ber 31, 2000.

1 (f) REGULATIONS ON ALLOCATION OF NATIONAL
 2 LIMITATION.—Not later than 90 days after the date of
 3 the enactment of this Act, the Secretary of the Treasury
 4 or the Secretary’s delegate shall prescribe regulations
 5 which specify objective criteria to be used in making the
 6 allocations under section 45E(f)(2) of the Internal Rev-
 7 enue Code of 1986, as added by this section.

8 **TITLE VIII—COMMUNITY DEVEL-**
 9 **OPMENT AND VENTURE CAP-**
 10 **ITAL**

11 **SEC. 800. SHORT TITLE.**

12 This title may be cited as the “Community Develop-
 13 ment and Venture Capital Act of 2000”.

14 **Subtitle A—New Markets Venture**
 15 **Capital Program**

16 **SEC. 801. NEW MARKETS VENTURE CAPITAL PROGRAM.**

17 (a) IN GENERAL.—Title III of the Small Business
 18 Investment Act of 1958 (15 U.S.C. 681 et seq.) is
 19 amended—

20 (1) by striking the title designation and heading
 21 and inserting the following:

1 **“TITLE III—INVESTMENT**
 2 **DIVISION PROGRAMS**

3 **“PART A—SMALL BUSINESS INVESTMENT**
 4 **COMPANIES”;**

5 and

6 (2) by adding at the end the following:

7 **“PART B—NEW MARKETS VENTURE CAPITAL**
 8 **PROGRAM**

9 **“SEC. 351. DEFINITIONS.**

10 “In this part—

11 “(1) the term ‘eligible company’ means a com-
 12 pany that—

13 “(A) is a newly formed for-profit entity,
 14 which may be a newly formed for-profit sub-
 15 sidiary of an existing entity; and

16 “(B) has a management team with experi-
 17 ence in community development financing or
 18 relevant venture capital financing;

19 “(2) the term ‘low-income individual’ means an
 20 individual whose income (adjusted for family size)
 21 does not exceed—

22 “(A) for metropolitan areas, 80 percent of
 23 the area median income; and

24 “(B) for nonmetropolitan areas, the great-
 25 er of—

1 “(i) 80 percent of the area median in-
2 come; or

3 “(ii) 80 percent of the statewide non-
4 metropolitan area median income;

5 “(3) the term ‘low- or moderate-income geo-
6 graphic area’ means—

7 “(A) any population census tract (or in the
8 case of an area that is not tracted for popu-
9 lation census tracts, the equivalent county divi-
10 sion, as defined by the Bureau of the Census of
11 the Department of Commerce for purposes of
12 defining poverty areas) if—

13 “(i) the poverty rate for such census
14 tract is not less than 20 percent;

15 “(ii)(I) in the case of a tract located
16 within a metropolitan area, the median
17 family income for such tract does not ex-
18 ceed the greater of 80 percent of the state-
19 wide median family income or 80 percent
20 of the metropolitan area median family in-
21 come; or

22 “(II) in the case of a tract not located
23 within a metropolitan area, the median
24 family income for such tract does not ex-

1 ceed 80 percent of the statewide median
2 family income; or

3 “(iii) as determined by the Adminis-
4 trator based on objective criteria, a sub-
5 stantial population of low-income individ-
6 uals reside, an inadequate access to invest-
7 ment capital exists, or other indications of
8 economic distress exist; or

9 “(B) any area located within—

10 “(i) a HUBZone (as defined in sec-
11 tion 3(p) of the Small Business Act and
12 the implementing regulations issued under
13 that section);

14 “(ii) an urban empowerment zone or
15 urban enterprise community (as designated
16 by the Secretary of Housing and Urban
17 Development); or

18 “(iii) a rural empowerment zone or
19 rural enterprise community (as designated
20 by the Secretary of Agriculture);

21 “(4) the terms ‘new markets venture capital
22 company’ and ‘NMVC company’ mean a company
23 that has been designated as a new markets venture
24 capital company by the Administrator under section
25 354(d);

1 “(5) the term ‘participation agreement’ means
2 an agreement, between the Administrator and a
3 company granted final approval under section
4 354(e), that—

5 “(A) details the company’s operating plan
6 and investment criteria; and

7 “(B) requires the company to make invest-
8 ments in smaller enterprises at least 80 percent
9 of which are located in low- or moderate-income
10 geographic areas; and

11 “(6) the term ‘specialized small business invest-
12 ment company’ means any small business investment
13 company that—

14 “(A) invests solely in small business con-
15 cerns that contribute to a well-balanced na-
16 tional economy by facilitating ownership in such
17 concerns by persons whose participation in the
18 free enterprise system is hampered because of
19 social or economic disadvantages;

20 “(B) is organized or chartered under State
21 business or nonprofit corporations statutes, or
22 formed as a limited partnership; and

23 “(C) was licensed under section 301(d), as
24 in effect before September 30, 1996.

1 **“SEC. 352. PURPOSES.**

2 “The purposes of this part are—

3 “(1) to encourage venture capital investment in
4 smaller enterprises located within urban and rural
5 areas;

6 “(2) to promote the creation of wealth, eco-
7 nomic development, and job opportunities in low-
8 and moderate-income geographic areas; and

9 “(3) to establish a venture capital program,
10 which shall be administered by the Administrator—

11 “(A) to make grants to NMVC companies
12 for the purpose of providing marketing, man-
13 agement, and technical assistance to smaller en-
14 terprises financed, or expected to be financed,
15 by such companies; and

16 “(B) to guarantee debentures issued by
17 NMVC companies to enable such companies to
18 make venture capital investments in smaller en-
19 terprises within urban and rural areas.

20 **“SEC. 353. PROGRAM ESTABLISHMENT.**

21 “There is established a New Markets Venture Capital
22 Program, under which the Administrator is authorized
23 to—

24 “(1) make grants to NMVC companies, as pro-
25 vided in section 355; and

1 “(2) guarantee debentures issued by NMVC
2 companies, as provided in section 356.

3 **“SEC. 354. SELECTION OF NMVC COMPANIES.**

4 “(a) APPLICATIONS.—In order to be eligible to par-
5 ticipate in the program under this part as an NMVC com-
6 pany, an eligible company shall submit to the Adminis-
7 trator an application, within such period of time as the
8 Administrator shall establish, which shall include—

9 “(1) a business plan that describes the manner
10 and geographic areas in which the applicant will
11 make successful venture capital investments in
12 smaller enterprises described in subparagraphs (A)
13 and (B) of section 351(5) and provide marketing,
14 management, and technical assistance to those en-
15 terprises;

16 “(2) the qualifications and general business
17 reputation of the management of the applicant, spe-
18 cifically addressing—

19 “(A) the experience of the management in
20 making venture capital investments in smaller
21 enterprises described in subparagraphs (A) and
22 (B) of section 351(5); and

23 “(B) the success of those investments in
24 terms of business growth, jobs created, and

1 such other factors as the Administrator may re-
2 quire; and

3 “(3) a description of the manner in which the
4 applicant will interface with community organiza-
5 tions;

6 “(4) a proposal describing the manner in which
7 grant amounts made available under this part would
8 provide marketing, management, and technical as-
9 sistance to smaller enterprises expected to be fi-
10 nanced by the applicant;

11 “(5) proposed criteria by which to evaluate the
12 performance of the applicant in meeting program ob-
13 jectives;

14 “(6) the management and financial strength of
15 any parent or affiliated firm, or any firm essential
16 to the success of the business plan of the applicant;

17 “(7) with respect to binding commitments to be
18 made to the company under this part, an estimate
19 of the ratio of cash to in-kind contributions; and

20 “(8) such other information as the Adminis-
21 trator may require.

22 “(b) CRITERIA FOR CONDITIONAL APPROVAL.—

23 “(1) IN GENERAL.—Upon receipt of an applica-
24 tion submitted under subsection (a), the Adminis-
25 trator shall review the application and make a deter-

1 mination regarding whether to grant conditional ap-
2 proval to the applicant to operate as an NMVC com-
3 pany during the time period described in subsection
4 (c), based on—

5 “(A) the geographic area and employment
6 characteristics of the smaller enterprises in
7 which the proposed investments of the NMVC
8 company will be made (in order to promote in-
9 vestment nationwide);

10 “(B) the likelihood that the applicant will
11 meet the goals of the business plan of the appli-
12 cant;

13 “(C) the experience and background of the
14 company’s management team;

15 “(D) the need for equity or equity-type in-
16 vestments within the proposed investment
17 areas;

18 “(E) the extent to which the applicant will
19 concentrate its activities on serving its invest-
20 ment areas;

21 “(F) the likelihood that the applicant will
22 be able to satisfy the requirements of subsection
23 (c);

1 “(G) the extent to which the proposed ac-
2 tivities will expand economic opportunities with-
3 in the investment areas; and

4 “(H) such other factors as the Adminis-
5 trator determines to be appropriate.

6 “(2) NATIONWIDE DISTRIBUTION.—The Admin-
7 istrator shall select companies under paragraph (1)
8 in such a way that promotes investment nationwide.

9 “(c) REQUIREMENTS FOR FINAL APPROVAL.—

10 “(1) IN GENERAL.—Subject to paragraph (2),
11 each applicant that is granted conditional approval
12 by the Administrator to operate as an NMVC com-
13 pany under subsection (b), shall, before the expira-
14 tion of a time period established by the Adminis-
15 trator not to exceed 24 months, beginning on the
16 date on which such conditional approval is
17 granted—

18 “(A) raise not less than \$5,000,000 of con-
19 tributed capital or binding capital commitments
20 from 1 or more investors (other than an agency
21 of the Federal Government) that meet criteria
22 established by the Administrator; and

23 “(B) in order to provide marketing, man-
24 agement, and technical assistance, have—

1 “(i) cash or binding commitments for
2 contributions (in cash or in-kind) from 1
3 or more sources other than the Adminis-
4 tration that meet criteria established by
5 the Administrator, payable or available
6 over a multiyear period acceptable to the
7 Administrator (not to exceed 10 years), in
8 an amount equal to 30 percent of the cap-
9 ital and commitments raised under sub-
10 paragraph (A);

11 “(ii) purchased an annuity from an
12 insurance company acceptable to the Ad-
13 ministrator, using amounts (other than the
14 amounts raised to satisfy the requirements
15 of subparagraph (A)) from any source
16 other than the Administration, that would
17 yield cash payments over a multiyear pe-
18 riod acceptable to the Administrator (not
19 to exceed 10 years), in an amount equal to
20 30 percent of the capital and commitments
21 raised under subparagraph (A); or

22 “(iii) cash or binding commitments
23 for contributions (in cash or in-kind) of the
24 type described in clause (i) and have pur-
25 chased an annuity of the type described in

1 clause (ii), that in the aggregate make
2 available, over a multiyear period accept-
3 able to the Administrator (not to exceed 10
4 years), an amount equal to 30 percent of
5 the capital and commitments raised under
6 subparagraph (A).

7 “(2) EXCEPTION.—The Administrator may, in
8 the discretion of the Administrator and based upon
9 a showing of special circumstances and good cause,
10 consider an applicant to have satisfied the require-
11 ments of paragraph (1)(B) if the applicant has—

12 “(A) a viable plan that reasonably projects
13 the capacity of the applicant to raise the
14 amount (in cash or in-kind) required under
15 paragraph (1)(B); and

16 “(B) binding commitments in an amount
17 not less than 20 percent of the total amount re-
18 quired under paragraph (1)(B).

19 “(d) GRANT OF FINAL APPROVAL; DESIGNATION.—
20 The Administrator shall, with respect to each applicant
21 conditionally approved to operate as an NMVC company
22 under subsection (b), either—

23 “(1) grant final approval to the applicant to op-
24 erate as an NMVC company under this part and

1 designate the applicant as an NMVC company, if
2 the applicant—

3 “(A) satisfies the requirements of sub-
4 section (c) on or before the expiration of the
5 time period described in that subsection; and

6 “(B) enters into a participation agreement
7 with the Administrator; or

8 “(2) if the applicant fails to satisfy the require-
9 ments of subsection (c) on or before the expiration
10 of the time period described in that subsection, re-
11 voke the conditional approval granted under that
12 subsection.

13 **“SEC. 355. TECHNICAL ASSISTANCE GRANTS.**

14 “(a) GRANTS.—

15 “(1) IN GENERAL.—The Administrator, in ac-
16 cordance with such terms and conditions as the Ad-
17 ministrator may require, is authorized to award 1 or
18 more grants to each NMVC company or to any other
19 entity, as authorized by this part, which shall be
20 used to provide marketing, management, and tech-
21 nical assistance for the benefit of smaller enterprises
22 financed, or expected to be financed, by the NMVC
23 company or other authorized entity.

24 “(2) MULTIYEAR GRANTS.—Amounts from a
25 grant awarded under this section shall be paid upon

1 the direction of the Administrator over a multiyear
2 period of not to exceed 10 years.

3 “(3) GRANTS TO SPECIALIZED SMALL BUSINESS
4 INVESTMENT COMPANIES.—

5 “(A) AUTHORITY.—In accordance with
6 this section, the Administrator may make
7 grants to specialized small business investment
8 companies to provide marketing, management,
9 and technical assistance to smaller enterprises
10 financed, or expected to be financed, by such
11 companies after the effective date of the Com-
12 munity Development and Venture Capital Act
13 of 2000.

14 “(B) USE OF FUNDS.—The proceeds of a
15 grant made under this paragraph may be used
16 by the company receiving such grant only to
17 provide marketing, management, and technical
18 assistance in connection with an equity or eq-
19 uity-type investment (made with capital raised
20 after the effective date of the Community De-
21 velopment and Venture Capital Act of 2000) in
22 a business located in a low- or moderate-income
23 geographic area.

24 “(C) SUBMISSION OF PLANS.—A special-
25 ized small business investment company shall

1 be eligible for a grant under this section only if
2 the company submits to the Administrator, in
3 such form and manner as the Administrator
4 may require, a plan for use of the grant.

5 “(4) GRANT AMOUNT.—

6 “(A) IN GENERAL.—Subject to subpara-
7 graph (B), the amount of a grant awarded to
8 an NMVC company or other authorized entity
9 under this subsection shall be equal to 30 per-
10 cent of the amount of capital and commitments
11 raised under section 354(c)(1)(A).

12 “(B) MATCHING REQUIREMENT.—In order
13 to receive funds under a grant awarded under
14 this subsection, an NMVC company or other
15 authorized entity shall provide a matching con-
16 tribution (in cash or in-kind) from sources
17 other than the Administration, in an amount
18 equal to the funds to received.

19 “(5) PRO RATA REDUCTIONS.—If the amount
20 made available to carry out this section for a fiscal
21 year is insufficient for the Administrator to award
22 grants in the amounts required under paragraph
23 (4), the Administrator shall make pro rata reduc-
24 tions in the amounts otherwise payable to each

1 NMVC company or other authorized entity under
2 that paragraph.

3 “(b) SUPPLEMENTAL GRANTS.—

4 “(1) IN GENERAL.—In addition to any grant
5 under subsection (a), the Administrator, in accord-
6 ance with such terms and conditions as the Adminis-
7 trator may require, may make 1 or more supple-
8 mental grants to an NMVC company or other au-
9 thorized entity, which shall be used to provide addi-
10 tional marketing, management, and technical assist-
11 ance for the benefit of smaller enterprises financed,
12 or expected to be financed, by the NMVC company
13 or other authorized entity.

14 “(2) MATCHING REQUIREMENT.—The Adminis-
15 trator may require, as a condition of any supple-
16 mental grant made under this subsection, that the
17 NMVC company provide a matching contribution (in
18 cash or in-kind) from 1 or more sources other than
19 the Administrator in an amount equal to the amount
20 of the supplemental grant.

21 “(c) LIMITATION.—No part of any grant made avail-
22 able under this section may be used for any purpose other
23 than to provide direct technical and financial assistance
24 to smaller enterprises financed, or expected to be financed,
25 by the NMVC companies or other authorized entities.

1 **“SEC. 356. DEBENTURES.**

2 “(a) IN GENERAL.—The Administrator is authorized
3 to guarantee the timely payment of principal and interest
4 as scheduled on debentures issued by NMVC companies,
5 in accordance with such terms and conditions the Admin-
6 istrator determines to be appropriate.

7 “(b) FULL FAITH AND CREDIT.—The full faith and
8 credit of the United States is pledged to the payment of
9 all amounts that may be required to be paid under any
10 guarantee under this section.

11 “(c) DEBENTURE REQUIREMENTS.—A debenture
12 guaranteed under this section—

13 “(1) may be issued for a term of not to exceed
14 15 years;

15 “(2) shall bear interest at a rate approved by
16 the Administrator; and

17 “(3) shall contain such other terms and condi-
18 tions as the Administrator may require.

19 “(d) TOTAL FACE VALUE.—The total face amount
20 of debentures issued by an NMVC company and guaran-
21 teed under this section that may be outstanding at any
22 1 time shall not exceed 150 percent of the contributed cap-
23 ital of the NMVC company, as determined by the Adminis-
24 trator. For purposes of this subsection, the contributed
25 capital of an NMVC company includes capital that is

1 deemed to be Federal funds contributed by an investor
2 other than an agency of the Federal Government.

3 **“SEC. 357. ISSUANCE AND GUARANTEE OF TRUST CERTIFI-**
4 **CATES.**

5 “(a) IN GENERAL.—The Administrator (or an agent
6 of the Administrator) is authorized to issue trust certifi-
7 cates representing ownership of all or a fractional part of
8 debentures guaranteed by the Administrator under section
9 356, if such trust certificates are based on and backed
10 by a trust or pool approved by the Administrator and com-
11 posed solely of debentures guaranteed under section 356.

12 “(b) GUARANTEE AUTHORITY.—

13 “(1) IN GENERAL.—The Administrator is au-
14 thorized to, upon such terms and conditions as the
15 Administrator determines to be appropriate, guar-
16 antee the timely payment of the principal of and in-
17 terest on any trust certificate issued under this sec-
18 tion.

19 “(2) LIMITATION.—A guarantee under this sub-
20 section shall be limited to the extent of the principal
21 of and interest on the guaranteed debentures that
22 compose the trust or pool described in subsection
23 (a).

24 “(3) REDUCTION.—If a debenture in a trust or
25 pool described in subsection (a) is prepaid, or in the

1 event of default of a debenture, the guarantee of
2 timely payment of principal and interest on the re-
3 lated trust certificate issued under this section shall
4 be reduced in proportion to the amount of principal
5 and interest that such prepaid debenture represents
6 in that trust or pool.

7 “(4) ACCRUAL OF INTEREST.—Interest on pre-
8 paid or defaulted debentures shall accrue and be
9 guaranteed by the Administrator only through the
10 date of payment of the guarantee.

11 “(5) REDEMPTION OF TRUST CERTIFICATES.—
12 During the term of any trust certificate issued under
13 this subsection, the trust certificate may be called
14 for redemption due to prepayment or default of all
15 debentures in the trust or pool.

16 “(c) FULL FAITH AND CREDIT.—The full faith and
17 credit of the United States is pledged to the payment of
18 all amounts that may be required to be paid under any
19 guarantee of a trust certificate issued under this section.

20 “(d) FEES.—The Administrator shall not collect a fee
21 for any guarantee of a trust certificate issued under this
22 section, except that nothing in this subsection may be con-
23 strued to preclude an agent of the Administrator from col-
24 lecting a fee approved by the Administrator for the func-
25 tions described in subsection (f)(2).

1 “(e) SUBROGATION.—

2 “(1) IN GENERAL.—If the Administrator pays a
3 claim under a guarantee issued under this section,
4 the Administration shall be subrogated fully to the
5 rights satisfied by such payment.

6 “(2) OWNERSHIP RIGHTS.—No Federal, State,
7 or local law shall preclude or limit the exercise by
8 the Administrator of the ownership rights of the Ad-
9 ministrator in the debentures residing in a trust or
10 pool against which trust certificates are issued under
11 this section.

12 “(f) CENTRAL REGISTRATION.—

13 “(1) IN GENERAL.—The Administrator may
14 provide for a central registration of all trust certifi-
15 cates issued under this section.

16 “(2) CONTRACTING OF FUNCTIONS.—

17 “(A) IN GENERAL.—The Administrator
18 may contract with an agent or agents to carry
19 out on behalf of the Administrator the pooling
20 and the central registration functions of this
21 section including, notwithstanding any other
22 provision of law—

23 “(i) maintenance on behalf of and
24 under the direction of the Administrator of
25 such commercial bank accounts or invest-

1 ments in obligations of the United States
2 as may be necessary to facilitate trusts or
3 pools backed by debentures guaranteed
4 under this part; and

5 “(ii) the issuance of trust certificates
6 to facilitate such poolings.

7 “(B) FIDELITY BOND OR INSURANCE RE-
8 QUIRED.—An agent contracting with the Ad-
9 ministrators under this paragraph shall be re-
10 quired to provide a fidelity bond or insurance in
11 such amounts as the Administrator determines
12 to be necessary to fully protect the interests of
13 the Government.

14 “(3) REGULATION OF BROKERS AND DEAL-
15 ERS.—Notwithstanding section 3(a)(42) of the Secu-
16 rities Exchange Act of 1934 (15 U.S.C. 78c(a)(42)),
17 the Administrator may regulate brokers and dealers
18 in trust certificates issued under this section.

19 “(4) ELECTRONIC REGISTRATION.—Nothing in
20 this subsection may be construed to prohibit the use
21 of a book-entry or other electronic form of registra-
22 tion for trust certificates issued under this section.

23 **“SEC. 358. FEES.**

24 “Except as provided under section 357(d), the Ad-
25 ministrators may charge such fees as the Administrator de-

1 termines to be appropriate with respect to any guarantee
2 issued or grant awarded under this part.

3 **“SEC. 359. BANK PARTICIPATION.**

4 “Any national bank, or any member bank of the Fed-
5 eral Reserve System or nonmember insured bank to the
6 extent permitted under applicable State law, may invest
7 in any 1 or more NMVC companies, or in any entity estab-
8 lished to invest solely in NMVC companies, except that
9 in no event shall the total amount of such investments of
10 any such bank exceed 5 percent of the total capital and
11 surplus of the bank.

12 **“SEC. 360. FEDERAL FINANCING BANK.**

13 “Section 318 shall not apply to any debenture issued
14 by a NMVC company under this part.

15 **“SEC. 361. REPORTING REQUIREMENTS.**

16 “Each NMVC company shall provide to the Adminis-
17 trator such information as the Administrator may request,
18 including—

19 “(1) information related to the measurement
20 criteria that the NMVC company proposed in the
21 application submitted under section 354(a);

22 “(2) documentation on the use of technical as-
23 sistance grants under this part; and

24 “(3) in each case in which the company under
25 this part makes an investment in, or a loan or grant

1 to, a business that is not located in a low- or mod-
2 erate-income geographic area, a report on the num-
3 ber and percentage of employees of the business who
4 reside in such areas.

5 **“SEC. 362. EXAMINATIONS.**

6 “(a) IN GENERAL.—Each NMVC company shall be
7 subject to examinations made at the direction of the In-
8 vestment Division of the Administration, which may be
9 conducted with the assistance of a private sector entity
10 that has both the qualifications to conduct and the exper-
11 tise in conducting such examinations.

12 “(b) ASSESSMENT OF COSTS.—The cost of such ex-
13 aminations, including the compensation of the examiners,
14 may in the discretion of the Administrator be assessed
15 against the company examined and when so assessed shall
16 be paid by such company.

17 “(c) DEPOSIT OF FEES.—Fees collected under this
18 section shall be deposited in the account for salaries and
19 expenses of the Administration.

20 **“SEC. 363. INJUNCTIONS AND OTHER ORDERS.**

21 “(a) IN GENERAL.—If, in the judgment of the Ad-
22 ministrator, an NMVC company or any other person has
23 engaged or is about to engage in any act or practice that
24 constitutes or will constitute a violation of any provision
25 of this title (or any rule, regulation, or order issued under

1 this title) or of a participation agreement entered into
2 under this part—

3 “(1) the Administrator may make application to
4 the proper district court of the United States or a
5 United States court of any place subject to the juris-
6 diction of the United States for an order enjoining
7 such act or practice, or for an order enforcing com-
8 pliance with such provision; and

9 “(2) such court shall—

10 “(A) have jurisdiction over such applica-
11 tion and any ensuing proceedings; and

12 “(B) upon a showing by the Administrator
13 that such NMVC company or other person has
14 engaged or is about to engage in any such act
15 or practice, grant without bond a permanent or
16 temporary injunction, restraining order, or
17 other appropriate order.

18 “(b) POWERS OF COURT.—In any proceeding under
19 subsection (a)—

20 “(1) the court as a court of equity may, to such
21 extent as the court determines to be necessary, take
22 exclusive jurisdiction of the NMVC company and the
23 assets thereof, wherever located; and

24 “(2) the court shall have jurisdiction in any
25 such proceeding to appoint a trustee or receiver to

1 hold or administer under the direction of the court
2 the assets so possessed.

3 “(c) TRUSTEE OR RECEIVER.—The Administrator is
4 authorized to act as trustee or receiver of the NMVC com-
5 pany. Upon request by the Administrator, the court may
6 appoint the Administrator to act in such capacity unless
7 the court determines such appointment to be inequitable
8 or otherwise inappropriate based on the special cir-
9 cumstances at issue.

10 **“SEC. 364. UNLAWFUL ACTS AND OMISSIONS BY OFFICERS,**
11 **DIRECTORS, EMPLOYEES, OR AGENTS;**
12 **BREACH OF FIDUCIARY DUTY.**

13 “(a) IN GENERAL.—If an NMVC company violates
14 any provision of this title (or any rule or regulation issued
15 under this title), or of a participation agreement entered
16 into under this part, by failing to comply with the terms
17 thereof or by engaging in any act or practice that con-
18 stitutes or will constitute a violation thereof, such violation
19 shall be deemed to be also a violation and an unlawful
20 act on the part of any person who, directly or indirectly,
21 authorizes, orders, participates in, or causes, brings about,
22 counsels, aids, or abets in the commission of any act, prac-
23 tice, or transaction that constitutes or will constitute, in
24 whole or in part, such violation.

1 “(b) BREACH OF FIDUCIARY DUTY.—It shall be un-
2 lawful for any officer, director, employee, agent, or other
3 participant in the management or conduct of the affairs
4 of an NMVC company to engage in any act or practice,
5 or to omit any act, in breach of the fiduciary duty of such
6 officer, director, employee, agent, or participant, if, as a
7 result thereof, the NMVC company has suffered or is in
8 imminent danger of suffering financial loss or other dam-
9 age.

10 “(c) OTHER PROHIBITIONS.—Except with the writ-
11 ten consent of the Administrator, it shall be unlawful—

12 “(1) for any person to take office as an officer,
13 director, or employee of an NMVC company, or to
14 become an agent or participant in the conduct of the
15 affairs or management of an NMVC company, if
16 that person—

17 “(A) has been convicted of a felony, or any
18 other criminal offense involving dishonesty or
19 breach of trust; or

20 “(B) has been found civilly liable in dam-
21 ages, or has been permanently or temporarily
22 enjoined by order, judgment, or decree of a
23 court of competent jurisdiction, by reason of
24 any act or practice involving fraud or breach of
25 trust; or

1 “(2) for any person to continue to serve in any
2 of the above-described capacities, if that person is
3 subsequently—

4 “(A) convicted of a felony, or any other
5 criminal offense involving dishonesty or breach
6 of trust; or

7 “(B) found civilly liable in damages, or is
8 permanently or temporarily enjoined by an
9 order, judgment, or decree of a court of com-
10 petent jurisdiction, by reason of any act or
11 practice involving fraud or breach of trust.

12 “(d) NOTICE.—The Administrator may serve upon
13 any officer, director, employee, or other participant in the
14 conduct of the management or other affairs of an NMVC
15 company a written notice of the intention of the Adminis-
16 trator to remove that person from his or her position
17 whenever, in the opinion of the Administrator, that
18 person—

19 “(1) has willfully committed any substantial
20 violation of—

21 “(A) this title (or any rule, regulation, or
22 order issued under this title); or

23 “(B) a participation agreement entered
24 into under this part; or

1 “(C) a cease-and-desist order that has be-
2 come final; or

3 “(2) has willfully committed or engaged in any
4 act, omission, or practice that constitutes a substan-
5 tial breach of fiduciary duty, and that such violation
6 or such breach of fiduciary duty is one involving per-
7 sonal dishonesty on the part of such person.

8 “(e) **SUSPENSION OR REMOVAL.**—The Administrator
9 may suspend or remove from office any person upon whom
10 the Administrator has served a notice under subsection
11 (d), in accordance with the procedures set forth in section
12 313.

13 **“SEC. 365. REGULATIONS.**

14 “The Administrator may promulgate such regula-
15 tions as the Administrator determines to be necessary to
16 carry out this part.

17 **“SEC. 366. AUTHORIZATIONS.**

18 “(a) **IN GENERAL.**—For fiscal years 2000 through
19 2005, the Administration is authorized to be appropriated,
20 to remain available until expended—

21 “(1) such subsidy budget authority as may be
22 necessary to guarantee \$150,000,000 of debentures
23 under this part; and

24 “(2) \$30,000,000 to make grants under this
25 part.

1 “(b) FUNDS COLLECTED FOR EXAMINATIONS.—
 2 Funds deposited under section 362(c) are authorized to
 3 be appropriated only for the costs of examinations under
 4 section 362 and for the costs of other oversight activities
 5 with respect to the program established under this part.”.

6 (b) CONFORMING AMENDMENT.—Section
 7 20(e)(1)(C) of the Small Business Act (15 U.S.C. 631
 8 note) is amended by inserting “part A of” before “title
 9 III”.

10 **SEC. 802. BANKRUPTCY EXEMPTION FOR NMVC COMPA-**
 11 **NIES.**

12 Section 109(b)(2) of title 11, United States Code, is
 13 amended by inserting after “homestead association,” the
 14 following: “a new markets venture capital company (as de-
 15 fined in section 351 of the Small Business Investment Act
 16 of 1958),”.

17 **SEC. 803. FEDERAL SAVINGS ASSOCIATIONS.**

18 Section 5(c)(4) of the Home Owners’ Loan Act (12
 19 U.S.C. 1464(c)(4)) is amended by adding at the end the
 20 following:

21 “(F) NEW MARKETS VENTURE CAPITAL
 22 COMPANIES.—A Federal savings association
 23 may invest in stock, obligations, or other securi-
 24 ties of any new markets venture capital com-
 25 pany (as defined in section 351 of the Small

1 Business Investment Act of 1958). A Federal
2 savings association may not make any invest-
3 ment under this subparagraph if its aggregate
4 outstanding investment under this subpara-
5 graph would exceed 5 percent of the capital and
6 surplus of such savings association.”.

7 **Subtitle B—Community Develop-**
8 **ment Venture Capital Assist-**
9 **ance**

10 **SEC. 811. FINDINGS.**

11 Congress finds that—

12 (1) there is a need for the development and ex-
13 pansion of organizations that provide private equity
14 capital to smaller businesses in areas in which eq-
15 uity-type capital is scarce, such as inner cities and
16 rural areas, in order to create and retain jobs for
17 low-income residents of those areas;

18 (2) to invest successfully in smaller businesses,
19 particularly in inner cities and rural areas, requires
20 highly specialized investment and management skills;

21 (3) there is a shortage of professionals who pos-
22 sess such skills and there are few training grounds
23 for individuals to obtain those skills;

24 (4) providing assistance to organizations that
25 provide specialized technical assistance and training

1 to individuals and organizations seeking to enter or
 2 expand in this segment of the market would stimu-
 3 late small business development and entrepreneur-
 4 ship in economically distressed communities; and

5 (5) assistance from the Federal Government
 6 could act as a catalyst to attract investment from
 7 the private sector and would help to develop a spe-
 8 cialized venture capital industry focused on creating
 9 jobs, increasing business ownership, and generating
 10 wealth in low-income communities.

11 **SEC. 812. COMMUNITY DEVELOPMENT VENTURE CAPITAL**
 12 **ACTIVITIES.**

13 (a) IN GENERAL.—The Small Business Act (15
 14 U.S.C. 631 et seq.) is amended—

15 (1) by redesignating section 34 as section 35;
 16 and

17 (2) by inserting after section 33 the following:

18 **“SEC. 34. COMMUNITY DEVELOPMENT VENTURE CAPITAL**
 19 **ACTIVITIES.**

20 “(a) DEFINITIONS.—In this section:

21 “(1) COMMUNITY DEVELOPMENT VENTURE
 22 CAPITAL ORGANIZATION.—The term ‘community de-
 23 velopment venture capital organization’ means a pri-
 24 vately-controlled organization that—

1 “(A) has a primary mission of promoting
2 community development in low-income commu-
3 nities, as defined by the Administrator, through
4 investment in private business enterprises; or

5 “(B) administers or is in the process of es-
6 tablishing a community development venture
7 capital fund for the purpose of making equity
8 investments in private business enterprises in
9 such communities.

10 “(2) DEVELOPMENTAL ORGANIZATION.—The
11 term ‘developmental organization’—

12 “(A) means a public or private entity, in-
13 cluding a college or university, that provides
14 technical assistance to community development
15 venture capital organizations or that conducts
16 research or training in community development
17 venture capital investment; and

18 “(B) may include an intermediary organi-
19 zation.

20 “(3) INTERMEDIARY ORGANIZATION.—The term
21 ‘intermediary organization’—

22 “(A) means a private, nonprofit entity that
23 has—

24 “(i) a primary mission of promoting
25 community development through invest-

1 ment in private businesses in low-income
2 communities; and

3 “(ii) significant prior experience in
4 providing technical assistance or financial
5 assistance to community development ven-
6 ture capital organizations;

7 “(B) may include community development
8 venture capital organizations.

9 “(b) AUTHORITY.—In order to promote the develop-
10 ment of community development venture capital organiza-
11 tions, the Administrator, may—

12 “(1) enter into contracts with 1 or more devel-
13 opmental organizations to carry out training and re-
14 search activities under subsection (c); and

15 “(2) make grants in accordance with this
16 section—

17 “(A) to developmental organizations to
18 carry out training and research activities under
19 subsection (c); and

20 “(B) to intermediary organizations to pro-
21 vide intensive marketing, management, and
22 technical assistance and training to community
23 development venture capital organizations
24 under subsection (d).

25 “(c) TRAINING AND RESEARCH ACTIVITIES.—

1 “(1) IN GENERAL.—Subject to paragraph (2), a
2 developmental organization that receives a grant
3 under subsection (b) shall use the funds made avail-
4 able through the grant for 1 or more of the following
5 training and research activities:

6 “(A) STRENGTHENING PROFESSIONAL
7 SKILLS.—Creating and operating training pro-
8 grams to enhance the professional skills for in-
9 dividuals in community development venture
10 capital organizations or operating private com-
11 munity development venture capital funds.

12 “(B) INCREASING INTEREST IN COMMU-
13 NITY DEVELOPMENT VENTURE CAPITAL.—Cre-
14 ating and operating a program to select and
15 place students and recent graduates from busi-
16 ness and related professional schools as interns
17 with community development venture capital or-
18 ganizations and intermediary organizations for
19 a period of up to 1 year, and to provide sti-
20 pends for such interns during the internship pe-
21 riod.

22 “(C) PROMOTING ‘BEST PRACTICES’.—Or-
23 ganizing an annual national conference for com-
24 munity development venture capital organiza-
25 tions to discuss and share information on the

1 best practices regarding issues relevant to the
2 creation and operation of community develop-
3 ment venture capital organizations.

4 “(D) MOBILIZING ACADEMIC RE-
5 SOURCES.—Encouraging the formation of 1 or
6 more centers for the study of community devel-
7 opment venture capital at graduate schools of
8 business and management, providing funding
9 for the development of materials for courses on
10 topics in this area, and providing funding for
11 research on economic, operational, and policy
12 issues relating to community development ven-
13 ture capital.

14 “(2) LIMITATION.—The Administrator shall en-
15 sure that not more than 25 percent of the amount
16 made available to carry out this section is used for
17 activities described in paragraph (1).

18 “(d) INTENSIVE MARKETING, MANAGEMENT, AND
19 TECHNICAL ASSISTANCE AND TRAINING.—An inter-
20 mediary organization that receives a grant under sub-
21 section (b) shall use the funds made available through the
22 grant to provide intensive marketing, management, and
23 technical assistance and training to promote the develop-
24 ment of community development venture capital organiza-
25 tions, which assistance may include grants to community

1 development venture capital organizations for the start up
2 costs and operating support of those organizations.

3 “(e) MATCHING CONTRIBUTION REQUIREMENT.—
4 The Administrator shall require, as a condition of any
5 grant made to an intermediary organization under this
6 section, that a matching contribution equal to the amount
7 of such grant be provided from sources other than the
8 Federal Government.

9 “(f) AUTHORIZATION OF APPROPRIATIONS.—There
10 is authorized to be appropriated to carry out this section
11 \$20,000,000 for fiscal years 2000 through 2003, to re-
12 main available until expended.”.

13 (b) REQUIREMENTS.—The Administrator of the
14 Small Business Administration may promulgate such reg-
15 ulations as may be necessary to carry out section 34 of
16 the Small Business Act, as amended by this section, which
17 regulations may take effect upon issuance.

18 **Subtitle C—Business LINC**

19 **SEC. 821. GRANTS AUTHORIZED.**

20 Section 8 of the Small Business Act (15 U.S.C. 637)
21 is amended by adding at the end the following:

22 “(m) BUSINESS LINC GRANTS.—

23 “(1) IN GENERAL.—The Administrator may
24 make grants to and enter into cooperative agree-

1 ments with any coalition of private or public sector
2 participants that—

3 “(A) expand business-to-business relation-
4 ships between large and small businesses; and

5 “(B) provide businesses, directly or indi-
6 rectly, with online information and a database
7 of companies that are interested in mentor-pro-
8 tegee programs or community-based, state-wide,
9 or local business development programs.

10 “(2) MATCHING REQUIREMENTS.—

11 “(A) IN GENERAL.—Subject to subpara-
12 graph (B), the Administrator may make grants
13 to and enter into cooperative agreements with
14 any coalition of private or public sector partici-
15 pants if the coalition provides a matching
16 amount, either in-kind or in cash, equal to the
17 grant amount.

18 “(B) WAIVER.—In the best interests of the
19 program, the Administrator may waive the re-
20 quirements for matching funds to be provided
21 by the coalition.

22 “(3) AUTHORIZATION OF APPROPRIATIONS.—

23 There is authorized to be appropriated to carry out
24 this subsection \$6,600,000 for each of fiscal years

1 2000 through 2003, to remain available until ex-
 2 pended.”.

3 **SEC. 822. REGULATIONS.**

4 The Administrator of the Small Business Administra-
 5 tion may promulgate such regulations as the Administra-
 6 tion determines to be necessary to carry out this title and
 7 the amendment made by this title.

8 **TITLE IX—BOND VOLUME CAP**
 9 **AND LOW-INCOME HOUSING**
 10 **CREDIT INCREASES**

11 **SEC. 901. INCREASE IN STATE CEILING ON PRIVATE ACTIV-**
 12 **ITY BONDS.**

13 (a) IN GENERAL.—Paragraphs (1) and (2) of section
 14 146(d) (relating to State ceiling) are amended to read as
 15 follows:

16 “(1) IN GENERAL.—The State ceiling applicable
 17 to any State for any calendar year shall be the
 18 greater of—

19 “(A) an amount equal to \$75 multiplied by
 20 the State population, or

21 “(B) \$225,000,000.

22 Subparagraph (B) shall not apply to any possession
 23 of the United States.

24 “(2) INFLATION ADJUSTMENT.—In the case of
 25 a calendar year after 2001, each of the dollar

1 amounts contained in paragraph (1) shall be in-
 2 creased by an amount equal to—

3 “(A) such dollar amount, multiplied by

4 “(B) the cost-of-living adjustment deter-
 5 mined under section 1(f)(3) for such calendar
 6 year by substituting ‘calendar year 2000’ for
 7 ‘calendar year 1992’ in subparagraph (B)
 8 thereof.

9 If any increase determined under the preceding sen-
 10 tence is not a multiple of \$1 (\$250 in the case of
 11 the dollar amount in paragraph (1)(B), such in-
 12 crease shall be rounded to the nearest multiple
 13 thereof.”

14 (c) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to calendar years after 2000.

16 **SEC. 902. INCREASE IN STATE CEILING ON LOW-INCOME**
 17 **HOUSING CREDIT.**

18 (a) IN GENERAL.—Clause (i) of section 42(h)(3)(C)
 19 (relating to State housing credit ceiling) is amended by
 20 striking “\$1.25” and inserting “\$1.75”.

21 (b) ADJUSTMENT OF STATE CEILING FOR IN-
 22 CREASES IN COST-OF-LIVING.—Paragraph (3) of section
 23 42(h) (relating to housing credit dollar amount for agen-
 24 cies) is amended by adding at the end the following new
 25 subparagraph:

1 “(H) COST-OF-LIVING ADJUSTMENT.—

2 “(i) IN GENERAL.—In the case of a
3 calendar year after 2001, the dollar
4 amount contained in subparagraph (C)(i)
5 shall be increased by an amount equal to—

6 “(I) such dollar amount, multi-
7 plied by

8 “(II) the cost-of-living adjust-
9 ment determined under section 1(f)(3)
10 for such calendar year by substituting
11 ‘calendar year 2000’ for ‘calendar
12 year 1992’ in subparagraph (B) there-
13 of.

14 “(ii) ROUNDING.—If any increase
15 under clause (i) is not a multiple of 5
16 cents, such increase shall be rounded to
17 the next lowest multiple of 5 cents.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to calendar years after 2000.

20 **TITLE X—INDIVIDUAL**
21 **DEVELOPMENT ACCOUNTS**

22 **SEC. 1001. FINDINGS.**

23 Congress makes the following findings:

24 (1) One-third of all Americans have no assets
25 available for investment, and another 20 percent

1 have only negligible assets. The household savings
2 rate of the United States lags far behind other in-
3 dustrial nations, presenting a barrier to national
4 economic growth and preventing many Americans
5 from entering the economic mainstream by buying a
6 house, obtaining an adequate education, or starting
7 a business.

8 (2) By building assets, Americans can improve
9 their economic independence and stability, stimulate
10 the development of human and other capital, and
11 work toward a viable and hopeful future for them-
12 selves and their children. Thus, economic well-being
13 does not come solely from income, spending, and
14 consumption, but also requires savings, investment,
15 and accumulation of assets.

16 (3) Traditional public assistance programs
17 based on income and consumption have rarely been
18 successful in promoting and supporting the transi-
19 tion to increased economic self-sufficiency. Income-
20 based social policies that meet consumption needs
21 (including food, child care, rent, clothing, and health
22 care) should be complemented by asset-based policies
23 that can provide the means to achieve long-term
24 independence and economic well-being.

1 (4) Individual Development Accounts (IDAs)
2 can provide working Americans with strong incen-
3 tives to build assets, basic financial management
4 training, and access to secure and relatively inexpen-
5 sive banking services.

6 (5) There is reason to believe that Individual
7 Development Accounts would also foster greater par-
8 ticipation in electric fund transfers (EFT), generate
9 financial returns, including increased income, tax
10 revenue, and decreased welfare cash assistance, that
11 will far exceed the cost of public investment in the
12 program.

13 **SEC. 1002. PURPOSES.**

14 The purposes of this title are to provide for the estab-
15 lishment of individual development account programs that
16 will—

17 (1) provide individuals and families with limited
18 means an opportunity to accumulate assets and to
19 enter the financial mainstream;

20 (2) promote education, homeownership, and the
21 development of small businesses;

22 (3) stabilize families and build communities;
23 and

24 (4) support continued United States economic
25 expansion.

1 **SEC. 1003. DEFINITIONS.**

2 As used in this title:

3 (1) **ELIGIBLE INDIVIDUAL.**—

4 (A) **IN GENERAL.**—The term “eligible indi-
5 vidual” means an individual who—

6 (i) has attained the age of 18 years;

7 (ii) is a citizen or legal resident of the
8 United States; and

9 (iii) is a member of a household the
10 gross income of which does not exceed 80
11 percent of the median family income for
12 the area in which such individual resides
13 (as published by the Department of Hous-
14 ing and Urban Affairs).

15 (B) **HOUSEHOLD.**—The term “household”
16 means all individuals who share use of a dwell-
17 ing unit as primary quarters for living and eat-
18 ing separate from other individuals.

19 (2) **INDIVIDUAL DEVELOPMENT ACCOUNT.**—

20 The term “Individual Development Account” means
21 an account established for an eligible individual as
22 part of a qualified individual development account
23 program, but only if the written governing instru-
24 ment creating the account meets the following re-
25 quirements:

1 (A) The sole owner of the account is the
2 eligible individual.

3 (B) No contribution will be accepted unless
4 it is in cash, by check, by electronic fund trans-
5 fer, or by electronic money order.

6 (C) The holder of the account is a quali-
7 fied financial institution, a qualified nonprofit
8 organization, or an Indian tribe.

9 (D) The assets of the account will not be
10 commingled with other property except in a
11 common trust fund or common investment
12 fund.

13 (E) Except as provided in section 1015(b),
14 any amount in the account may be paid out
15 only for the purpose of paying the qualified ex-
16 penses of the eligible individual.

17 (3) PARALLEL ACCOUNT.—The term “parallel
18 account” means a separate, parallel individual or
19 pooled account for all matching funds and earnings
20 dedicated to an eligible individual as part of a quali-
21 fied individual account program, the sole owner of
22 which is a qualified financial institution, a qualified
23 nonprofit organization, or an Indian tribe.

24 (4) QUALIFIED FINANCIAL INSTITUTION.—

1 (A) IN GENERAL.—The term “qualified fi-
2 nancial institution” means any person author-
3 ized to be a trustee of any individual retirement
4 account under section 408(a)(2).

5 (B) RULE OF CONSTRUCTION.—Nothing in
6 this paragraph shall be construed as preventing
7 a person described in subparagraph (A) from
8 collaborating with 1 or more qualified nonprofit
9 organizations or Indian tribes to carry out an
10 individual development account program estab-
11 lished under section 1011.

12 (5) QUALIFIED NONPROFIT ORGANIZATION.—
13 The term “qualified nonprofit organization”
14 means—

15 (A)(i) any organization described in section
16 501(c)(3) of the Internal Revenue Code of 1986
17 and exempt from taxation under section 501(a)
18 of such Code;

19 (ii) any community development financial
20 institution as certified by the Community De-
21 velopment Financial Institution Fund; or

22 (iii) any credit union certified by the Na-
23 tional Credit Union Administration,

1 that meets standards for financial management and
2 fiduciary responsibility as defined by the Secretary
3 or an organization designated by the Secretary.

4 (6) INDIAN TRIBE.—The term “Indian tribe”
5 means any Indian tribe as defined in section 4(12)
6 of the Native American Housing Assistance and
7 Self-Determination Act of 1996 (25 U.S.C.
8 4103(12), and includes any tribal subsidiary, sub-
9 division, or other wholly owned tribal entity.

10 (7) QUALIFIED INDIVIDUAL DEVELOPMENT AC-
11 COUNT PROGRAM.—The term “qualified individual
12 development program” means a program established
13 under section 1011 under which—

14 (A) individual development accounts and
15 parallel accounts are held by a qualified finan-
16 cial institution, a qualified nonprofit organiza-
17 tion, or an Indian tribe; and

18 (B) additional activities determined by the
19 Secretary, or an organization designated by the
20 Secretary, as necessary to responsibly develop
21 and administer accounts, including recruiting,
22 providing financial education and other training
23 to account holders, and regular program moni-
24 toring, are carried out by such qualified finan-

1 cial institution, qualified nonprofit organization,
2 or Indian tribe.

3 (8) QUALIFIED EXPENSE DISTRIBUTION.—

4 (A) IN GENERAL.—The term “qualified ex-
5 pense distribution” means any amount paid (in-
6 cluding through electronic payments) or distrib-
7 uted out of an Individual Development Account
8 and a parallel account established for an eligible
9 individual if such amount—

10 (i) is used exclusively to pay the quali-
11 fied expenses of such individual or such in-
12 dividual’s spouse or dependents,

13 (ii) is paid by the qualified financial
14 institution, qualified nonprofit organiza-
15 tion, or Indian tribe directly to the person
16 to whom the amount is due or to another
17 Individual Development Account, and

18 (iii) is paid after the holder of the In-
19 dividual Development Account has com-
20 pleted a financial education course as re-
21 quired under section 1012(b).

22 (B) QUALIFIED EXPENSES.—

23 (i) IN GENERAL.—The term “qualified
24 expenses” means any of the following:

1 (I) Qualified higher education ex-
2 penses.

3 (II) Qualified first-time home-
4 buyer costs.

5 (III) Qualified business capital-
6 ization or expansion costs.

7 (IV) Qualified rollovers.

8 (ii) QUALIFIED HIGHER EDUCATION
9 EXPENSES.—

10 (I) IN GENERAL.—The term
11 “qualified higher education expenses”
12 has the meaning given such term by
13 section 72(t)(7) of the Internal Rev-
14 enue Code of 1986, determined by
15 treating postsecondary vocational edu-
16 cational schools as eligible educational
17 institutions.

18 (II) POSTSECONDARY VOCA-
19 TIONAL EDUCATION SCHOOL.—The
20 term “postsecondary vocational edu-
21 cational school” means an area voca-
22 tional education school (as defined in
23 subparagraph (C) or (D) of section
24 521(4) of the Carl D. Perkins Voca-
25 tional and Applied Technology Edu-

1 cation Act (20 U.S.C. 2471(4)))
2 which is in any State (as defined in
3 section 521(33) of such Act), as such
4 sections are in effect on the date of
5 enactment of this Act.

6 (III) COORDINATION WITH
7 OTHER BENEFITS.—The amount of
8 qualified higher education expenses
9 for any taxable year shall be reduced
10 as provided in section 25A(g)(2) of
11 such Code and by the amount of such
12 expenses for which a credit or exclu-
13 sion is allowed under chapter 1 of
14 such Code for such taxable year.

15 (iii) QUALIFIED FIRST-TIME HOME-
16 BUYER COSTS.—The term “qualified first-
17 time homebuyer costs” means qualified ac-
18 quisition costs (as defined in section
19 72(t)(8) of such Code without regard to
20 subparagraph (B) thereof) with respect to
21 a principal residence (within the meaning
22 of section 121 of such Code) for a qualified
23 first-time homebuyer (as defined in section
24 72(t)(8) of such Code).

1 (iv) QUALIFIED BUSINESS CAPITAL-
2 IZATION OR EXPANSION COSTS.—

3 (I) IN GENERAL.—The term
4 “qualified business capitalization or
5 expansion costs” means qualified ex-
6 penditures for the capitalization or ex-
7 pansion of a qualified business pursu-
8 ant to a qualified business plan.

9 (II) QUALIFIED EXPENDI-
10 TURES.—The term “qualified expendi-
11 tures” means expenditures included in
12 a qualified business plan, including
13 capital, plant, equipment, working
14 capital, inventory expenses, attorney
15 and accounting fees, and other costs
16 normally associated with starting or
17 expanding a business.

18 (III) QUALIFIED BUSINESS.—
19 The term “qualified business” means
20 any business that does not contravene
21 any law.

22 (IV) QUALIFIED BUSINESS
23 PLAN.—The term “qualified business
24 plan” means a business plan which
25 meets such requirements as the Sec-

1 retary or an organization designated
2 by the Secretary may specify.

3 (v) QUALIFIED ROLLOVERS.—The
4 term “qualified rollover” means, with re-
5 spect to any distribution from an Indi-
6 vidual Development Account, the payment,
7 within 120 days of such distribution, of all
8 or a portion of such distribution to such
9 account or to another Individual Develop-
10 ment Account established in another quali-
11 fied financial institution, qualified non-
12 profit organization, or Indian tribe for the
13 benefit of the eligible individual. Rules
14 similar to the rules of section 408(d)(3) of
15 such Code (other than subparagraph (C)
16 thereof) shall apply for purposes of this
17 clause.

18 (9) SECRETARY.—The term “Secretary” means
19 the Secretary of the Treasury.

1 **Subtitle A—Individual Develop-**
2 **ment Accounts for Low-Income**
3 **Workers**

4 **SEC. 1011. STRUCTURE AND ADMINISTRATION OF QUALI-**
5 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
6 **PROGRAMS.**

7 (a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DE-
8 VELOPMENT ACCOUNT PROGRAMS.—Any qualified finan-
9 cial institution, qualified nonprofit organization, or Indian
10 tribe may establish 1 or more qualified individual develop-
11 ment account programs which meet the requirements of
12 this title.

13 (b) BASIC PROGRAM STRUCTURE.—

14 (1) IN GENERAL.—All qualified individual de-
15 velopment account programs shall consist of the fol-
16 lowing 2 components:

17 (A) An Individual Development Account to
18 which an eligible individual may contribute
19 money in accordance with section 1013.

20 (B) A parallel account to which all match-
21 ing funds shall be deposited in accordance with
22 section 1014.

23 (2) TAILORED IDA PROGRAMS.—A qualified fi-
24 nancial institution, qualified nonprofit organization,
25 or Indian tribe may tailor its qualified individual de-

1 qualified financial institution, qualified nonprofit organi-
2 zation, or Indian tribe and contribute money in accordance
3 with section 1013 to qualify for matching funds in a par-
4 allel account.

5 (b) REQUIRED COMPLETION OF FINANCIAL EDU-
6 CATION COURSE.—

7 (1) IN GENERAL.—Before becoming eligible to
8 withdraw matching funds to pay for qualified ex-
9 penses, holders of Individual Development Accounts
10 must complete a financial education course offered
11 by a qualified financial institution, a qualified non-
12 profit organization, an Indian tribe, or a government
13 entity.

14 (2) STANDARD AND APPLICABILITY OF
15 COURSE.—The Secretary or an organization des-
16 ignated by the Secretary, in consultation with rep-
17 resentatives of qualified individual development ac-
18 count programs and financial educators, shall estab-
19 lish minimum performance standards for financial
20 education courses offered under paragraph (1) and
21 a protocol to exempt eligible individuals from the re-
22 quirement under paragraph (1) because of hardship
23 or lack of need.

1 **SEC. 1013. CONTRIBUTIONS TO INDIVIDUAL DEVELOPMENT**
2 **ACCOUNTS.**

3 (a) IN GENERAL.—Except in the case of a qualified
4 rollover, individual contributions to an Individual Develop-
5 ment Account will not be accepted for the taxable year
6 in excess of the lesser of—

7 (1) \$2,000; or

8 (2) an amount equal to the sum of—

9 (A) the compensation (as defined in section
10 219(f)(1) of the Internal Revenue Code of
11 1986) includible in the individual's gross in-
12 come for such taxable year; and

13 (B) in the case of an eligible individual
14 who has attained age 65 or retired on disability
15 (within the meaning of section 22 of the Inter-
16 nal Revenue Code of 1986) before the close of
17 the taxable year, any amount received as a pen-
18 sion or annuity or as a disability benefit and ex-
19 cluded from the individual's gross income for
20 such taxable year.

21 (b) PROOF OF COMPENSATION AND STATUS AS AN
22 ELIGIBLE INDIVIDUAL.—Federal W-2 forms and other
23 forms specified by the Secretary proving the eligible indi-
24 vidual's wages and other compensation (including amounts
25 described in subsection (a)(2)(B)) and the status of the
26 individual as an eligible individual shall be presented at

1 the time of the establishment of the Individual Develop-
2 ment Account and at least once annually thereafter.

3 (c) TIME WHEN CONTRIBUTIONS DEEMED MADE.—

4 For purposes of this section, a taxpayer shall be deemed
5 to have made a contribution to an Individual Development
6 Account on the last day of the preceding taxable year if
7 the contribution is made on account of such taxable year
8 and is made not later than the time prescribed by law for
9 filing the Federal income tax return for such taxable year
10 (not including extensions thereof).

11 (d) DEEMED WITHDRAWALS OF EXCESS CONTRIBU-

12 TIONS.—If the individual for whose benefit an Individual
13 Development Account is established contributes an
14 amount in excess of the amount allowed under subsection
15 (a) and fails to withdraw the excess contribution plus the
16 amount of net income attributable to such excess contribu-
17 tion on or before the day prescribed by law (including ex-
18 tensions of time) for filing such individual's return of tax
19 for the taxable year, such excess contribution and net in-
20 come shall be deemed to have been withdrawn on such day
21 by such individual for purposes other than to pay qualified
22 expenses.

1 (e) CROSS REFERENCE.—

For designation of earned income tax credit payments for deposit to an Individual Development Account, see section 32(o) of the Internal Revenue Code of 1986.

2 **SEC. 1014. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOP-**
3 **MENT ACCOUNT PROGRAMS.**

4 (a) PARALLEL ACCOUNTS.—The qualified financial
5 institution, qualified nonprofit organization, or Indian
6 tribe shall deposit all matching funds for each Individual
7 Development Account into a parallel account at a qualified
8 financial institution, qualified nonprofit organization, or
9 Indian tribe.

10 (b) REGULAR DEPOSITS OF MATCHING FUNDS.—

11 (1) IN GENERAL.—Subject to paragraph (2),
12 the qualified financial institution, qualified nonprofit
13 organization, or Indian tribe shall not less than an-
14 nually deposit into the parallel account with respect
15 to each eligible individual the following:

16 (A) A dollar-for-dollar match for the first
17 \$500 contributed by the eligible individual into
18 an Individual Development Account with re-
19 spect to any taxable year.

20 (B) Any matching funds provided by State,
21 local, or private sources in accordance to the
22 matching ratio set by those sources.

1 (2) CROSS REFERENCE.—

For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 30B of the Internal Revenue Code of 1986.

2 (c) FORFEITURE OF MATCHING FUNDS.—Matching
3 funds that are forfeited under section 1015(b) shall be
4 used by the qualified financial institution, qualified non-
5 profit organization, or Indian tribe to pay matches for
6 other Individual Development Account contributions by el-
7 igible individuals.

8 (d) UNIFORM ACCOUNTING REGULATIONS.—The
9 Secretary shall prescribe regulations with respect to ac-
10 counting for matching funds from all possible sources in
11 the parallel accounts.

12 (e) REGULAR REPORTING OF ACCOUNTS.—Any
13 qualified financial institution, qualified nonprofit organi-
14 zation, or Indian tribe shall report the balances in any
15 Individual Development Account and parallel account of
16 an eligible individual on not less than an annual basis.

17 **SEC. 1015. WITHDRAWAL PROCEDURES.**

18 (a) WITHDRAWALS FOR QUALIFIED EXPENSES.—To
19 withdraw money from an eligible individual's Individual
20 Development Account to pay qualified expenses of such
21 individual or such individual's spouse or dependents, the
22 qualified financial institution, qualified nonprofit organi-
23 zation, or Indian tribe shall directly transfer such funds

1 from the Individual Development Account, and, if applica-
2 ble, from the parallel account electronically to the vendor
3 or other Individual Development Account. If the vendor
4 is not equipped to receive funds electronically, the quali-
5 fied financial institution, qualified nonprofit organization,
6 or Indian tribe may issue such funds by paper check to
7 the vendor.

8 (b) WITHDRAWALS FOR NONQUALIFIED EX-
9 PENSES.—An Individual Development Account holder may
10 unilaterally withdraw funds from the Individual Develop-
11 ment Account for purposes other than to pay qualified ex-
12 penses, but shall forfeit the corresponding matching funds
13 and interest earned on the matching funds by doing so,
14 unless such withdrawn funds are recontributed to such Ac-
15 count by September 30 following the withdrawal.

16 (c) DEEMED WITHDRAWALS FROM ACCOUNTS OF
17 NONELIGIBLE INDIVIDUALS.—If the individual for whose
18 benefit an Individual Development Account is established
19 ceases to be an eligible individual, such account shall cease
20 to be an Individual Development Account as of the first
21 day of the taxable year of such individual and any balance
22 in such account shall be deemed to have been withdrawn
23 on such first day by such individual for purposes other
24 than to pay qualified expenses.

1 (d) TAX TREATMENT OF MATCHING FUNDS.—Any
2 amount withdrawn from a parallel account shall not be
3 includible in an eligible individual's gross income.

4 **SEC. 1016. CERTIFICATION AND TERMINATION OF QUALI-**
5 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
6 **PROGRAMS.**

7 (a) CERTIFICATION PROCEDURES.—Upon estab-
8 lishing a qualified individual development account pro-
9 gram under section 1011, a qualified financial institution,
10 qualified nonprofit organization, or Indian tribe shall cer-
11 tify to the Secretary, or an organization designated by the
12 Secretary, on forms prescribed by the Secretary or such
13 organization and accompanied by any documentation re-
14 quired by the Secretary or such organization, that—

15 (1) the accounts described in subparagraphs
16 (A) and (B) of section 1011(b)(1) are operating pur-
17 suant to all the provisions of this title; and

18 (2) the qualified financial institution, qualified
19 nonprofit organization, or Indian tribe agrees to im-
20 plement an information system necessary to monitor
21 the cost and outcomes of the qualified individual de-
22 velopment account program.

23 (b) AUTHORITY TO TERMINATE QUALIFIED IDA
24 PROGRAM.—If the Secretary, or an organization des-
25 ignated by the Secretary, determines that a qualified fi-

1 nancial institution, qualified nonprofit organization, or In-
2 dian tribe under this title is not operating a qualified indi-
3 vidual development account program in accordance with
4 the requirements of this title (and has not implemented
5 any corrective recommendations directed by the Secretary
6 or such organization), the Secretary or such organization
7 shall terminate such institution's, nonprofit organiza-
8 tion's, or Indian tribe's authority to conduct the program.
9 If the Secretary, or an organization designated by the Sec-
10 retary, is unable to identify a qualified financial institu-
11 tion, qualified nonprofit organization, or Indian tribe to
12 assume the authority to conduct such program, then any
13 account established for the benefit of any eligible indi-
14 vidual under such program shall cease to be an Individual
15 Development Account as of the first day of such termi-
16 nation and any balance in such account shall be deemed
17 to have been withdrawn on such first day by such indi-
18 vidual for purposes other than to pay qualified expenses.

19 **SEC. 1017. REPORTING, MONITORING, AND EVALUATION.**

20 (a) RESPONSIBILITIES OF QUALIFIED FINANCIAL IN-
21 STITUTIONS, QUALIFIED NONPROFIT ORGANIZATIONS,
22 AND INDIAN TRIBES.—Each qualified financial institu-
23 tion, qualified nonprofit organization, or Indian tribe that
24 establishes a qualified individual development account pro-
25 gram under section 1011 shall report annually to the Sec-

1 retary, directly or through an organization designated by
2 the Secretary, within 90 days after the end of each cal-
3 endar year on—

4 (1) the number of eligible individuals making
5 contributions into Individual Development Accounts;

6 (2) the amounts contributed into Individual De-
7 velopment Accounts and deposited into parallel ac-
8 counts for matching funds;

9 (3) the amounts withdrawn from Individual De-
10 velopment Accounts and parallel accounts, and the
11 purposes for which such amounts were withdrawn;

12 (4) the balances remaining in Individual Devel-
13 opment Accounts and parallel accounts; and

14 (5) such other information needed to help the
15 Secretary, or an organization designated by the Sec-
16 retary, monitor the cost and outcomes of the quali-
17 fied individual development account program.

18 (b) RESPONSIBILITIES OF THE SECRETARY OR DES-
19 IGNATED ORGANIZATION.—

20 (1) MONITORING PROTOCOL.—Not later than
21 12 months after the date of enactment of this Act,
22 the Secretary, or an organization designated by the
23 Secretary, shall develop and implement a protocol
24 and process to monitor the cost and outcomes of the

1 qualified individual development account programs
2 established under section 1011.

3 (2) ANNUAL REPORTS.—In each year after the
4 date of enactment of this Act, the Secretary, or an
5 organization designated by the Secretary, shall issue
6 a progress report on the status of such qualified in-
7 dividual development account programs. Such report
8 shall include from a representative sample of quali-
9 fied financial institutions, qualified nonprofit organi-
10 zations, and Indian tribes a report on—

11 (A) the characteristics of participants, in-
12 cluding age, gender, race or ethnicity, marital
13 status, number of children, employment status,
14 and monthly income;

15 (B) individual level data on deposits, with-
16 drawals, balances, uses of Individual Develop-
17 ment Accounts, and participant characteristics;

18 (C) the characteristics of qualified indi-
19 vidual development account programs, including
20 match rate, economic education requirements,
21 permissible uses of accounts, staffing of pro-
22 grams in full time employees, and the total
23 costs of programs; and

24 (D) process information on program imple-
25 mentation and administration, especially on

1 problems encountered and how problems were
2 solved.

3 (3) APPROPRIATIONS FOR MONITORING.—There
4 is authorized to be appropriated \$5,000,000 for the
5 purposes of monitoring qualified individual develop-
6 ment account programs established under section
7 1011, to remain available until expended.

8 **SEC. 1018. CERTAIN ACCOUNT FUNDS OF PROGRAM PAR-**
9 **TICIPANTS DISREGARDED FOR PURPOSES OF**
10 **CERTAIN MEANS-TESTED FEDERAL PRO-**
11 **GRAMS.**

12 Notwithstanding any provision of the Internal Rev-
13 enue Code of 1986 or the Social Security Act that requires
14 consideration of 1 or more financial circumstances of an
15 individual, for the purposes of determining eligibility to
16 receive, or the amount of, any assistance or benefit author-
17 ized by such provision to be provided to or for the benefit
18 of such individual, the sum of—

19 (1) the lesser of—

20 (A) the sum of all contributions by an eli-
21 gible individual (including earnings thereon) to
22 any Individual Development Account; or

23 (B) \$10,000; plus

1 (2) the sum of the matching deposits made on
 2 behalf of such individual (including earnings there-
 3 on) in any parallel account,
 4 shall be disregarded for such purpose with respect to any
 5 period during which the individual participates in a quali-
 6 fied individual development account program established
 7 under section 1011.

8 **Subtitle B—Qualified Individual**
 9 **Development Account Program**
 10 **Investment Credits**

11 **SEC. 1021. QUALIFIED INDIVIDUAL DEVELOPMENT AC-**
 12 **COUNT PROGRAM INVESTMENT CREDITS.**

13 (a) IN GENERAL.—Subpart B of part IV of sub-
 14 chapter A of chapter 1 (relating to other credits) is
 15 amended by inserting after section 30A the following:

16 **“SEC. 30B. QUALIFIED INDIVIDUAL DEVELOPMENT AC-**
 17 **COUNT PROGRAM INVESTMENT CREDIT.**

18 “(a) DETERMINATION OF AMOUNT.—There shall be
 19 allowed as a credit against the applicable tax for the tax-
 20 able year an amount equal to the qualified individual de-
 21 velopment account program investment provided by a tax-
 22 payer during the taxable year under a qualified individual
 23 development account program established under section
 24 1011 of the American Community Renewal and New Mar-
 25 kets Empowerment Act.

1 “(b) APPLICABLE TAX.—For the purposes of this
2 section, the term ‘applicable tax’ means the excess (if any)
3 of—

4 “(1) the tax imposed under this chapter (other
5 than the taxes imposed under the provisions de-
6 scribed in subparagraphs (C) through (Q) of section
7 26(b)(2)), over

8 “(2) the credits allowable under subpart B
9 (other than this section) and subpart D of this part.

10 “(c) QUALIFIED INDIVIDUAL DEVELOPMENT AC-
11 COUNT PROGRAM INVESTMENT.—For purposes of this
12 section, the term ‘qualified individual development account
13 program investment’ means an amount equal to—

14 “(1) in the case of a taxpayer which is a quali-
15 fied financial institution, the sum of—

16 “(A) the lesser of—

17 “(i) 90 percent of the aggregate
18 amount of dollar-for-dollar matches under
19 any qualified individual development ac-
20 count program by such taxpayer under sec-
21 tion 1014 of the American Community Re-
22 newal and New Markets Empowerment
23 Act for such taxable year, or

24 “(ii) \$90,000,000, plus

25 “(B) the lesser of—

1 “(i) 50 percent of the aggregate costs
2 paid or incurred under such program by
3 the taxpayer during such taxable year—

4 “(I) to provide financial edu-
5 cation courses to Individual Develop-
6 ment Account holders under section
7 1012(b) of such Act, and

8 “(II) to underwrite program ac-
9 tivities described in section 503(6)(B)
10 of such Act), or

11 “(ii) \$1,500,000, and

12 “(2) in the case of a taxpayer which is not a
13 qualified financial institution and which meets the
14 requirement described in paragraph (2) of sub-
15 section (d), the lesser of—

16 “(A) the sum of—

17 “(i) 50 percent of the aggregate
18 amount of such dollar-for-dollar matches
19 by such taxpayer for such taxable year,
20 plus

21 “(ii) 50 percent of the aggregate costs
22 described in paragraph (1)(B)(i) paid
23 under such program by the taxpayer dur-
24 ing such taxable year, or

25 “(B) \$5,000,000.

1 “(d) DEFINITIONS AND SPECIAL RULES.—

2 “(1) IN GENERAL.—For purposes of this sec-
3 tion, the terms ‘Individual Development Account’ ,
4 ‘qualified individual development account program’,
5 and ‘qualified financial institution’ have the mean-
6 ings given such terms by section 1003 of the Amer-
7 ican Community Renewal and New Markets Em-
8 powerment Act.

9 “(2) REQUIREMENT FOR TAXPAYERS WHICH
10 ARE NOT QUALIFIED FINANCIAL INSTITUTIONS.—
11 The requirement described in this paragraph with
12 respect to any taxpayer which is not a qualified fi-
13 nancial institution is the requirement that at least
14 70 percent of the expenditures by such taxpayer
15 with respect to any qualified individual development
16 account program for any taxable year are described
17 in subsection (c)(2)(A).

18 “(3) CERTAIN RULES MADE APPLICABLE.—
19 Rules similar to the rules of paragraphs (1) and (2)
20 of section 41(f) shall apply for purposes of this sec-
21 tion.

22 “(4) DENIAL OF DOUBLE BENEFIT.—No de-
23 duction or credit under any other provision of this
24 chapter shall be allowed with respect to qualified in-

1 dividual development account program investments
2 taken into account under subsection (a).

3 “(e) REGULATIONS.—The Secretary may prescribe
4 such regulations as may be necessary or appropriate to
5 carry out this section, including regulations providing for
6 a reduction of the credit allowed under this section for
7 any taxable year by the amount of any forfeiture under
8 section 1015(b) of the American Community Renewal and
9 New Markets Empowerment Act in such taxable year of
10 any amount which was taken into account in determining
11 the amount of such credit in a preceding taxable year.

12 “(f) TERMINATION.—This section shall not apply to
13 any taxable year beginning after December 31, 2006.”.

14 (b) CONFORMING AMENDMENT.—The table of sec-
15 tions for subpart B of part IV of subchapter A of chapter
16 1 is amended by inserting after the item relating to section
17 30A the following:

“Sec. 30B. Qualified individual development account program investment cred-
it.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2001.

1 **SEC. 1022. CRA CREDIT TREATMENT FOR QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM INVESTMENTS.**
2
3

4 Qualified financial institutions which establish qualified individual development account programs under section 1011 shall not receive credit for funding, administration, and education expenses under any test contained in regulations for the Community Reinvestment Act of 1977 for those activities and expenses related to such programs and taken into account for purposes of the tax credit allowed under section 30B of the Internal Revenue Code of 1986.

13 **SEC. 1023. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO INDIVIDUAL DEVELOPMENT ACCOUNTS.**
14
15

16 (a) IN GENERAL.—Section 32 (relating to earned income credit) is amended by adding at the end the following:

19 “(o) DESIGNATION OF CREDIT FOR DEPOSIT TO INDIVIDUAL DEVELOPMENT ACCOUNT.—

21 “(1) IN GENERAL.—With respect to the return of any eligible individual (as defined in section 1003(1) of the American Community Renewal and New Markets Empowerment Act) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not

1 less than \$1) of any overpayment of tax for such
2 taxable year which is attributable to the credit al-
3 lowed under this section shall be deposited by the
4 Secretary into an Individual Development Account
5 (as defined in section 1003(2) of such Act) of such
6 individual. The Secretary shall so deposit such por-
7 tion designated under this paragraph.

8 “(2) MANNER AND TIME OF DESIGNATION.—A
9 designation under paragraph (1) may be made with
10 respect to any taxable year—

11 “(A) at the time of filing the return of the
12 tax imposed by this chapter for such taxable
13 year, or

14 “(B) at any other time (after the time of
15 filing the return of the tax imposed by this
16 chapter for such taxable year) specified in regu-
17 lations prescribed by the Secretary.

18 Such designation shall be made in such manner as
19 the Secretary prescribes by regulations.

20 “(3) PORTION ATTRIBUTABLE TO EARNED IN-
21 COME TAX CREDIT.—For purposes of paragraph (1),
22 an overpayment for any taxable year shall be treated
23 as attributable to the credit allowed under this sec-
24 tion for such taxable year to the extent that such
25 overpayment does not exceed the credit so allowed.

1 “(4) OVERPAYMENTS TREATED AS RE-
 2 FUNDED.—For purposes of this title, any portion of
 3 an overpayment of tax designated under paragraph
 4 (1) shall be treated as being refunded to the tax-
 5 payer as of the last date prescribed for filing the re-
 6 turn of tax imposed by this chapter (determined
 7 without regard to extensions) or, if later, the date
 8 the return is filed.

9 “(5) TERMINATION.—This subsection shall not
 10 apply to any taxable year beginning after December
 11 31, 2006.”.

12 (b) EFFECTIVE DATE.—The amendment made by
 13 this section shall apply to taxable years beginning after
 14 December 31, 2001.

15 **TITLE XI—CHARITABLE CHOICE** 16 **EXPANSION**

17 **SEC. 1101. PROVISION OF ASSISTANCE UNDER GOVERN-** 18 **MENT PROGRAMS BY RELIGIOUS ORGANIZA-** 19 **TIONS.**

20 Title XXIV of the Revised Statutes is amended by
 21 inserting after section 1990 (42 U.S.C. 1994) the fol-
 22 lowing:

23 **“SEC. 1994A. CHARITABLE CHOICE.**

24 “(a) SHORT TITLE.—This section may be cited as the
 25 ‘Charitable Choice Expansion Act of 2000’.

1 “(b) PURPOSE.—The purposes of this section are—

2 “(1) to prohibit discrimination against non-
3 governmental organizations and certain individuals
4 on the basis of religion in the distribution of govern-
5 ment funds to provide government assistance and
6 distribution of such assistance, under government
7 programs described in subsection (c); and

8 “(2) to allow such organizations to accept such
9 funds to provide such assistance to such individuals
10 without impairing the religious character of such or-
11 ganizations or the religious freedom of such individ-
12 uals.

13 “(c) RELIGIOUS ORGANIZATIONS INCLUDED AS NON-
14 GOVERNMENTAL PROVIDERS.—For any program carried
15 out by the Federal Government, or by a State or local
16 government with Federal funds, in which the Federal,
17 State, or local government is authorized to use nongovern-
18 mental organizations, through contracts, grants, certifi-
19 cates, vouchers, or other forms of disbursement, to provide
20 assistance to beneficiaries under the program, the govern-
21 ment shall consider, on the same basis as other nongovern-
22 mental organizations, religious organizations to provide
23 the assistance under the program, so long as the program
24 is implemented in a manner consistent with the Establish-
25 ment Clause of the first amendment to the Constitution.

1 Neither the Federal Government nor a State or local gov-
2 ernment receiving funds under such program shall dis-
3 criminate against an organization that provides assistance
4 under, or applies to provide assistance under, such pro-
5 gram, on the basis that the organization has a religious
6 character.

7 “(d) EXCLUSIONS.—As used in subsection (c), the
8 term ‘program’ does not include activities carried out
9 under—

10 “(1) Federal programs providing education to
11 children eligible to attend elementary schools or sec-
12 ondary schools, as defined in section 14101 of the
13 Elementary and Secondary Education Act of 1965
14 (20 U.S.C. 8801) (except for activities to assist stu-
15 dents in obtaining the recognized equivalents of sec-
16 ondary school diplomas);

17 “(2) the Higher Education Act of 1965 (20
18 U.S.C. 1001 et seq.);

19 “(3) the Head Start Act (42 U.S.C. 9831 et
20 seq.); or

21 “(4) the Child Care and Development Block
22 Grant Act of 1990 (42 U.S.C. 9858 et seq.).

23 “(e) RELIGIOUS CHARACTER AND INDEPENDENCE.—

24 “(1) IN GENERAL.—A religious organization
25 that provides assistance under a program described

1 in subsection (c) shall retain its independence from
2 Federal, State, and local governments, including
3 such organization's control over the definition, devel-
4 opment, practice, and expression of its religious be-
5 liefs.

6 “(2) ADDITIONAL SAFEGUARDS.—Neither the
7 Federal Government nor a State or local government
8 shall require a religious organization—

9 “(A) to alter its form of internal govern-
10 ance; or

11 “(B) to remove religious art, icons, scrip-
12 ture, or other symbols;

13 in order to be eligible to provide assistance under a
14 program described in subsection (c).

15 “(f) EMPLOYMENT PRACTICES.—

16 “(1) TENETS AND TEACHINGS.—A religious or-
17 ganization that provides assistance under a program
18 described in subsection (c) may require that its em-
19 ployees providing assistance under such program ad-
20 here to the religious tenets and teachings of such or-
21 ganization, and such organization may require that
22 those employees adhere to rules forbidding the use
23 of drugs or alcohol.

24 “(2) TITLE VII EXEMPTION.—The exemption of
25 a religious organization provided under section 702

1 or 703(e)(2) of the Civil Rights Act of 1964 (42
2 U.S.C. 2000e-1, 2000e-2(e)(2)) regarding employ-
3 ment practices shall not be affected by the religious
4 organization's provision of assistance under, or re-
5 ceipt of funds from, a program described in sub-
6 section (c).

7 “(g) RIGHTS OF BENEFICIARIES OF ASSISTANCE.—

8 “(1) IN GENERAL.—If an individual described
9 in paragraph (3) has an objection to the religious
10 character of the organization from which the indi-
11 vidual receives, or would receive, assistance funded
12 under any program described in subsection (c), the
13 appropriate Federal, State, or local governmental
14 entity shall provide to such individual (if otherwise
15 eligible for such assistance) within a reasonable pe-
16 riod of time after the date of such objection, assist-
17 ance that—

18 “(A) is from an alternative organization
19 that is accessible to the individual; and

20 “(B) has a value that is not less than the
21 value of the assistance that the individual would
22 have received from such organization.

23 “(2) NOTICE.—The appropriate Federal, State,
24 or local governmental entity shall ensure that notice

1 is provided to individuals described in paragraph (3)
2 of the rights of such individuals under this section.

3 “(3) INDIVIDUAL DESCRIBED.—An individual
4 described in this paragraph is an individual who re-
5 ceives or applies for assistance under a program de-
6 scribed in subsection (c).

7 “(h) NONDISCRIMINATION AGAINST BENE-
8 FICIARIES.—

9 “(1) GRANTS AND CONTRACTS.—A religious or-
10 ganization providing assistance through a grant or
11 contract under a program described in subsection (c)
12 shall not discriminate, in carrying out the program,
13 against an individual described in subsection (g)(3)
14 on the basis of religion, a religious belief, a refusal
15 to hold a religious belief, or a refusal to actively par-
16 ticipate in a religious practice.

17 “(2) INDIRECT FORMS OF DISBURSEMENT.—A
18 religious organization providing assistance through a
19 voucher, certificate, or other form of indirect dis-
20 bursement under a program described in subsection
21 (c) shall not deny an individual described in sub-
22 section (g)(3) admission into such program on the
23 basis of religion, a religious belief, or a refusal to
24 hold a religious belief.

25 “(i) FISCAL ACCOUNTABILITY.—

1 “(1) IN GENERAL.—Except as provided in para-
2 graph (2), any religious organization providing as-
3 sistance under any program described in subsection
4 (c) shall be subject to the same regulations as other
5 nongovernmental organizations to account in accord
6 with generally accepted accounting principles for the
7 use of such funds provided under such program.

8 “(2) LIMITED AUDIT.—Such organization shall
9 segregate government funds provided under such
10 program into a separate account. Only the govern-
11 ment funds shall be subject to audit by the govern-
12 ment.

13 “(j) COMPLIANCE.—A party alleging that the rights
14 of the party under this section have been violated by a
15 State or local government may bring a civil action pursu-
16 ant to section 1979 against the official or government
17 agency that has allegedly committed such violation. A
18 party alleging that the rights of the party under this sec-
19 tion have been violated by the Federal Government may
20 bring a civil action for appropriate relief in an appropriate
21 Federal district court against the official or government
22 agency that has allegedly committed such violation.

23 “(k) LIMITATIONS ON USE OF FUNDS FOR CERTAIN
24 PURPOSES.—No funds provided through a grant or con-
25 tract to a religious organization to provide assistance

1 under any program described in subsection (c) shall be
2 expended for sectarian worship, instruction, or proselytiza-
3 tion.

4 “(l) EFFECT ON STATE AND LOCAL FUNDS.—If a
5 State or local government contributes State or local funds
6 to carry out a program described in subsection (c), the
7 State or local government may segregate the State or local
8 funds from the Federal funds provided to carry out the
9 program or may commingle the State or local funds with
10 the Federal funds. If the State or local government com-
11 mingles the State or local funds, the provisions of this sec-
12 tion shall apply to the commingled funds in the same man-
13 ner, and to the same extent, as the provisions apply to
14 the Federal funds.

15 “(m) TREATMENT OF INTERMEDIATE CONTRAC-
16 TORS.—If a nongovernmental organization (referred to in
17 this subsection as an ‘intermediate organization’), acting
18 under a contract or other agreement with the Federal Gov-
19 ernment or a State or local government, is given the au-
20 thority under the contract or agreement to select non-
21 governmental organizations to provide assistance under
22 the programs described in subsection (c), the intermediate
23 organization shall have the same duties under this section

1 as the government but shall retain all other rights of a
2 nongovernmental organization under this section.”.

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