

106TH CONGRESS
2D SESSION

S. 2936

To provide incentives for new markets and community development, and
for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 26, 2000

Mr. ROBB (for himself, Mr. DASCHLE, Mr. BAUCUS, Mr. BREAUX, Mr. DODD,
Mr. DORGAN, Mr. JOHNSON, Mr. KENNEDY, Mr. KERREY, Mr. KERRY,
Mr. LEAHY, Mr. LIEBERMAN, Mrs. LINCOLN, Mr. REID, Mr. ROCKE-
FELLER, Mr. SCHUMER, Mr. TORRICELLI, Mr. HARKIN, and Mr. BAYH)
introduced the following bill; which was read twice and referred to the
Committee on Finance

A BILL

To provide incentives for new markets and community
development, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Creating New Markets and Empowering America Act of
6 2000”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment
 2 to, or repeal of, a section or other provision, the reference
 3 shall be considered to be made to a section or other provi-
 4 sion of the Internal Revenue Code of 1986.

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- Sec. 1001. Credit for computer donations to schools, senior centers, public libraries, and other training centers.

1 “(3) CREDIT ALLOWANCE DATE.—For purposes
2 of paragraph (1), the term ‘credit allowance date’
3 means, with respect to any qualified equity
4 investment—

5 “(A) the date on which such investment is
6 initially made, and

7 “(B) each of the 6 anniversary dates of
8 such date thereafter.

9 “(b) QUALIFIED EQUITY INVESTMENT.—For pur-
10 poses of this section—

11 “(1) IN GENERAL.—The term ‘qualified equity
12 investment’ means any equity investment in a quali-
13 fied community development entity if—

14 “(A) such investment is acquired by the
15 taxpayer at its original issue (directly or
16 through an underwriter) solely in exchange for
17 cash,

18 “(B) substantially all of such cash is used
19 by the qualified community development entity
20 to make qualified low-income community invest-
21 ments, and

22 “(C) such investment is designated for
23 purposes of this section by the qualified com-
24 munity development entity.

1 Such term shall not include any equity investment
2 issued by a qualified community development entity
3 more than 7 years after the date that such entity re-
4 ceives an allocation under subsection (f). Any alloca-
5 tion not used within such 7-year period may be re-
6 allocated by the Secretary under subsection (f).

7 “(2) LIMITATION.—The maximum amount of
8 equity investments issued by a qualified community
9 development entity which may be designated under
10 paragraph (1)(C) by such entity shall not exceed the
11 portion of the limitation amount allocated under
12 subsection (f) to such entity.

13 “(3) SAFE HARBOR FOR DETERMINING USE OF
14 CASH.—The requirement of paragraph (1)(B) shall
15 be treated as met if at least 85 percent of the aggre-
16 gate gross assets of the qualified community devel-
17 opment entity are invested in qualified low-income
18 community investments.

19 “(4) TREATMENT OF SUBSEQUENT PUR-
20 CHASERS.—The term ‘qualified equity investment’
21 includes any equity investment which would (but for
22 paragraph (1)(A)) be a qualified equity investment
23 in the hands of the taxpayer if such investment was
24 a qualified equity investment in the hands of a prior
25 holder.

1 “(5) REDEMPTIONS.—A rule similar to the rule
2 of section 1202(e)(3) shall apply for purposes of this
3 subsection.

4 “(6) EQUITY INVESTMENT.—The term ‘equity
5 investment’ means—

6 “(A) any stock (other than nonqualified
7 preferred stock as defined in section 351(g)(2))
8 in an entity which is a corporation, and

9 “(B) any capital interest in an entity
10 which is a partnership.

11 “(c) QUALIFIED COMMUNITY DEVELOPMENT ENTI-
12 TY.—For purposes of this section—

13 “(1) IN GENERAL.—The term ‘qualified com-
14 munity development entity’ means any corporation
15 or partnership if—

16 “(A) the primary mission of the entity is
17 serving, or providing investment capital for,
18 low-income communities or low-income persons,

19 “(B) the entity maintains accountability to
20 residents of low-income communities through
21 representation on governing or advisory boards
22 or otherwise, (This requirement may be met by
23 an entity that controls the community develop-
24 ment entity applying for a credit allocation.)
25 and

1 “(C) the entity is certified by the Secretary
2 for purposes of this section as being a qualified
3 community development entity.

4 “(2) SPECIAL RULES FOR CERTAIN ORGANIZA-
5 TIONS.—The requirements of paragraph (1) shall be
6 treated as met by—

7 “(A) any specialized small business invest-
8 ment company (as defined in section
9 1044(c)(3)), and

10 “(B) any community development financial
11 institution (as defined in section 103 of the
12 Community Development Banking and Finan-
13 cial Institutions Act of 1994 (12 U.S.C. 4702)).

14 “(d) QUALIFIED LOW-INCOME COMMUNITY INVEST-
15 MENTS.—For purposes of this section—

16 “(1) IN GENERAL.—The term ‘qualified low-in-
17 come community investment’ means—

18 “(A) any equity investment in, or loan to,
19 any qualified active low-income community busi-
20 ness,

21 “(B) the purchase from another commu-
22 nity development entity of any loan made by
23 such entity which is a qualified low-income com-
24 munity investment if the amount received by
25 such other entity from such purchase is used by

1 such other entity to make qualified low-income
2 community investments,

3 “(C) financial counseling and other serv-
4 ices specified in regulations prescribed by the
5 Secretary to businesses located in, and resi-
6 dents of, low-income communities, and

7 “(D) any equity investment in, or loan to,
8 any qualified community development entity if
9 substantially all of the investment or loan is
10 used by such entity to make qualified low-in-
11 come community investments described in sub-
12 paragraphs (A), (B), and (C).

13 “(2) QUALIFIED ACTIVE LOW-INCOME COMMU-
14 NITY BUSINESS.—

15 “(A) IN GENERAL.—For purposes of para-
16 graph (1), the term ‘qualified active low-income
17 community business’ means, with respect to any
18 taxable year, any corporation (including a non-
19 profit corporation) or partnership if for such
20 year—

21 “(i) at least 50 percent of the total
22 gross income of such entity is derived from
23 the active conduct of a qualified business
24 within any low-income community,

1 “(ii) a substantial portion of the use
2 of the tangible property of such entity
3 (whether owned or leased) is within any
4 low-income community,

5 “(iii) a substantial portion of the serv-
6 ices performed for such entity by its em-
7 ployees are performed in any low-income
8 community,

9 “(iv) less than 5 percent of the aver-
10 age of the aggregate unadjusted bases of
11 the property of such entity is attributable
12 to collectibles (as defined in section
13 408(m)(2)) other than collectibles that are
14 held primarily for sale to customers in the
15 ordinary course of such business, and

16 “(v) less than 5 percent of the aver-
17 age of the aggregate unadjusted bases of
18 the property of such entity is attributable
19 to nonqualified financial property (as de-
20 fined in section 1397C(e)). The determina-
21 tion of whether an investment made by a
22 community development entity constitutes
23 a qualified low-income community invest-
24 ment is made at the time that the entity

1 makes the loan to, or purchases equity in-
2 terests in a qualified business.

3 “(B) PROPRIETORSHIP.—Such term shall
4 include any business carried on by an individual
5 as a proprietor if such business would meet the
6 requirements of subparagraph (A) were it incor-
7 porated.

8 “(C) PORTIONS OF BUSINESS MAY BE
9 QUALIFIED ACTIVE LOW-INCOME COMMUNITY
10 BUSINESS.—The term ‘qualified active low-in-
11 come community business’ includes any trades
12 or businesses which would qualify as a qualified
13 active low-income community business if such
14 trades or businesses were separately incor-
15 porated.

16 “(3) QUALIFIED BUSINESS.—For purposes of
17 this subsection, the term ‘qualified business’ has the
18 meaning given to such term by section 1397C(d); ex-
19 cept that—

20 “(A) in lieu of applying paragraph (2)(B)
21 thereof, the rental to others of real property lo-
22 cated in any low-income community shall be
23 treated as a qualified business if there are sub-
24 stantial improvements located on such property,

1 “(B) paragraph (3) thereof shall not apply,
2 and

3 “(C) such term shall not include any busi-
4 ness if a significant portion of the equity inter-
5 ests in such business are held by any person
6 who otherwise holds a significant portion of the
7 equity investments in the community develop-
8 ment entity.

9 “(e) LOW-INCOME COMMUNITY.—For purposes of
10 this section—

11 “(1) IN GENERAL.—The term ‘low-income com-
12 munity’ means any population census tract (includ-
13 ing tracts in U.S. territories or possessions) if—

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

16 “(B)(i) in the case of a tract not located
17 within a metropolitan area, the median family
18 income for such tract does not exceed 80 per-
19 cent of statewide (or if in a U.S. territory, ter-
20 ritory-wide) 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 (or if in a U.S. territory,

1 territory-wide) median family income or the
2 metropolitan area median family income.

3 “(2) AREAS NOT WITHIN CENSUS TRACTS.—In
4 the case of an area which is not tracted for popu-
5 lation census tracts, the equivalent county divisions
6 (as defined by the Bureau of the Census for pur-
7 poses of defining poverty areas) shall be used for
8 purposes of determining poverty rates and median
9 family income.

10 “(3) TARGETED POPULATION.—The Secretary
11 may prescribe regulations under which 1 or more
12 targeted populations (within the meaning of section
13 3(20) of the Riegle Community Development and
14 Regulatory Improvement Act of 1974 (12 U.S.C.
15 4702(20))) may be treated as low-income commu-
16 nities. Such regulations shall include procedures for
17 identifying the area covered by any such community
18 for purposes of determining entities which are quali-
19 fied active low-income community businesses with re-
20 spect to such community.

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) \$1,000,000,000 for 2001,

2 “(B) \$1,500,000,000 for 2002 and 2003,

3 “(C) \$2,000,000,000 for 2004 and 2005,

4 “(D) \$3,500,000,000 for 2006 and 2007.

5 “(2) ALLOCATION OF LIMITATION.—The limita-
6 tion under paragraph (1) shall be allocated by the
7 Secretary among qualified community development
8 entities selected by the Secretary. In making alloca-
9 tions under the preceding sentence, the Secretary
10 shall give priority to community development entities
11 with records of having successfully provided capital
12 or technical assistance to disadvantaged businesses
13 or communities and to entities whose controlling
14 parents have such records.

15 “(3) CARRYOVER OF UNUSED LIMITATION.—If
16 the new markets tax credit limitation for any cal-
17 endar year exceeds the aggregate amount allocated
18 under paragraph (2) for such year, such limitation
19 for the succeeding calendar year shall be increased
20 by the amount of such excess.

21 “(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

22 “(1) IN GENERAL.—If, at any time during the
23 7-year period beginning on the date of the original
24 issue of a qualified equity investment in a qualified
25 community development entity, there is a recapture

1 event with respect to such investment, then the tax
2 imposed by this chapter for the taxable year in
3 which such event occurs shall be increased by the
4 credit recapture amount.

5 “(2) CREDIT RECAPTURE AMOUNT.—For pur-
6 poses of paragraph (1), the credit recapture amount
7 is an amount equal to the sum of—

8 “(A) the aggregate decrease in the credits
9 allowed to the taxpayer under section 38 for all
10 prior taxable years which would have resulted if
11 no credit had been determined under this sec-
12 tion with respect to such investment, plus

13 “(B) interest at the overpayment rate es-
14 tablished under section 6621 on the amount de-
15 termined under subparagraph (A) for each
16 prior taxable year for the period beginning on
17 the due date for filing the return for the prior
18 taxable year involved.

19 No deduction shall be allowed under this chapter for
20 interest described in subparagraph (B).

21 “(3) RECAPTURE EVENT.—For purposes of
22 paragraph (1), there is a recapture event with re-
23 spect to an equity investment in a qualified commu-
24 nity development entity if—

1 “(A) such entity ceases to be a qualified
2 community development entity,

3 “(B) the proceeds of the investment cease
4 to be used as required of subsection (b)(1)(B),
5 or

6 “(C) such investment is redeemed by such
7 entity.

8 If the original community development entity no
9 longer exists, a successor entity can continue to meet
10 the requirements of a community development entity
11 without triggering recapture. A recapture event oc-
12 curs only if the entity fails to make a good faith ef-
13 fort to ensure that the proceeds of the investment as
14 required by subsection (b)(1)(B).

15 “(4) SPECIAL RULES.—

16 “(A) TAX BENEFIT RULE.—The tax for
17 the taxable year shall be increased under para-
18 graph (1) only with respect to credits allowed
19 by reason of this section which were used to re-
20 duce tax liability. In the case of credits not so
21 used to reduce tax liability, the carryforwards
22 and carrybacks under section 39 shall be appro-
23 priately adjusted.

24 “(B) NO CREDITS AGAINST TAX.—Any in-
25 crease in tax under this subsection shall not be

1 treated as a tax imposed by this chapter for
2 purposes of determining the amount of any
3 credit under this chapter or for purposes of sec-
4 tion 55.

5 “(h) BASIS REDUCTION.—The basis of any qualified
6 equity investment shall be reduced by the amount of any
7 credit determined under this section with respect to such
8 investment. This subsection shall not apply for purposes
9 of sections 1202, 1400B, and 1400F.

10 “(i) REGULATIONS.—The Secretary shall prescribe
11 such regulations as may be appropriate to carry out this
12 section, including regulations—

13 “(1) which limit the credit for investments
14 which are directly or indirectly subsidized by other
15 Federal benefits (including the credit under section
16 42 and the exclusion from gross income under sec-
17 tion 103),

18 “(2) which prevent the abuse of the provisions
19 of this section through the use of related parties,

20 “(3) which provide rules for determining wheth-
21 er the requirement of subsection (b)(1)(B) is treated
22 as met,

23 “(4) which impose appropriate reporting re-
24 quirements, and

1 “(5) which apply the provisions of this section
2 to newly formed entities.”.

3 (b) CREDIT MADE PART OF GENERAL BUSINESS
4 CREDIT.—

5 (1) IN GENERAL.—Subsection (b) of section 38
6 is amended by striking “plus” at the end of para-
7 graph (11), by striking the period at the end of
8 paragraph (12) and inserting “, plus”, and by add-
9 ing at the end the following new paragraph:

10 “(13) the new markets tax credit determined
11 under section 45D(a).”.

12 (2) LIMITATION ON CARRYBACK.—Subsection
13 (d) of section 39 is amended by adding at the end
14 the following new paragraph:

15 “(9) NO CARRYBACK OF NEW MARKETS TAX
16 CREDIT BEFORE JANUARY 1, 2001.—No portion of
17 the unused business credit for any taxable year
18 which is attributable to the credit under section 45D
19 may be carried back to a taxable year ending before
20 January 1, 2001.”.

21 (c) DEDUCTION FOR UNUSED CREDIT.—Subsection
22 (c) of section 196 is amended by striking “and” at the
23 end of paragraph (7), by striking the period at the end
24 of paragraph (8) and inserting “, and”, and by adding
25 at the end the following new paragraph:

1 “(9) the new markets tax credit determined
2 under section 45D(a).”.

3 (d) CLERICAL AMENDMENT.—The table of sections
4 for subpart D of part IV of subchapter A of chapter 1
5 is amended by adding at the end the following new item:

 “Sec. 45D. New markets tax credit.”.

6 (e) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to investments made after Decem-
8 ber 31, 2000.

9 (f) REGULATIONS ON ALLOCATION OF NATIONAL
10 LIMITATION.—Not later than 60 days after the date of
11 the enactment of this Act, the Secretary of the Treasury
12 or the Secretary’s delegate shall prescribe regulations
13 which specify—

14 (1) how entities shall apply for an allocation
15 under section 45D(f)(2) of the Internal Revenue
16 Code of 1986, as added by this section,

17 (2) the competitive procedure through which
18 such allocations are made, and

19 (3) the actions that such Secretary or delegate
20 shall take to ensure that such allocations are prop-
21 erly made to appropriate entities.

22 **TITLE II—AMERICA’S PRIVATE**
23 **INVESTMENT COMPANIES**

24 **SEC. 201. DEFINITIONS.**

25 As used in this title:

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

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

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

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

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

23 (6) LICENSE.—The term ‘license’ means a li-
24 cense issued by HUD as provided in section 202.

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—

9 (I) the median family income for
10 the metropolitan area in which such
11 census tract or tracts are located, or

12 (II) the median family income for
13 the State in which such census tract
14 or tracts are located;

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

1 closure or realignment of military installations;
2 or

3 (C) an area designated by the Secretary of
4 the Treasury as eligible for new markets tax
5 credits under section 45D of the Internal Rev-
6 enue Code of 1986 (as added by section 101).

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

12 (9) PRIVATE EQUITY CAPITAL.—

13 (A) IN GENERAL.—The term “private eq-
14 uity capital” means—

15 (i) in the case of a corporate entity,
16 the paid-in capital and paid-in surplus of
17 the corporate entity;

18 (ii) in the case of a partnership entity,
19 the contributed capital of the partners of
20 the partnership entity;

21 (iii) in the case of a limited liability
22 company entity, the equity investment of
23 the members of the limited liability com-
24 pany entity; and

1 (iv) earnings from investments of the
2 entity that are not distributed to investors
3 and are available for reinvestment by the
4 entity.

5 (B) EXCLUSIONS.—Such term does not in-
6 clude any—

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

18 (ii) funds obtained directly or indi-
19 rectly from any Federal, State, or local
20 government or any government agency, ex-
21 cept for—

22 (I) funds invested by an employee
23 welfare benefit plan or pension plan;
24 and

1 (II) credits against any Federal,
2 State, or local taxes.

3 (10) QUALIFIED ACTIVE BUSINESS.—The term
4 “qualified active business” means a business or
5 trade—

6 (A) that, at the time that an investment is
7 made in the business or trade, or within one
8 year of the time the investment is made, is de-
9 riving at least 50 percent of its gross income
10 from the conduct of trade or business activities
11 in low-income communities;

12 (B) a substantial portion of the use of the
13 tangible property of which is used within low-
14 income communities;

15 (C) a substantial portion of the services
16 that the employees of which perform are per-
17 formed in low-income communities; and

18 (D) less than 5 percent of the aggregate
19 unadjusted bases of the property of which is at-
20 tributable to certain financial property, as the
21 Secretary shall set forth in regulations, or in
22 collectibles, other than collectibles held pri-
23 marily for sale to customers.

24 (11) QUALIFIED DEBENTURE.—The term
25 “qualified debenture” means a debt instrument hav-

1 ing terms that meet the requirements established
2 pursuant to section 204(c)(1).

3 (12) QUALIFIED LOW-INCOME COMMUNITY IN-
4 VESTMENT.—The term “qualified low-income com-
5 munity investment” means—

6 (A) an equity investment in, or a loan to,
7 a qualified active business;

8 (B) the purchase from another community
9 development entity of any loan made by such
10 entity which is a qualified low-income commu-
11 nity investment if the amount received by such
12 other entity from such purchase is used by such
13 other entity to make qualified low-income com-
14 munity investments;

15 (C) financial counseling and other services
16 specified in regulations prescribed by the Sec-
17 retary to businesses located in, and residents of,
18 low-income communities; and

19 (D) any equity investment in, or loan to,
20 any qualified community development entity if
21 substantially all of the investment or loan is
22 used by such entity to make qualified low-in-
23 come community investments described in sub-
24 paragraphs (A), (B), and (C).

1 (13) “Secretary” means the Secretary of Hous-
2 ing and Urban Development, unless otherwise speci-
3 fied in this title.

4 **SEC. 202. 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 203(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 203 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
10 203(a)(6) and audits conducted under sec-
11 tion 207(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 for 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 FOR APPROPRIATION OF
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 (h) PERSONNEL.—

17 (1) OFFICE PERSONNEL.—The Secretary may
18 appoint and fix the compensation of such officers
19 and employees who staff the APIC program at HUD
20 as the Secretary considers necessary to carry out the
21 functions of this title. Such officers and employees
22 may be paid without regard to the provisions of
23 chapter 51 and subchapter III of chapter 53 of title
24 5, United States Code, relating to classification and
25 General Schedule pay rates.

1 (2) COMPARABILITY OF COMPENSATION WITH
2 FEDERAL BANKING AGENCIES.—In fixing and direct-
3 ing compensation under paragraph (1), the Sec-
4 retary shall consult with, and maintain com-
5 parability with the compensation of, officers and em-
6 ployees of the Office of the Comptroller of the Cur-
7 rency, the Board of Governors of the Federal Re-
8 serve System, the Federal Deposit Insurance Cor-
9 poration, and the Office of Thrift Supervision.

10 (3) OUTSIDE EXPERTS AND CONSULTANTS.—
11 Notwithstanding any provision of law limiting pay or
12 compensation, the Secretary may appoint and com-
13 pensate such outside experts and consultants as the
14 Secretary determines necessary to assist in the im-
15 plementation of this title.

16 (i) BANK PARTICIPATION.—Any national bank, or
17 any member bank of the Federal Reserve System or non-
18 member insured bank to the extent permitted under appli-
19 cable State law, may invest in any 1 or more APICs, or
20 in any entity established to invest solely in APICs, except
21 that in no event shall the total amount of such investments
22 of any such bank exceed 5 percent of the total capital and
23 surplus of the bank.

1 **SEC. 203. SELECTION OF APIC'S.**

2 (a) **ELIGIBLE APPLICANTS.**—An entity shall be eligi-
3 ble to be selected for licensing under section 202 as an
4 APIC only if the entity submits an application in compli-
5 ance with the requirements established pursuant to sub-
6 section (b) and the entity meets or complies with the fol-
7 lowing requirements:

8 (1) **ORGANIZATION.**—The entity shall be a pri-
9 vate, for-profit entity that qualifies as a community
10 development entity, as determined by the Secretary,
11 for the purposes of the new markets tax credits
12 under section 45D of the Internal Revenue Code of
13 1986 (as added by section 101).

14 (2) **MINIMUM PRIVATE EQUITY CAPITAL.**—The
15 amount of private equity capital reasonably available
16 to the entity, as determined by the Secretary, at the
17 time that a license is approved may not be less than
18 \$25,000,000.

19 (3) **QUALIFIED MANAGEMENT.**—The manage-
20 ment of the entity shall, in the determination of the
21 Secretary, meet such standards as the Secretary
22 shall establish to ensure that the management of the
23 APIC is qualified, and has the financial expertise,
24 knowledge, experience, and capability necessary, to
25 make investments for community and economic de-
26 velopment in low-income communities.

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

6 (5) INVESTMENT STRATEGY.—The entity shall
7 prepare and submit to the Secretary an investment
8 strategy that includes benchmarks for evaluation of
9 its progress, that includes an analysis of existing lo-
10 cally owned businesses in the communities in which
11 the investments under the strategy will be made,
12 that prioritizes such businesses for investment op-
13 portunities, and that fulfills the specific public pur-
14 pose goals of the entity.

15 (6) STATEMENT OF PUBLIC PURPOSE GOALS.—
16 The entity shall prepare and submit to the Secretary
17 a statement of the public purpose goals of the entity,
18 which shall—

19 (A) set forth goals that shall promote com-
20 munity and economic development, which shall
21 include—

22 (i) making investments in low-income
23 communities that further economic devel-
24 opment objectives by targeting such invest-
25 ments in businesses or trades that comply

1 with the requirements under subpara-
2 graphs (A) through (C) of section 201(10)
3 relating to low-income communities in a
4 manner that benefits low-income persons;

5 (ii) creating jobs in low-income com-
6 munities for residents of such commu-
7 nities;

8 (iii) involving community-based orga-
9 nizations and residents in community de-
10 velopment activities;

11 (iv) such other goals as the Secretary
12 shall specify; and

13 (v) such elements as the entity may
14 set forth to achieve specific public purpose
15 goals;

16 (B) include such other elements as the
17 Secretary shall specify; and

18 (C) include proposed measurements and
19 strategies for meeting the goals.

20 (7) COMPLIANCE WITH LAWS.—The entity shall
21 agree to comply with applicable laws, including Fed-
22 eral executive orders, Office of Management and
23 Budget circulars, and requirements of the Depart-
24 ment of the Treasury, and such additional operating

1 and regulatory requirements as the Secretary may
2 impose from time to time.

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

6 (b) COMPETITIONS.—The Secretary shall select eligi-
7 ble entities under subsection (a) to be licensed under sec-
8 tion 202 as APICs on the basis of competitions. The Sec-
9 retary shall announce each such competition by causing
10 a notice to be published in the Federal Register that in-
11 vites applications for licenses and sets forth the require-
12 ments for application and such other terms of the competi-
13 tion not otherwise provided for, as determined by the Sec-
14 retary.

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

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

21 (2) to the extent practicable and subject to the
22 existence of approvable applications, ensuring geo-
23 graphical diversity among the applicants selected
24 and diversity of APICs investment strategies, so that
25 urban and rural communities are both served, in the

1 determination of the Secretary, by the program
2 under this title.

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

6 (1) CAPACITY.—

7 (A) MANAGEMENT.—The extent to which
8 the entity's management has the quality, expe-
9 rience, and expertise to make and manage suc-
10 cessful investments for community and eco-
11 nomic development in low-income communities.

12 (B) STATE AND LOCAL COOPERATION.—
13 The extent to which the entity demonstrates a
14 capacity to cooperate with States or units of
15 general local government and with community-
16 based organizations and residents of low-income
17 communities.

18 (2) INVESTMENT STRATEGY.—The quality of
19 the entity's investment strategy submitted in accord-
20 ance with subsection (a)(5) and the extent to which
21 the investment strategy furthers the goals of this
22 title pursuant to paragraph (3) of this subsection.

23 (3) PUBLIC PURPOSE GOALS.—With respect to
24 the statement of public purpose goals of the entity

1 submitted in accordance with subsection (a)(6), and
2 the strategy and measurements included therein—

3 (A) the extent to which such goals promote
4 community and economic development;

5 (B) the extent to which such goals provide
6 for making qualified investments in low-income
7 communities that further economic development
8 objectives, such as—

9 (i) creating, within 2 years of the
10 completion of the initial such investment,
11 job opportunities, opportunities for owner-
12 ship, and other economic opportunities
13 within a low-income community, both
14 short-term and of a longer duration;

15 (ii) improving the economic vitality of
16 a low-income community, including stimu-
17 lating other business development;

18 (iii) bringing new income into a low-
19 income community and assisting in the re-
20 vitalization of such community;

21 (iv) converting real property for the
22 purpose of creating a site for business in-
23 cubation and location, or business district
24 revitalization;

1 (v) enhancing economic competition,
2 including the advancement of technology;

3 (vi) rural development;

4 (vii) mitigating, rehabilitating, and
5 reusing real property considered subject to
6 the Solid Waste Disposal Act (42 U.S.C.
7 6901 et seq.; commonly referred to as the
8 Resource Conservation and Recovery Act)
9 or restoring coal mine-scarred land;

10 (viii) creation of local wealth through
11 investments in employee stock ownership
12 companies or resident-owned ventures; and

13 (ix) any other objective that the Sec-
14 retary may establish to further the pur-
15 poses of this title;

16 (C) the quality of jobs to be created for
17 residents of low-income communities, taking
18 into consideration such factors as the payment
19 of higher wages, job security, employment bene-
20 fits, opportunity for advancement, and personal
21 asset building;

22 (D) the extent to which achievement of
23 such goals will involve community-based organi-
24 zations and residents in community develop-
25 ment activities; and

1 (E) the extent to which the investments re-
2 ferred to in subparagraph (B) are likely to ben-
3 efit existing small business in low-income com-
4 munities or will encourage the growth of small
5 business in such communities.

6 (4) OTHER.—Any other criteria that the Sec-
7 retary may establish to carry out the purposes of
8 this title.

9 (e) FIRST YEAR REQUIREMENTS.—

10 (1) NUMERICAL LIMITATION.—The number of
11 APICs may not, at any time during the 1-year pe-
12 riod that begins upon the Secretary awarding the
13 first license for an APIC under this title, exceed 15.

14 (2) LIMITATION ON ALLOCATION OF AVAILABLE
15 CREDIT SUBSIDY.—Of the amount of budget author-
16 ity initially made available for allocation under this
17 title for APICs, the amount allocated for any single
18 APIC may not exceed 20 percent.

19 (3) NATIVE AMERICAN PRIVATE INVESTMENT
20 COMPANY.—Subject only to the absence of an ap-
21 provable application from an entity, during the 1-
22 year period referred to in paragraph (1), of the enti-
23 ties selected and licensed by the Secretary as APICs,
24 at least one shall be an entity that has as its pri-
25 mary purpose the making of qualified low-income

1 community investments in areas that are within In-
2 dian country (as such term is defined in section
3 1151 of title 18, United States Code) or within
4 lands that have status as Hawaiian home land under
5 section 204 of the Hawaiian Homes Commission
6 Act, 1920 (42 Stat. 108) or are acquired pursuant
7 to such Act. The Secretary may establish specific se-
8 lection criteria for applicants under this paragraph.

9 (f) COMMUNICATIONS BETWEEN HUD AND APPLI-
10 CANTS.—

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

15 (A) specify by position the HUD officers
16 and employees who may communicate with such
17 applicants and others;

18 (B) permit HUD officers and employees to
19 request and discuss with the applicant and oth-
20 ers (such as banks or other credit or business
21 references, or potential investors) any more de-
22 tailed information that may be desirable to fa-
23 cilitate HUD's review of the applicant's applica-
24 tion;

1 (C) restrict HUD officers and employees
2 from revealing to any applicant the fact or
3 chances of award of a license to such applicant
4 or any other applicant, unless there has been a
5 public announcement of the results of the com-
6 petition; and

7 (D) set forth requirements for making and
8 keeping records of any communications con-
9 ducted under this subsection, including require-
10 ments for making such records available to the
11 public after the award of licenses under an ini-
12 tial or subsequent notice, as appropriate, under
13 subsection (a).

14 (2) TIMING.—Regulations under this subsection
15 may be issued as interim rules for effect on or be-
16 fore the date of publication of the first notice under
17 subsection (a), and shall apply only with respect to
18 applications under such notice. Regulations to imple-
19 ment this subsection with respect to any notice after
20 the first such notice shall be subject to notice and
21 comment rulemaking.

22 (3) INAPPLICABILITY OF DEPARTMENT OF HUD
23 ACT PROVISION.—Section 12(e)(2) of the Depart-
24 ment of Housing and Urban Development Act (42
25 U.S.C. 3537a(e)(2)) is amended by inserting before

1 the period at the end the following: “or any license
2 provided under title II of the Creating New Markets
3 and Empowering America Act of 2000”.

4 **SEC. 204. OPERATIONS OF APIC’S.**

5 (a) POWERS AND AUTHORITIES.—

6 (1) IN GENERAL.—An APIC shall have any
7 powers or authorities that—

8 (A) the APIC derives from the jurisdiction
9 in which it is organized, or that the APIC oth-
10 erwise has;

11 (B) may be conferred by a license under
12 this title; and

13 (C) the Secretary may prescribe by regula-
14 tion.

15 (2) NEW MARKET ASSISTANCE.—Nothing in
16 this title shall preclude an APIC or its investors
17 from receiving an allocation of new markets tax
18 credits if the APIC satisfies the applicable terms
19 and conditions under the Internal Revenue Code of
20 1986.

21 (b) INVESTMENT LIMITATIONS.—

22 (1) QUALIFIED LOW-INCOME COMMUNITY IN-
23 VESTMENTS.—Substantially all investments that an
24 APIC makes shall be qualified low-income commu-

1 nity investments if the investments are financed
2 with—

3 (A) amounts available from the proceeds of
4 the issuance of an APIC's qualified debenture
5 guaranteed under this title;

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

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

11 (2) SINGLE BUSINESS INVESTMENTS.—An
12 APIC shall not, as a matter of sound financial prac-
13 tice, invest in any one business, an amount that ex-
14 ceeds an amount equal to 35 percent of the sum
15 of—

16 (A) the APIC's private equity capital, plus

17 (B) an amount equal to the percentage
18 limit that the Secretary determines that APIC
19 may have outstanding at any one time, under
20 subsection (c)(2)(A).

21 (c) BORROWING POWERS; QUALIFIED DEBEN-
22 TURES.—

23 (1) ISSUANCE.—An APIC may issue qualified
24 debentures. The Secretary shall, by regulation, speci-
25 fy the terms and requirements for debentures to be

1 considered qualified debentures for purposes of this
2 title, except that the term to maturity of any quali-
3 fied debenture may not exceed 21 years and each
4 qualified debenture shall bear interest during all or
5 any part of that time period at a rate or rates ap-
6 proved by the Secretary.

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

9 (A) the total amount of qualified deben-
10 tures that an APIC issues under this title that
11 an APIC may have outstanding at any one time
12 shall not exceed an amount equal to 200 per-
13 cent of the private equity capital of the APIC,
14 as determined by the Secretary; and

15 (B) an APIC shall not have more than
16 \$300,000,000 in face value of qualified deben-
17 tures issued under this title outstanding at any
18 one time.

19 (3) REPAYMENT.—

20 (A) CONDITION OF BUSINESS WIND-UP.—
21 An APIC must have repaid, or have otherwise
22 been relieved of indebtedness, with respect to
23 any interest or principal amounts of borrowings
24 under this subsection no less than 2 years be-

1 fore the APIC may dissolve or otherwise com-
2 plete the wind-up of its business.

3 (B) TIMING.—An APIC may repay any in-
4 terest or principal amounts of borrowings under
5 this subsection at any time, except that the re-
6 payment of such amounts shall not relieve an
7 APIC of any duty otherwise applicable to the
8 APIC under this title, unless the Secretary or-
9 ders such relief.

10 (C) USE OF INVESTMENT PROCEEDS BE-
11 FORE REPAYMENT.—Until an APIC has repaid
12 all interest and principal amounts on APIC bor-
13 rowings under this subsection, an APIC may
14 use the proceeds of investments in accordance
15 with regulations issued by the Secretary only
16 to—

17 (i) pay for proper costs and expenses
18 the APIC incurs in connection with such
19 investments;

20 (ii) pay for the reasonable administra-
21 tive expenses of the APIC;

22 (iii) purchase Treasury securities;

23 (iv) repay interest and principal
24 amounts on APIC borrowings under this
25 subsection;

1 (v) make interest, dividend, or other
2 distributions to or on behalf of an investor;

3 or

4 (vi) undertake such other purposes as
5 the Secretary may approve.

6 (D) USE OF INVESTMENT PROCEEDS
7 AFTER REPAYMENT.—After an APIC has re-
8 paid all interest and principal amounts on
9 APIC borrowings under this subsection, and
10 subject to continuing compliance with sub-
11 section (a), the APIC may use the proceeds
12 from investments to make interest, dividend, or
13 other distributions to or on behalf of investors
14 in the nature of returns on capital, or the with-
15 drawal of private equity capital, without regard
16 to subparagraph (C) but in conformity with the
17 APIC’s investment strategy and statement of
18 public purpose goals.

19 (d) REUSE OF QUALIFIED DEBENTURE PRO-
20 CEEDS.—An APIC may use the proceeds of sale of Treas-
21 ury securities purchased under subsection (c)(3)(C)(iii) to
22 make qualified low-income community investments, sub-
23 ject to the Secretary’s approval. In making the request
24 for the Secretary’s approval, the APIC shall follow the
25 procedures applicable to an APIC’s request for HUD

1 guarantee action, as the Secretary may modify such proce-
2 dures for implementation of this subsection. Such proce-
3 dures shall include the description and certifications that
4 an APIC must include in all requests for guarantee action,
5 and the environmental certification applicable to initial ex-
6 penditures for a project or activity.

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

17 (f) EXCLUSION OF APIC FROM DEFINITION OF
18 DEBTOR UNDER BANKRUPTCY PROVISIONS.—Section
19 109(b)(2) of title 11 of the United States Code is amended
20 by inserting before “credit union” the following: “Amer-
21 ica’s Private Investment Company licensed under title II
22 of the Creating New Markets and Empowering America
23 Act of 2000,”.

1 **SEC. 205. CREDIT ENHANCEMENT BY THE FEDERAL GOV-**
2 **ERNMENT.**

3 (a) **ISSUANCE AND GUARANTEE OF QUALIFIED DE-**
4 **BENTURES.—**

5 (1) **AUTHORITY.—**To the extent consistent with
6 the Federal Credit Reform Act of 1990, the Sec-
7 retary is authorized to make commitments to fully
8 and unconditionally guarantee the timely payment of
9 all principal and interest on, qualified debentures
10 issued by APICs. Such commitments or guarantees
11 may only be made in accordance with the terms and
12 conditions established under paragraph (2).

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

25 (3) **SENIORITY.—**Notwithstanding any other
26 provision of Federal law or any law or the constitu-

1 tion of any State, qualified debentures guaranteed
2 under this subsection by the Secretary shall be sen-
3 ior to any other debt obligation, equity contribution
4 or earnings, or the distribution of dividends, inter-
5 est, or other amounts, of an APIC.

6 (b) ISSUANCE OF TRUST CERTIFICATES.—The Sec-
7 retary, or an agent or entity selected by the Secretary,
8 is authorized to cause a trust to issue trust certificates
9 representing ownership of all or a fractional part of guar-
10 anteed qualified debentures issued by APICs and held in
11 trust.

12 (c) GUARANTEE OF TRUST CERTIFICATES.—

13 (1) IN GENERAL.—The Secretary is authorized,
14 upon such terms and conditions as the Secretary de-
15 termines to be appropriate, to fully and uncondition-
16 ally guarantee the timely payment of the principal of
17 and interest on any trust certificate issued under
18 this section.

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

1 (3) PROPORTIONATE REDUCTION OPTION.—In
2 the event that the Secretary elects not to exercise
3 the option under paragraph (2), and a qualified de-
4 benture in such trust is prepaid, or in the event of
5 default of a qualified debenture, the guarantee of
6 timely payment of principal and interest on the trust
7 certificate shall be reduced in proportion to the
8 amount of principal and interest that such prepaid
9 qualified debenture represents in the trust, provided
10 that the guarantee of timely payment of principal of
11 and interest on the trust certificates remains full
12 and unconditional. Interest on prepaid or defaulted
13 qualified debentures shall accrue and be guaranteed
14 by the Secretary only through the date of payment
15 of the guarantee. During the term of a trust certifi-
16 cate, it may be called for redemption due to prepay-
17 ment or default of all qualified debentures that are
18 in the corpus of the trust.

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

24 (e) SUBROGATION AND LIENS.—

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

5 (2) PRIORITY OF LIENS.—No State or local
6 law, and no Federal law, shall preclude or limit the
7 exercise by the Secretary of its ownership rights in
8 the debentures in the corpus of a trust under this
9 section.

10 (f) REGISTRATION.—

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

14 (2) AGENTS.—The Secretary may contract with
15 an agent or agents to carry out on behalf of the Sec-
16 retary the pooling and the central registrations func-
17 tions of this section notwithstanding any other provi-
18 sions of law, including maintenance on behalf of and
19 under the direction of the Secretary, such commer-
20 cial bank accounts or investments in obligations of
21 the United States as may be necessary to facilitate
22 trusts backed by qualified debentures guaranteed
23 under this title and the issuance of trust certificates
24 to facilitate formation of the corpus of the trusts.
25 The Secretary may require such agent or agents to

1 provide a fidelity bond or insurance in such amounts
2 as the Secretary determines to be necessary to pro-
3 tect the interests of the Government.

4 (3) FORM.—Book-entry or other electronic
5 forms of registration for trust certificates under this
6 title are authorized.

7 (g) TIMING OF ISSUANCE OF GUARANTEES OF
8 QUALIFIED DEBENTURES AND TRUST CERTIFICATES.—
9 The Secretary may, from time to time in the Secretary’s
10 discretion, exercise the authority to issue guarantees of
11 qualified debentures under this title or trust certificates
12 under this title.

13 (h) CONFORMING AMENDMENT.—Section 514(e)(6)
14 of the Internal Revenue Code of 1986 is amended by in-
15 serting “or a debenture issued by an America’s Private
16 Investment Company (APIC), to the extent it is guaran-
17 teed by the Secretary of Housing and Urban Develop-
18 ment” before the period at the end.

19 **SEC. 206. APIC REQUESTS FOR GUARANTEE ACTIONS.**

20 (a) IN GENERAL.—The Secretary may issue a guar-
21 antee under this title for a qualified debenture that an
22 APIC intends to issue only pursuant to a request to the
23 Secretary by the APIC for such guarantee that is made
24 in accordance with regulations governing the content and
25 procedures for such requests, that the Secretary shall pre-

1 scribe. Such regulations shall provide that each such re-
2 quest shall include—

3 (1) a description of the manner in which the
4 APIC intends to use the proceeds from the qualified
5 debenture;

6 (2) a certification by the APIC that the APIC
7 is in substantial compliance with—

8 (A) this title and other applicable laws, in-
9 cluding any requirements established under this
10 title by the Secretary;

11 (B) all terms and conditions of its license,
12 any cease-and-desist order issued under section
13 210, and of any penalty or condition that may
14 have arisen from examination or monitoring by
15 the Secretary or otherwise, including the satis-
16 faction of any financial audit exception that
17 may have been outstanding; and

18 (C) all requirements relating to the alloca-
19 tion and use of new markets tax credits under
20 section 45D of the Internal Revenue Code of
21 1986 (as added by section 101); and

22 (3) any other information or certification that
23 the Secretary considers appropriate.

24 (b) REQUESTS FOR GUARANTEE OF QUALIFIED DE-
25 BENTURES THAT INCLUDE FUNDING FOR INITIAL EX-

1 PENDING FOR A PROJECT OR ACTIVITY.—In addition
2 to the description and certification that an APIC is re-
3 quired to supply in all requests for guarantee action under
4 subsection (a), in the case of an APIC's request for a
5 guarantee that includes a qualified debenture, the pro-
6 ceeds of which the APIC expects to be used as its initial
7 expenditure for a project or activity in which the APIC
8 intends to invest, and the expenditure for which would re-
9 quire an environmental assessment under the National
10 Environmental Policy Act of 1969 and other related laws
11 that further the purposes of such Act, such request for
12 guarantee action must include evidence satisfactory to the
13 Secretary of the certification of the completion of environ-
14 mental review of the project or activity required of the cog-
15 nizant State or local government under subsection (c). If
16 the environmental review responsibility for the project or
17 activity has not been assumed by a State or local govern-
18 ment under subsection (c), then the Secretary shall be re-
19 sponsible for carrying out the applicable responsibilities
20 under the National Environmental Policy Act of 1969 and
21 other provisions of law that further the purposes of such
22 Act that relate to the project or activity, and the Secretary
23 shall execute such responsibilities before acting on the
24 APIC's request for the guarantee that is covered by this
25 subsection.

1 (c) RESPONSIBILITY FOR ENVIRONMENTAL RE-
2 VIEWS.—

3 (1) EXECUTION OF RESPONSIBILITY BY THE
4 SECRETARY.—This subsection shall apply to guaran-
5 tees by the Secretary of qualified debentures under
6 this title, the proceeds of which would be used in
7 connection with qualified low-income community in-
8 vestments of APICs under this title.

9 (2) ASSUMPTION OF RESPONSIBILITY BY COG-
10 NIZANT UNIT OF GENERAL GOVERNMENT.—

11 (A) GUARANTEE OF QUALIFIED DEBEN-
12 TURES.—In order to assure that the policies of
13 the National Environmental Policy Act of 1969
14 and other provisions of law that further the
15 purposes of such Act (as specified in regula-
16 tions issued by the Secretary) are most effec-
17 tively implemented in connection with the ex-
18 penditure of funds under this title, and to as-
19 sure to the public undiminished protection of
20 the environment, the Secretary may, under such
21 regulations, in lieu of the environmental protec-
22 tion procedures otherwise applicable, provide for
23 the guarantee of qualified debentures, any part
24 of the proceeds of which are to fund particular
25 qualified low-income community investments of

1 APICs under this title, if a State or unit of
2 general local government, as designated by the
3 Secretary in accordance with regulations issued
4 by the Secretary, assumes all of the responsibil-
5 ities for environmental review, decision making,
6 and action pursuant to the National Environ-
7 mental Policy Act of 1969 and such other pro-
8 visions of law that further such Act as the reg-
9 ulations of the Secretary specify, that would
10 otherwise apply to the Secretary were the Sec-
11 retary to undertake the funding of such invest-
12 ments as a Federal action.

13 (B) IMPLEMENTATION.—The Secretary
14 shall issue regulations to carry out this sub-
15 section only after consultation with the Council
16 on Environmental Quality. Such regulations
17 shall—

18 (i) specify any other provisions of law
19 which further the purposes of the National
20 Environmental Policy Act of 1969 and to
21 which the assumption of responsibility as
22 provided in this subsection applies;

23 (ii) provide eligibility criteria and pro-
24 cedures for the designation of a State or

1 unit of general local government to assume
2 all of the responsibilities in this subsection;

3 (iii) specify the purposes for which
4 funds may be committed without regard to
5 the procedure established under paragraph
6 (3);

7 (iv) provide for monitoring of the per-
8 formance of environmental reviews under
9 this subsection;

10 (v) in the discretion of the Secretary,
11 provide for the provision or facilitation of
12 training for such performance; and

13 (vi) subject to the discretion of the
14 Secretary, provide for suspension or termi-
15 nation by the Secretary of the assumption
16 under subparagraph (A).

17 (C) RESPONSIBILITIES OF STATES AND
18 UNITS OF GENERAL LOCAL GOVERNMENT.—The
19 Secretary's duty under subparagraph (B) shall
20 not be construed to limit any responsibility as-
21 sumed by a State or unit of general local gov-
22 ernment with respect to any particular request
23 for guarantee under subparagraph (A), or the
24 use of funds for a qualified investment.

1 (3) PROCEDURE.—Subject to compliance by the
2 APIC with the requirements of this title, the Sec-
3 retary shall approve the request for guarantee of a
4 qualified debenture, any part of the proceeds of
5 which is to fund particular qualified low-income
6 community investments of APICs under this title,
7 that is subject to the procedures authorized by this
8 subsection only if, not less than 15 days prior to
9 such approval and prior to any commitment of funds
10 to such investment (except for such purposes speci-
11 fied in the regulations issued under paragraph
12 (2)(B)), the APIC submits to the Secretary a re-
13 quest for guarantee of a qualified debenture that is
14 accompanied by evidence of a certification of the
15 State or unit of general local government which
16 meets the requirements of paragraph (4). The ap-
17 proval by the Secretary of any such certification
18 shall be deemed to satisfy the Secretary's respon-
19 sibilities pursuant to paragraph (1) under the Na-
20 tional Environmental Policy Act of 1969 and such
21 other provisions of law as the regulations of the Sec-
22 retary specify insofar as those responsibilities relate
23 to the guarantees of qualified debentures, any parts
24 of the proceeds of which are to fund such invest-
25 ments, which are covered by such certification.

1 (4) CERTIFICATION.—A certification under the
2 procedures authorized by this subsection shall—

3 (A) be in a form acceptable to the Sec-
4 retary;

5 (B) be executed by the chief executive offi-
6 cer or other officer of the State or unit of gen-
7 eral local government who qualifies under regu-
8 lations of the Secretary;

9 (C) specify that the State or unit of gen-
10 eral local government under this subsection has
11 fully carried out its responsibilities as described
12 under paragraph (2); and

13 (D) specify that the certifying officer—

14 (i) consents to assume the status of a
15 responsible Federal official under the Na-
16 tional Environmental Policy Act of 1969
17 and each provision of law specified in regu-
18 lations issued by the Secretary insofar as
19 the provisions of such Act or other such
20 provision of law apply pursuant to para-
21 graph (2); and

22 (ii) is authorized and consents on be-
23 half of the State or unit of general local
24 government and himself or herself to ac-
25 cept the jurisdiction of the Federal courts

1 for the purpose of enforcement of the re-
2 sponsibilities of such an official.

3 **SEC. 207. EXAMINATION AND MONITORING OF APIC'S.**

4 (a) IN GENERAL.—The Secretary shall, under regula-
5 tions, through audits, performance agreements, license
6 conditions, or otherwise, examine and monitor the oper-
7 ations and activities of APICs for compliance with sound
8 financial management practices, and for satisfaction of the
9 program and procedural goals of this title and other re-
10 lated Acts. The Secretary may undertake any responsi-
11 bility under this section in cooperation with an APIC liai-
12 son committee, or any agency that is a member of such
13 a committee, or other agency.

14 (b) MONITORING, UPDATING, AND PROGRAM RE-
15 VIEW.—

16 (1) REPORTING AND UPDATING.—The Sec-
17 retary shall establish such annual or more frequent
18 reporting requirements for APICs, and such require-
19 ments for the updating of the statement of public
20 purpose goals, investment strategy (including the
21 benchmarks in such strategy), and other documents
22 that may have been used in the license application
23 process under this title, as the Secretary determines
24 necessary to assist the Secretary in monitoring the
25 compliance and performance of APICs.

1 (2) ANNUAL AUDITS.—The Secretary shall re-
2 quire each APIC to have an independent audit con-
3 ducted annually of the operations of the APIC. The
4 Secretary, in consultation with the Administrator
5 and the Secretary of the Treasury, shall establish re-
6 quirements and standards for such audits, including
7 requirements that such audits be conducted in ac-
8 cordance with generally accepted accounting prin-
9 ciples, that the APIC submit the results of the audit
10 to Secretary, and that specify the information to be
11 submitted.

12 (3) EXAMINATIONS.—The Secretary shall, no
13 less often than once every 2 years, examine the oper-
14 ations and portfolio of each APIC licensed under
15 this title for compliance with sound financial man-
16 agement practices, and for compliance with this title.

17 (4) EXAMINATION STANDARDS.—

18 (A) SOUND FINANCIAL MANAGEMENT
19 PRACTICES.—The Secretary shall examine each
20 APIC to ensure, as a matter of sound financial
21 management practices, substantial compliance
22 with this and other applicable laws, including
23 Federal executive orders, Department of Treas-
24 ury and Office of Management and Budget
25 guidance, circulars, and application and licens-

1 ing requirements on a continuing basis. The
2 Secretary may, by regulation, establish any ad-
3 ditional standards for sound financial manage-
4 ment practices, including standards that ad-
5 dress solvency and financial exposure.

6 (B) PERFORMANCE AND OTHER EXAMINA-
7 TIONS.—The Secretary shall monitor each
8 APIC’s progress in meeting the goals in the
9 APIC’s statement of public purpose goals, exe-
10 cuting the APIC’s investment strategy, and
11 other matters.

12 (c) INSPECTOR GENERAL RESPONSIBILITY.—In car-
13 rying out monitoring of HUD’s responsibilities under this
14 title and for purposes of ensuring that the program under
15 this title is operated in accordance with sound financial
16 management practices, the Inspector General of the De-
17 partment of Housing and Urban Development shall con-
18 sult with the Inspector General of the Department of the
19 Treasury and the Inspector General of the Small Business
20 Administration, as appropriate, and may enter into such
21 agreements and memoranda of understanding as may be
22 necessary to obtain the cooperation of the Inspectors Gen-
23 eral of the Department of the Treasury and the Small
24 Business Administration in carrying out such function.

1 (d) ANNUAL REPORT BY SECRETARY.—The Sec-
2 retary shall submit a report to the Congress annually re-
3 garding the operations, activities, financial health, and
4 achievements of the APIC program under this title. The
5 report shall list each investment made by an APIC and
6 include a summary of the examinations conducted under
7 subsection (b)(3), the guarantee actions of HUD, and any
8 regulatory or policy actions taken by HUD. The report
9 shall distinguish recently licensed APICs from APICs that
10 have held licenses for a longer period for purposes of indi-
11 cating program activities and performance.

12 (e) GAO REPORT.—

13 (1) REQUIREMENT.—Not later than 2 years
14 after the date of the enactment of this Act, the
15 Comptroller General of the United States shall sub-
16 mit a report to the Congress regarding the operation
17 of the program under this title for licensing and
18 guarantees for APICs.

19 (2) CONTENTS.—The report shall include—

20 (A) an analysis of the operations and mon-
21 itoring by HUD of the APIC program under
22 this title;

23 (B) the administrative and capacity needs
24 of HUD required to ensure the integrity of the
25 program;

1 (C) the extent and adequacy of any credit
2 subsidy appropriated for the program; and

3 (D) the management of financial risk and
4 liability of the Federal Government under the
5 program.

6 **SEC. 208. PENALTIES.**

7 (a) VIOLATIONS SUBJECT TO PENALTY.—The Sec-
8 retary may impose a penalty under this subsection on any
9 APIC or manager of an APIC that, by any act, practice,
10 or failure to act, engages in fraud, mismanagement, or
11 noncompliance with this title, the regulations under this
12 title, or a condition of the APIC's license under this title.
13 The Secretary shall, by regulation, identify, by generic de-
14 scription of a role or responsibilities, any manager of an
15 APIC that is subject to a penalty under this section.

16 (b) PENALTIES REQUIRING NOTICE AND AN OPPOR-
17 TUNITY TO RESPOND.—If, after notice in writing to an
18 APIC or the manager of an APIC that the APIC or man-
19 ager has engaged in any action, practice, or failure to act
20 that, under subsection (a), is subject to a penalty, and
21 after an opportunity for the APIC or manager to respond
22 to the notice, the Secretary determines that the APIC or
23 manager engaged in such action or failure to act, the Sec-
24 retary may, in addition to other penalties imposed—

1 (1) assess a civil money penalty, except than
2 any civil money penalty under this subsection shall
3 be in an amount not exceeding \$10,000;

4 (2) issue an order to cease and desist with re-
5 spect to such action, practice, or failure to act of the
6 APIC or manager;

7 (3) suspend, or condition the use of, the APIC's
8 license, including deferring, for the period of the
9 suspension, any commitment to guarantee any new
10 qualified debenture of the APIC, except that any
11 suspension or condition under this paragraph may
12 not exceed 90 days; and

13 (4) impose any other penalty that the Secretary
14 determines to be less burdensome to the APIC than
15 a penalty under subsection (c).

16 (c) PENALTIES REQUIRING NOTICE AND HEAR-
17 ING.—If, after notice in writing to an APIC or the man-
18 ager of an APIC that an APIC or manager has engaged
19 in any action, practice, or failure to act that, under sub-
20 section (a), is subject to a penalty, and after an oppor-
21 tunity for administrative hearing, the Secretary deter-
22 mines that the APIC or manager engaged in such action
23 or failure to act, the Secretary may—

24 (1) assess a civil money penalty against the
25 APIC or a manager in any amount;

1 (2) require the APIC to divest any interest in
2 an investment, on such terms and conditions as the
3 Secretary may impose; or

4 (3) revoke the APIC's license.

5 (d) EFFECTIVE DATE OF PENALTIES.—

6 (1) PRIOR NOTICE REQUIREMENT.—Except as
7 provided in paragraph (2) of this subsection, a pen-
8 alty under subsection (b) or (c) shall not be due and
9 payable and shall not otherwise take effect or be
10 subject to enforcement by an order of a court, before
11 notice of the penalty is published in the Federal
12 Register.

13 (2) CEASE-AND-DESIST ORDERS AND SUSPEN-
14 SION OR CONDITIONING OF LICENSE.—In the case of
15 a cease-and-desist order under subsection (b)(2) or
16 the suspension or conditioning of an APIC's license
17 under subsection (b)(3), the following procedures
18 shall apply:

19 (A) ACTION WITHOUT PUBLISHED NO-
20 TICE.—The Secretary may order an APIC or
21 manager to cease and desist from an action,
22 practice, or failure to act or may suspend or
23 condition an APIC's license, for not more than
24 45 days without prior publication of notice in
25 the Federal Register, but such cease-and-desist

1 order or suspension or conditioning shall take
2 effect only after the Secretary has issued a
3 written notice (which may include a writing in
4 electronic form) of such action to the APIC.
5 Notwithstanding subsection (b), such written
6 notice shall be effective without regard to
7 whether the APIC has been accorded an oppor-
8 tunity to respond. Upon such notice, such
9 cease-and-desist order or suspension or condi-
10 tioning shall be subject to enforcement by an
11 order of a court.

12 (B) PUBLICATION OF NOTICE OF SUSPEN-
13 SION OR CONDITIONING OF LICENSE.—Upon a
14 suspension or conditioning of a license taking
15 effect pursuant to subparagraph (A), the Sec-
16 retary shall promptly cause a notice of suspen-
17 sion or conditioning of such license for a period
18 of not more than 90 days to be published in the
19 Federal Register. The Secretary shall provide
20 the APIC an opportunity to respond to such no-
21 tice. For purposes of the determining the dura-
22 tion of the period of any suspension or condi-
23 tioning under this subparagraph, the first day
24 of such period shall be the day of issuance of

1 the written notice under this paragraph of the
2 suspension or conditioning.

3 (C) REVOCATION OF LICENSE.—During
4 the period of the suspension or conditioning of
5 an APIC’s license, the Secretary may take ac-
6 tion under subsection (c)(3) to revoke the li-
7 cense of the APIC, in accordance with the pro-
8 cedures applicable to such subsection. Notwith-
9 standing any other provision of this section, if
10 the Secretary takes such action, the Secretary
11 may extend the suspension or conditioning of
12 the APIC’s license, for one or more periods of
13 not more than 90 days each, by causing notice
14 of such action to be published in the Federal
15 Register—

16 (i) for the first such extension, before
17 the expiration of the period under subpara-
18 graph (B); and

19 (ii) for any subsequent extension, be-
20 fore the expiration of the preceding exten-
21 sion period under this subparagraph.

22 (D) TERM OF EFFECTIVENESS.—A cease-
23 and-desist order or the suspension or condi-
24 tioning of an APIC’s license by the Secretary
25 under this paragraph shall remain in effect in

1 accordance with the terms of the order, suspen-
2 sion, or conditioning until final adjudication in
3 any action undertaken to challenge the order,
4 or the suspension or conditioning, or the rev-
5 ocation, of an APIC's license.

6 **SEC. 209. EFFECTIVE DATE.**

7 (a) IN GENERAL.—Except as provided in subsection
8 (b), this title shall take effect upon the expiration of the
9 6-month period beginning on the date of the enactment
10 of this Act.

11 (b) ISSUANCE OF REGULATIONS AND GUIDELINES.—
12 Any authority under this title of the Secretary, the Admin-
13 istrator, and the Secretary of the Treasury to issue regula-
14 tions, standards, guidelines, or licensing requirements,
15 and any authority of such officials to consult or enter into
16 agreements or memoranda of understanding regarding
17 such issuance, shall take effect on the date of the enact-
18 ment of this Act.

19 **SEC. 210. SUNSET.**

20 (a) IN GENERAL.—After the expiration of the 5-year
21 period beginning upon the date that the Secretary awards
22 the first license for an APIC under this title—

23 (1) the Secretary may not license any APIC;
24 and

1 (2) no amount may be appropriated for the
2 costs (as such term is defined in section 502 of the
3 Federal Credit Reform Act of 1990 (2 U.S.C. 661c)
4 of any guarantee under this title for any debenture
5 issued by an APIC.

6 (b) CONSTRUCTION.—This section may not be con-
7 strued to prohibit, limit, or affect the award, allocation,
8 or use of any budget authority for the costs of such guar-
9 antees that is appropriated before the expiration of such
10 5-year period.

11 **TITLE III—COMMUNITY DEVELOP-**
12 **MENT AND VENTURE CAP-**
13 **ITAL**

14 **Subtitle A—New Markets Venture**
15 **Capital Program**

16 **SEC. 301. 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 **“Subtitle A—Small Business**
 4 **Investment Companies”;**

5 and

6 (2) by adding at the end the following:

7 **“Subtitle B—New Markets Venture**
 8 **Capital Program**

9 **“SEC. 351. DEFINITIONS.**

10 “In this subtitle—

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 (or,
4 in the case of a U.S. territory, territory-
5 wide) nonmetropolitan area median in-
6 come;

7 “(3) the term ‘low- or moderate-income geo-
8 graphic area’ means—

9 “(A) any population census tract (or in the
10 case of an area that is not tracted for popu-
11 lation census tracts, the equivalent county divi-
12 sion, as defined by the Bureau of the Census of
13 the Department of Commerce for purposes of
14 defining poverty areas), if—

15 “(i) the poverty rate for such census
16 tract is not less than 20 percent;

17 “(ii) in the case of a tract—

18 “(I) that is located within a met-
19 ropolitan area, the median family in-
20 come for such tract does not exceed
21 the greater of 80 percent of the state-
22 wide (or in the case of a U.S. terri-
23 tory, territory-wide) median family in-
24 come or 80 percent of the metropoli-
25 tan area median family income; or

1 “(II) that is not located within a
2 metropolitan area, the median family
3 income for such tract does not exceed
4 80 percent of the statewide (or, in
5 case of a U.S. territory, territory-
6 wide) median family income; or

7 “(iii) as determined by the Adminis-
8 trator based on objective criteria, a sub-
9 stantial population of low-income individ-
10 uals reside, an inadequate access to invest-
11 ment capital exists, or other indications of
12 economic distress exist in that census
13 tract; or

14 “(B) any area located within—

15 “(i) a HUBZone (as defined in sec-
16 tion 3(p) of the Small Business Act and
17 the implementing regulations issued under
18 that section);

19 “(ii) an urban empowerment zone or
20 urban enterprise community (as designated
21 by the Secretary of Housing and Urban
22 Development); or

23 “(iii) a rural empowerment zone or
24 rural enterprise community (as designated
25 by the Secretary of Agriculture);

1 “(C) any other area designated by the Sec-
2 retary of the Treasury, as a low-income commu-
3 nity for the purposes of the New Markets Tax
4 Credit;

5 “(4) the terms ‘new markets venture capital
6 company’ and ‘NMVC company’ mean a company
7 that has been designated as a new markets venture
8 capital company by the Administrator under section
9 354(d);

10 “(5) the term ‘participation agreement’ means
11 an agreement between the Administrator and a com-
12 pany granted final approval under section 354(d)
13 that—

14 “(A) details the operating plan and invest-
15 ment criteria of the company; and

16 “(B) requires the company to make invest-
17 ments in smaller enterprises, at least 80 per-
18 cent of which are located in low- or moderate-
19 income geographic areas; and

20 “(6) the term ‘specialized small business invest-
21 ment company’ means any small business investment
22 company that—

23 “(A) invests solely in small business con-
24 cerns that contribute to a well-balanced na-
25 tional economy by facilitating ownership in such

1 concerns by persons whose participation in the
2 free enterprise system is hampered because of
3 social or economic disadvantages;

4 “(B) is organized or chartered under State
5 business or nonprofit corporations statutes, or
6 formed as a limited partnership; and

7 “(C) was licensed under section 301(d), as
8 in effect before September 30, 1996.

9 **“SEC. 352. PURPOSES.**

10 “The purposes of this subtitle are—

11 “(1) to encourage venture capital investment in
12 smaller enterprises located within urban and rural
13 areas;

14 “(2) to promote the creation of wealth, eco-
15 nomic development, and job opportunities in low-
16 and moderate-income geographic areas; and

17 “(3) to establish a venture capital program,
18 which shall be administered by the Administrator—

19 “(A) to make grants to NMVC companies
20 for the purpose of providing marketing, man-
21 agement, and technical assistance to smaller en-
22 terprises financed, or expected to be financed,
23 by such companies; and

24 “(B) to guarantee debentures issued by
25 NMVC companies to enable such companies to

1 make venture capital investments in smaller en-
2 terprises within urban and rural areas.

3 **“SEC. 353. PROGRAM ESTABLISHMENT.**

4 “There is established a New Markets Venture Capital
5 Program, under which the Administrator is authorized
6 to—

7 “(1) make grants to NMVC companies, as pro-
8 vided in section 355; and

9 “(2) guarantee debentures issued by NMVC
10 companies, as provided in section 356.

11 **“SEC. 354. SELECTION OF NMVC COMPANIES.**

12 “(a) APPLICATIONS.—In order to be eligible to par-
13 ticipate in the program under this subtitle as an NMVC
14 company, an eligible company shall submit to the Adminis-
15 trator an application, within such period of time as the
16 Administrator shall establish, which shall include—

17 “(1) a business plan that—

18 “(A) includes the information referred to
19 in subparagraph (A) of section 351(5); and

20 “(B) describes the manner and geographic
21 areas in which the applicant will—

22 “(i) make successful venture capital
23 investments in smaller enterprises de-
24 scribed in subparagraph (B) of section
25 351(5); and

1 “(ii) provide marketing, management,
2 and technical assistance to those enter-
3 prises;

4 “(2) the qualifications and general business
5 reputation of the management of the applicant, spe-
6 cifically addressing—

7 “(A) the experience of the management in
8 making venture capital investments in smaller
9 enterprises described in section 351(5)(B); and

10 “(B) the success of those investments in
11 terms of business growth, jobs created, and
12 such other factors as the Administrator may re-
13 quire;

14 “(3) a description of the manner in which the
15 applicant will interface with community organiza-
16 tions;

17 “(4) a proposal describing the manner in which
18 grant amounts made available under this subtitle
19 would provide marketing, management, and tech-
20 nical assistance to smaller enterprises expected to be
21 financed by the applicant;

22 “(5) proposed criteria by which to evaluate the
23 performance of the applicant in meeting program ob-
24 jectives;

1 “(6) the management and financial strength of
2 any parent or affiliated firm, or any firm essential
3 to the success of the business plan of the applicant;

4 “(7) with respect to binding commitments to be
5 made to the company under this subtitle, an esti-
6 mate of the ratio of cash to in-kind contributions;
7 and

8 “(8) such other information as the Adminis-
9 trator may require.

10 “(b) CRITERIA FOR CONDITIONAL APPROVAL.—

11 “(1) IN GENERAL.—Upon receipt of an applica-
12 tion submitted under subsection (a), the Adminis-
13 trator shall review the application and make a deter-
14 mination regarding whether to grant conditional ap-
15 proval to the applicant to operate as an NMVC com-
16 pany during the time period described in subsection
17 (c), based on—

18 “(A) the geographic area and employment
19 characteristics of the smaller enterprises in
20 which the proposed investments of the NMVC
21 company will be made (in order to promote in-
22 vestment nationwide);

23 “(B) the likelihood that the applicant will
24 meet the goals of the business plan of the appli-
25 cant;

1 “(C) the experience and background of the
2 management team of the company;

3 “(D) the need for equity or equity-type in-
4 vestments within the proposed investment
5 areas;

6 “(E) the extent to which the applicant will
7 concentrate its activities on serving its invest-
8 ment areas;

9 “(F) the likelihood that the applicant will
10 be able to satisfy the requirements of subsection
11 (c);

12 “(G) the extent to which the proposed ac-
13 tivities will expand economic opportunities with-
14 in the investment areas; and

15 “(H) such other factors as the Adminis-
16 trator determines to be appropriate.

17 “(2) NATIONWIDE DISTRIBUTION.—The Admin-
18 istrator shall select companies under paragraph (1)
19 in such a way that promotes investment nationwide.

20 “(c) REQUIREMENTS FOR FINAL APPROVAL.—

21 “(1) IN GENERAL.—Subject to paragraph (2),
22 each applicant that is granted conditional approval
23 by the Administrator to operate as an NMVC com-
24 pany under subsection (b) shall, before the expira-
25 tion of a time period established by the Adminis-

1 trator, not to exceed 24 months, beginning on the
2 date on which such conditional approval is
3 granted—

4 “(A) raise not less than \$5,000,000 of con-
5 tributed capital or binding capital commitments
6 from 1 or more investors (other than an agency
7 of the Federal Government) that meet criteria
8 established by the Administrator; and

9 “(B) in order to provide marketing, man-
10 agement, and technical assistance, have—

11 “(i) cash or binding commitments for
12 contributions (in cash or in-kind) from 1
13 or more sources other than the Adminis-
14 tration that meet criteria established by
15 the Administrator, payable or available
16 over a multiyear period acceptable to the
17 Administrator (not to exceed 10 years), in
18 an amount equal to 30 percent of the cap-
19 ital and commitments raised under sub-
20 paragraph (A);

21 “(ii) purchased an annuity from an
22 insurance company acceptable to the Ad-
23 ministrator, using amounts (other than the
24 amounts raised to satisfy the requirements
25 of subparagraph (A)) from any source

1 other than the Administration, that would
2 yield cash payments over a multiyear pe-
3 riod acceptable to the Administrator (not
4 to exceed 10 years), in an amount equal to
5 30 percent of the capital and commitments
6 raised under subparagraph (A); or

7 “(iii) cash or binding commitments
8 for contributions (in cash or in-kind) of the
9 type described in clause (i) and have pur-
10 chased an annuity of the type described in
11 clause (ii), that in the aggregate make
12 available, over a multiyear period accept-
13 able to the Administrator (not to exceed 10
14 years), an amount equal to 30 percent of
15 the capital and commitments raised under
16 subparagraph (A).

17 “(2) EXCEPTION.—The Administrator may, in
18 the discretion of the Administrator and based upon
19 a showing of special circumstances and good cause,
20 consider an applicant to have satisfied the require-
21 ments of paragraph (1)(B) if the applicant has—

22 “(A) a viable plan that reasonably projects
23 the capacity of the applicant to raise the
24 amount (in cash or in-kind) required under
25 paragraph (1)(B); and

1 “(B) binding commitments in an amount
2 equal to not less than 20 percent of the total
3 amount required under paragraph (1)(B).

4 “(d) GRANT OF FINAL APPROVAL; DESIGNATION.—
5 The Administrator shall, with respect to each applicant
6 conditionally approved to operate as an NMVC company
7 under subsection (b), either—

8 “(1) grant final approval to the applicant to op-
9 erate as an NMVC company under this subtitle and
10 designate the applicant as an NMVC company, if
11 the applicant—

12 “(A) satisfies the requirements of sub-
13 section (c) on or before the expiration of the
14 time period described in that subsection; and

15 “(B) enters into a participation agreement
16 with the Administrator; or

17 “(2) if the applicant fails to satisfy the require-
18 ments of subsection (c) on or before the expiration
19 of the time period described in that subsection, re-
20 voke the conditional approval granted under sub-
21 section (b).

22 **“SEC. 355. TECHNICAL ASSISTANCE GRANTS.**

23 “(a) GRANTS.—

24 “(1) GRANTS TO NMVC’S.—

1 “(A) IN GENERAL.—The Administrator, in
2 accordance with such terms and conditions as
3 the Administrator may require, is authorized to
4 award 1 or more grants to each NMVC com-
5 pany, which shall be used to provide marketing,
6 management, and technical assistance for the
7 benefit of smaller enterprises financed, or ex-
8 pected to be financed, by the NMVC company.

9 “(B) GRANT AMOUNT.—Subject to sub-
10 paragraph (C), the amount of a grant awarded
11 to an NMVC company under this subsection
12 shall be equal to 30 percent of the amount of
13 capital and commitments raised under section
14 354(c)(1)(A).

15 “(C) MATCHING REQUIREMENT.—In order
16 to receive funds under a grant awarded under
17 this subsection, an NMVC company shall pro-
18 vide a matching contribution (in cash or in-
19 kind) from sources other than the Administra-
20 tion, in an amount equal to the funds to be re-
21 ceived.

22 “(2) GRANTS TO SPECIALIZED SMALL BUSINESS
23 INVESTMENT COMPANIES.—

24 “(A) AUTHORITY.—In accordance with
25 this section, the Administrator may make

1 grants to specialized small business investment
2 companies to provide marketing, management,
3 and technical assistance to smaller enterprises,
4 if the smaller enterprise is financed, or expected
5 to be financed, by such companies after the ef-
6 fective date of the Creating New Markets and
7 Empowering America Act of 2000.

8 “(B) USE OF FUNDS.—The proceeds of a
9 grant made under this paragraph may be used
10 by the company receiving such grant only to
11 provide marketing, management, and technical
12 assistance in connection with one or more eq-
13 uity or equity-type investments (made with cap-
14 ital raised after the effective date of the Cre-
15 ating New Markets and Empowering America
16 Act of 2000) in one or more smaller enterprises
17 located in low- or moderate-income geographic
18 areas.

19 “(C) SUBMISSION OF PLANS.—A special-
20 ized small business investment company shall
21 be eligible for a grant under this section only if
22 the company submits to the Administrator, in
23 such form and manner as the Administrator
24 may require, a plan for use of the grant.

1 “(D) GRANT AMOUNT.—Subject to sub-
2 paragraph (E), the amount of a grant awarded
3 to a specialized small business investment com-
4 pany under this subsection shall be equal to not
5 more than 30 percent of the investments of the
6 specialized small business investment company
7 described in subparagraph (B).

8 “(E) MATCHING REQUIREMENT.—In order
9 to receive funds under a grant awarded under
10 this subsection, a specialized small business in-
11 vestment company shall provide a matching
12 contribution (in cash or in-kind) from sources
13 other than the Administration, in an amount
14 equal to the funds to be received.

15 “(3) MULTIYEAR GRANTS.—Amounts from a
16 grant awarded under this section shall be paid upon
17 the direction of the Administrator over a multiyear
18 period of not to exceed 10 years.

19 “(4) 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 paragraphs
23 (1) and (2), the Administrator may make pro rata
24 reductions in the amounts otherwise payable to each

1 NMVC company or specialized small business invest-
2 ment company under those paragraphs.

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 specialized
9 small business investment company, which shall be
10 used to provide additional marketing, management,
11 and technical assistance for the benefit of smaller
12 enterprises financed, or expected to be financed, by
13 the NMVC company or the specialized small busi-
14 ness investment company, as applicable.

15 “(2) MATCHING REQUIREMENT.—The Adminis-
16 trator may require, as a condition of any supple-
17 mental grant made under this subsection, that the
18 NMVC company or the specialized small business in-
19 vestment company, as applicable, provide a matching
20 contribution (in cash or in-kind) from 1 or more
21 sources other than the Administration in an amount
22 equal to the amount of the supplemental grant.

23 “(c) LIMITATION.—No part of any grant made avail-
24 able under this section may be used for any purpose other
25 than to provide marketing, management, and technical as-

1 sistance to smaller enterprises financed, or expected to be
2 financed, by an NMVC company or a specialized small
3 business investment company, as applicable.

4 **“SEC. 356. DEBENTURES.**

5 “(a) IN GENERAL.—The Administrator is authorized
6 to fully and unconditionally guarantee the timely payment
7 of principal and interest as scheduled on debentures issued
8 by NMVC companies, in accordance with such terms and
9 conditions as the Administrator determines to be appro-
10 priate.

11 “(b) FULL FAITH AND CREDIT.—The full faith and
12 credit of the United States is pledged to the payment of
13 all amounts that may be required to be paid under any
14 guarantee under this section.

15 “(c) DEBENTURE REQUIREMENTS.—A debenture
16 guaranteed under this section—

17 “(1) may be issued for a term of not to exceed
18 15 years;

19 “(2) shall bear interest at a rate approved by
20 the Administrator; and

21 “(3) shall contain such other terms and condi-
22 tions as the Administrator may require.

23 “(d) TOTAL FACE VALUE.—

24 “(1) IN GENERAL.—The total face amount of
25 debentures issued by an NMVC company and guar-

1 anteed under this section that may be outstanding
2 at any one time shall not exceed 150 percent of the
3 contributed capital of the NMVC company, as deter-
4 mined by the Administrator.

5 “(2) CONTRIBUTED CAPITAL.—For purposes of
6 this subsection, the contributed capital of an NMVC
7 company includes capital that is deemed to be Fed-
8 eral funds contributed by an investor other than an
9 agency of the Federal Government.

10 **“SEC. 357. ISSUANCE AND GUARANTEE OF TRUST CERTIFI-**
11 **CATES.**

12 “(a) IN GENERAL.—The Administrator (or an agent
13 of the Administrator) is authorized to cause a trust to
14 issue trust certificates representing ownership of all or a
15 fractional part of debentures guaranteed by the Adminis-
16 trator under section 356, if such trust certificates are
17 based on and backed by a trust or pool approved by the
18 Administrator and composed solely of debentures guaran-
19 teed under section 356.

20 “(b) GUARANTEE AUTHORITY.—

21 “(1) IN GENERAL.—The Administrator is au-
22 thORIZED, upon such terms and conditions as the Ad-
23 ministrator determines to be appropriate, to fully
24 and unconditionally guarantee the timely payment of

1 the principal of and interest on any trust certificate
2 issued under this section.

3 “(2) REDUCTION.—If a debenture in a trust or
4 pool described in subsection (a) is prepaid, or in the
5 event of default of a debenture, the guarantee of
6 timely payment of principal and interest on the re-
7 lated trust certificate issued under this section shall
8 be reduced in proportion to the corresponding pay-
9 ment amount of principal and interest on the trust
10 certificates, provided that the guarantee of timely
11 payment of principal and interest on the trust cer-
12 tificates after such reduction shall remain full and
13 unconditional.

14 “(3) ACCRUAL OF INTEREST.—Interest on pre-
15 paid or defaulted debentures shall accrue and be
16 guaranteed by the Administrator only through the
17 date of payment of the guarantee.

18 “(4) REDEMPTION OF TRUST CERTIFICATES.—
19 During the term of any trust certificate issued under
20 this subsection, the trust certificate may be called
21 for redemption due to prepayment or default of all
22 debentures in the trust or pool.

23 “(c) FULL FAITH AND CREDIT.—The full faith and
24 credit of the United States is pledged to the payment of

1 all amounts that may be required to be paid under any
2 guarantee of a trust certificate issued under this section.

3 “(d) FEES.—The Administrator shall not collect a fee
4 for any guarantee of a trust certificate issued under this
5 section, except that nothing in this subsection may be con-
6 strued to preclude an agent of the Administrator from col-
7 lecting a fee approved by the Administrator for the func-
8 tions described in subsection (f)(2).

9 “(e) SUBROGATION.—

10 “(1) IN GENERAL.—If the Administrator pays a
11 claim under a guarantee issued under this section,
12 the Administration shall be subrogated fully to the
13 rights satisfied by such payment.

14 “(2) OWNERSHIP RIGHTS.—No Federal, State,
15 or local law shall preclude or limit the exercise by
16 the Administrator of the ownership rights of the Ad-
17 ministrator in the debentures residing in a trust or
18 pool against which trust certificates are issued under
19 this section.

20 “(f) CENTRAL REGISTRATION.—

21 “(1) IN GENERAL.—The Administrator may
22 provide for a central registration of all trust certifi-
23 cates issued under this section.

24 “(2) CONTRACTING OF FUNCTIONS.—

1 “(A) IN GENERAL.—The Administrator
2 may contract with an agent or agents to carry
3 out on behalf of the Administrator the pooling
4 and the central registration functions referred
5 to in this section, including, notwithstanding
6 any other provision of law—

7 “(i) maintenance on behalf of and
8 under the direction of the Administrator of
9 such commercial bank accounts or invest-
10 ments in obligations of the United States
11 as may be necessary to facilitate trusts or
12 pools backed by debentures guaranteed
13 under this subtitle; and

14 “(ii) the issuance of trust certificates
15 to facilitate such poolings.

16 “(B) FIDELITY BOND OR INSURANCE RE-
17 QUIRED.—An agent contracting with the Ad-
18 ministrators under this paragraph shall be re-
19 quired to provide a fidelity bond or insurance in
20 such amounts as the Administrator determines
21 to be necessary to fully protect the interests of
22 the Government.

23 “(3) REGULATION OF BROKERS AND DEAL-
24 ERS.—The Administrator may regulate brokers and
25 dealers in trust certificates issued under this section.

1 “(4) ELECTRONIC REGISTRATION.—Nothing in
2 this subsection may be construed to prohibit the use
3 of a book-entry or other electronic form of registra-
4 tion for trust certificates issued under this section.

5 **“SEC. 358. FEES.**

6 “Except as provided under section 357(d), the Ad-
7 ministrators may charge such fees as the Administrator de-
8 termines to be appropriate with respect to any guarantee
9 issued or grant awarded under this subtitle.

10 **“SEC. 359. BANK PARTICIPATION.**

11 “Any national bank, or any member bank of the Fed-
12 eral Reserve System or nonmember insured bank, to the
13 extent permitted under applicable State law, may invest
14 in any 1 or more NMVC companies, or in any entity estab-
15 lished to invest solely in NMVC companies, except that
16 in no event shall the total amount of such investments of
17 any such bank exceed 5 percent of the total capital and
18 surplus of the bank.

19 **“SEC. 360. FEDERAL FINANCING BANK.**

20 “Section 318 shall not apply to any debenture issued
21 by a NMVC company under this subtitle.

22 **“SEC. 361. REPORTING REQUIREMENTS.**

23 “Each NMVC company shall provide to the Adminis-
24 trator such information as the Administrator may request,
25 including—

1 “(1) information related to the measurement
2 criteria that the NMVC company proposed in the
3 application submitted under section 354(a);

4 “(2) documentation on the use of technical as-
5 sistance grants under this subtitle; and

6 “(3) in each case in which the company under
7 this subtitle makes an investment in, or a loan or
8 grant to, a business that is not located in a low- or
9 moderate-income geographic area, a report on the
10 number and percentage of employees of the business
11 who reside in such areas.

12 **“SEC. 362. EXAMINATIONS.**

13 “(a) IN GENERAL.—Each NMVC company shall be
14 subject to examinations made at the direction of the In-
15 vestment Division of the Administration, which may be
16 conducted with the assistance of a private sector entity
17 that has both the qualifications to conduct and the exper-
18 tise in conducting such examinations.

19 “(b) ASSESSMENT OF COSTS.—The cost of examina-
20 tions under subsection (a), including the compensation of
21 the examiners, may, in the discretion of the Administrator,
22 be assessed against the company examined, and when so
23 assessed shall be paid by such company.

1 “(c) DEPOSIT OF FEES.—Fees collected under this
2 section shall be deposited in the account for salaries and
3 expenses of the Administration.

4 **“SEC. 363. INJUNCTIONS AND OTHER ORDERS.**

5 “(a) IN GENERAL.—If, in the judgment of the Ad-
6 ministrator, an NMVC company or any other person has
7 engaged or is about to engage in any act or practice that
8 constitutes or will constitute a violation of any provision
9 of this subtitle (or any rule, regulation, or order issued
10 under this subtitle) or of a participation agreement en-
11 tered into under this subtitle—

12 “(1) the Administrator may make application to
13 the proper district court of the United States or a
14 United States court of any place subject to the juris-
15 diction of the United States for an order enjoining
16 such act or practice, or for an order enforcing com-
17 pliance with such provision; and

18 “(2) such court shall—

19 “(A) have jurisdiction over such applica-
20 tion and any ensuing proceedings; and

21 “(B) upon a showing by the Administrator
22 that such NMVC company or other person has
23 engaged or is about to engage in any such act
24 or practice, grant without bond a permanent or

1 temporary injunction, restraining order, or
2 other appropriate order.

3 “(b) POWERS OF COURT.—In any proceeding under
4 subsection (a)—

5 “(1) the court as a court of equity may, to such
6 extent as the court determines to be necessary, take
7 exclusive jurisdiction of the NMVC company and the
8 assets thereof, wherever located; and

9 “(2) the court shall have jurisdiction in any
10 such proceeding to appoint a trustee or receiver to
11 hold or administer under the direction of the court
12 the assets so possessed.

13 “(c) TRUSTEE OR RECEIVER.—The Administrator is
14 authorized to act as trustee or receiver of the NMVC com-
15 pany referred to in subsection (a). Upon request by the
16 Administrator, the court may appoint the Administrator
17 to act in such capacity, unless the court determines such
18 appointment to be inequitable or otherwise inappropriate
19 based on the special circumstances at issue.

20 **“SEC. 364. UNLAWFUL ACTS AND OMISSIONS BY OFFICERS,**
21 **DIRECTORS, EMPLOYEES, OR AGENTS;**
22 **BREACH OF FIDUCIARY DUTY.**

23 “(a) IN GENERAL.—If an NMVC company violates
24 any provision of this subtitle (or any rule or regulation
25 issued under this subtitle), or of a participation agreement

1 entered into under this subtitle, by failing to comply with
2 the terms thereof or by engaging in any act or practice
3 that constitutes or will constitute a violation thereof, such
4 violation shall be deemed to be also a violation and an
5 unlawful act on the part of any person who, directly or
6 indirectly, authorizes, orders, participates in, or causes,
7 brings about, counsels, aids, or abets in the commission
8 of any act, practice, or transaction that constitutes or will
9 constitute, in whole or in part, such violation.

10 “(b) BREACH OF FIDUCIARY DUTY.—It shall be un-
11 lawful for any officer, director, employee, agent, or other
12 participant in the management or conduct of the affairs
13 of an NMVC company to engage in any act or practice,
14 or to omit any act, in breach of the fiduciary duty of such
15 officer, director, employee, agent, or participant, if, as a
16 result thereof, the NMVC company has suffered or is in
17 imminent danger of suffering financial loss or other dam-
18 age.

19 “(c) OTHER PROHIBITIONS.—Except with the writ-
20 ten consent of the Administrator, it shall be unlawful—

21 “(1) for any person to take office as an officer,
22 director, or employee of an NMVC company, or to
23 become an agent or participant in the conduct of the
24 affairs or management of an NMVC company, if
25 that person—

1 “(A) has been convicted of a felony, or any
2 other criminal offense involving dishonesty or
3 breach of trust; or

4 “(B) has been found civilly liable in dam-
5 ages, or has been permanently or temporarily
6 enjoined by order, judgment, or decree of a
7 court of competent jurisdiction, by reason of
8 any act or practice involving fraud or breach of
9 trust; or

10 “(2) for any person to continue to serve in any
11 of the capacities described in paragraph (1), if that
12 person is subsequently—

13 “(A) convicted of a felony, or any other
14 criminal offense involving dishonesty or breach
15 of trust; or

16 “(B) found civilly liable in damages, or is
17 permanently or temporarily enjoined by an
18 order, judgment, or decree of a court of com-
19 petent jurisdiction, by reason of any act or
20 practice involving fraud or breach of trust.

21 “(d) NOTICE.—The Administrator may serve upon
22 any officer, director, employee, or other participant in the
23 conduct of the management or other affairs of an NMVC
24 company a written notice of the intention of the Adminis-
25 trator to remove that person from his or her position

1 whenever, in the opinion of the Administrator, that
2 person—

3 “(1) has willfully committed any substantial
4 violation of—

5 “(A) this subtitle (or any rule, regulation,
6 or order issued under this subtitle); or

7 “(B) a participation agreement entered
8 into under this subtitle; or

9 “(C) a cease-and-desist order that has be-
10 come final; or

11 “(2) has willfully committed or engaged in any
12 act, omission, or practice that constitutes a substan-
13 tial breach of fiduciary duty, and that such violation
14 or such breach of fiduciary duty is one involving per-
15 sonal dishonesty on the part of such person.

16 “(e) **SUSPENSION OR REMOVAL.**—The Administrator
17 may suspend or remove from office any person upon whom
18 the Administrator has served a notice under subsection
19 (d), in accordance with the procedures set forth in section
20 313.

21 **“SEC. 365. REGULATIONS.**

22 “The Administrator may promulgate such regula-
23 tions as the Administrator determines to be necessary to
24 carry out this subtitle.

1 **“SEC. 366. AUTHORIZATIONS.**

2 “(a) IN GENERAL.—There is authorized to be appro-
3 priated to the Administration, for fiscal years 2000
4 through 2005, to remain available until expended—

5 “(1) such subsidy budget authority as may be
6 necessary to guarantee \$150,000,000 of debentures
7 under this subtitle; and

8 “(2) \$30,000,000 to make grants under this
9 subtitle.

10 “(b) FUNDS COLLECTED FOR EXAMINATIONS.—
11 Funds deposited under section 362(c) may be used only
12 for the costs of examinations under section 362 and for
13 the costs of other oversight activities with respect to the
14 program established under this subtitle.”.

15 (b) CONFORMING AMENDMENT.—Section
16 20(e)(1)(C) of the Small Business Act (15 U.S.C. 631
17 note) is amended by inserting “subtitle A of” before “title
18 III”.

19 (c) CLERICAL AMENDMENT.—Subtitle A of title III
20 of the Small Business Investment Company Act of 1958
21 (15 U.S.C. 681 et seq.), as so designated by this title,
22 is amended by striking “this title” each place that term
23 appears and inserting “this subtitle”.

1 **SEC. 302. BANKRUPTCY EXEMPTION FOR NMVC COMPA-**
2 **NIES.**

3 Section 109(b)(2) of title 11, United States Code, is
4 amended by inserting after “homestead association,” the
5 following: “a new markets venture capital company (as de-
6 fined in section 351 of the Small Business Investment Act
7 of 1958),”.

8 **SEC. 303. FEDERAL SAVINGS ASSOCIATIONS.**

9 Section 5(c)(4) of the Home Owners’ Loan Act (12
10 U.S.C. 1464(c)(4)) is amended by adding at the end the
11 following:

12 “(F) NEW MARKETS VENTURE CAPITAL
13 COMPANIES.—A Federal savings association
14 may invest in stock, obligations, or other securi-
15 ties of any new markets venture capital com-
16 pany (as defined in section 351 of the Small
17 Business Investment Act of 1958). A Federal
18 savings association may not make any invest-
19 ment under this subparagraph if its aggregate
20 outstanding investment under this subpara-
21 graph would exceed 5 percent of the capital and
22 surplus of such savings association.”.

1 **Subtitle B—Community Develop-**
2 **ment Venture Capital Assist-**
3 **ance**

4 **SEC. 311. FINDINGS.**

5 Congress finds that—

6 (1) there is a need for the development and ex-
7 pansion of organizations that provide private equity
8 capital to smaller businesses in areas in which eq-
9 uity-type capital is scarce, such as inner cities and
10 rural areas, in order to create and retain jobs for
11 low-income residents of those areas;

12 (2) to invest successfully in smaller businesses,
13 particularly in inner cities and rural areas, requires
14 highly specialized investment and management skills;

15 (3) there is a shortage of professionals who pos-
16 sess such skills and there are few training grounds
17 for individuals to obtain those skills;

18 (4) providing assistance to organizations that
19 provide specialized technical assistance and training
20 to individuals and organizations seeking to enter or
21 expand in this segment of the market would stimu-
22 late small business development and entrepreneur-
23 ship in economically distressed communities; and

24 (5) assistance from the Federal Government
25 could act as a catalyst to attract investment from

1 the private sector and would help to develop a spe-
 2 cialized venture capital industry focused on creating
 3 jobs, increasing business ownership, and generating
 4 wealth in low-income communities.

5 **SEC. 312. COMMUNITY DEVELOPMENT VENTURE CAPITAL**
 6 **ACTIVITIES.**

7 (a) IN GENERAL.—The Small Business Act (15
 8 U.S.C. 631 et seq.) is amended—

9 (1) by redesignating section 34 as section 35;
 10 and

11 (2) by inserting after section 33 the following:

12 **“SEC. 34. COMMUNITY DEVELOPMENT VENTURE CAPITAL**
 13 **ACTIVITIES.**

14 “(a) DEFINITIONS.—In this section, the following
 15 definitions shall apply:

16 “(1) COMMUNITY DEVELOPMENT VENTURE
 17 CAPITAL ORGANIZATION.—The term ‘community de-
 18 velopment venture capital organization’ means a pri-
 19 vately-controlled organization that—

20 “(A) has a primary mission of promoting
 21 community development in low-income commu-
 22 nities, as defined by the Administrator, through
 23 investment in private business enterprises; or

24 “(B) administers or is in the process of es-
 25 tablishing a community development venture

1 capital fund for the purpose of making equity
2 investments in private business enterprises in
3 such communities.

4 “(2) DEVELOPMENTAL ORGANIZATION.—The
5 term ‘developmental organization’—

6 “(A) means a public or private entity, in-
7 cluding a college or university, that provides
8 technical assistance to community development
9 venture capital organizations or that conducts
10 research or training in community development
11 venture capital investment; and

12 “(B) may include an intermediary organi-
13 zation.

14 “(3) INTERMEDIARY ORGANIZATION.—The term
15 ‘intermediary organization’—

16 “(A) means a private, nonprofit entity that
17 has—

18 “(i) a primary mission of promoting
19 community development through invest-
20 ment in private businesses in low-income
21 communities; and

22 “(ii) significant prior experience in
23 providing technical assistance or financial
24 assistance to community development ven-
25 ture capital organizations; and

1 “(B) may include community development
2 venture capital organizations.

3 “(b) AUTHORITY.—In order to promote the develop-
4 ment of community development venture capital organiza-
5 tions, the Administrator may—

6 “(1) enter into contracts with 1 or more devel-
7 opmental organizations to carry out training and re-
8 search activities under subsection (c); and

9 “(2) make grants in accordance with this
10 section—

11 “(A) to developmental organizations to
12 carry out training and research activities under
13 subsection (c); and

14 “(B) to intermediary organizations to pro-
15 vide intensive marketing, management, and
16 technical assistance and training to community
17 development venture capital organizations
18 under subsection (d).

19 “(c) TRAINING AND RESEARCH ACTIVITIES.—

20 “(1) IN GENERAL.—Subject to paragraph (2), a
21 developmental organization that receives a grant
22 under subsection (b) shall use the funds made avail-
23 able through the grant for 1 or more of the following
24 training and research activities:

1 “(A) STRENGTHENING PROFESSIONAL
2 SKILLS.—Creating and operating training pro-
3 grams to enhance the professional skills for in-
4 dividuals in community development venture
5 capital organizations or operating private com-
6 munity development venture capital funds.

7 “(B) INCREASING INTEREST IN COMMU-
8 NITY DEVELOPMENT VENTURE CAPITAL.—Cre-
9 ating and operating a program to select and
10 place students and recent graduates from busi-
11 ness and related professional schools as interns
12 with community development venture capital or-
13 ganizations and intermediary organizations for
14 a period of up to 1 year, and to provide sti-
15 pends for such interns during the internship pe-
16 riod.

17 “(C) PROMOTING ‘BEST PRACTICES’.—Or-
18 ganizing an annual national conference for com-
19 munity development venture capital organiza-
20 tions to discuss and share information on the
21 best practices regarding issues relevant to the
22 creation and operation of community develop-
23 ment venture capital organizations.

24 “(D) MOBILIZING ACADEMIC RE-
25 SOURCES.—Encouraging the formation of 1 or

1 more centers for the study of community devel-
2 opment venture capital at graduate schools of
3 business and management, providing funding
4 for the development of materials for courses on
5 topics in this area, and providing funding for
6 research on economic, operational, and policy
7 issues relating to community development ven-
8 ture capital.

9 “(2) LIMITATION.—The Administrator shall en-
10 sure that not more than 25 percent of the amount
11 made available to carry out this section is used for
12 the activities described in paragraph (1).

13 “(d) INTENSIVE MARKETING, MANAGEMENT, AND
14 TECHNICAL ASSISTANCE AND TRAINING.—An inter-
15 mediary organization that receives a grant under sub-
16 section (b) shall use the funds made available through the
17 grant to provide intensive marketing, management, and
18 technical assistance and training to promote the develop-
19 ment of community development venture capital organiza-
20 tions, which assistance may include grants to community
21 development venture capital organizations for the start up
22 costs and operating support of those organizations.

23 “(e) MATCHING CONTRIBUTION REQUIREMENT.—
24 The Administrator shall require, as a condition of any
25 grant made to an intermediary organization under this

1 section, that a matching contribution equal to the amount
 2 of such grant be provided from sources other than the
 3 Federal Government.

4 “(f) AUTHORIZATION OF APPROPRIATIONS.—There
 5 is authorized to be appropriated to carry out this section
 6 \$20,000,000 for fiscal years 2000 through 2003, to re-
 7 main available until expended.”.

8 (b) REQUIREMENTS.—The Administrator of the
 9 Small Business Administration may promulgate such reg-
 10 ulations as may be necessary to carry out section 34 of
 11 the Small Business Act, as added by this section, which
 12 regulations may take effect upon issuance.

13 **Subtitle C—Business LINC**

14 **SEC. 321. GRANTS AUTHORIZED.**

15 Section 8 of the Small Business Act (15 U.S.C. 637)
 16 is amended by adding at the end the following:

17 “(m) BUSINESS LINC GRANTS.—

18 “(1) IN GENERAL.—The Administrator may
 19 make grants to and enter into cooperative agree-
 20 ments with any coalition of private or public sector
 21 participants that—

22 “(A) expand business-to-business relation-
 23 ships between large and small businesses; and

24 “(B) provide businesses, directly or indi-
 25 rectly, with online information and a database

1 of companies that are interested in mentor-pro-
2 tegee programs or community-based, state-wide,
3 or local business development programs.

4 “(2) MATCHING REQUIREMENTS.—

5 “(A) IN GENERAL.—Subject to subpara-
6 graph (B), the Administrator may make grants
7 to and enter into cooperative agreements with
8 any coalition of private or public sector partici-
9 pants if the coalition provides a matching
10 amount, either in-kind or in cash, equal to the
11 grant amount.

12 “(B) WAIVER.—In the best interests of the
13 program established under this subsection, the
14 Administrator may waive the requirements for
15 matching funds to be provided by the coalition
16 under subparagraph (A).

17 “(3) AUTHORIZATION OF APPROPRIATIONS.—

18 There is authorized to be appropriated to carry out
19 this subsection \$6,600,000 for each of fiscal years
20 2000 through 2005, to remain available until ex-
21 pended.”.

22 **SEC. 322. REGULATIONS.**

23 The Administrator of the Small Business Administra-
24 tion may promulgate such regulations as the Adminis-

1 trator determines to be necessary to carry out this subtitle
2 and the amendment made by this subtitle.

3 **TITLE IV—EXPANSION AND EX-**
4 **TENSION OF EMPOWERMENT**
5 **ZONE TAX INCENTIVES**

6 **SEC. 401. ADDITIONAL EMPOWERMENT ZONE DESIGNA-**
7 **TIONS.**

8 Section 1391 is amended by adding at the end the
9 following new subsections:

10 “(h) ADDITIONAL DESIGNATIONS PERMITTED.—

11 “(1) IN GENERAL.—In addition to the areas
12 designated under subsections (a) and (g), the appro-
13 priate Secretaries may designate in the aggregate an
14 additional 9 nominated areas as empowerment zones
15 under this section, subject to the availability of eligi-
16 ble nominated areas. Of that number, up to 7 may
17 be designated in urban areas and at least 2 may
18 be designated in rural areas.

19 “(2) PERIOD DESIGNATIONS MAY BE MADE AND
20 TAKE EFFECT.—A designation may be made under
21 this subsection after the date of the enactment of
22 this subsection and before January 1, 2001. Subject
23 to subparagraphs (B) and (C) of subsection (d)(1),
24 such designations shall remain in effect during the

1 period beginning on January 1, 2001, and ending on
2 December 31, 2009.

3 “(3) MODIFICATIONS TO ELIGIBILITY CRITERIA,
4 ETC.—

5 “(A) IN GENERAL.—The rules of sub-
6 section (g)(3) shall apply to designations under
7 this subsection, and with respect to the criteria
8 for any designation, an additional eligibility cri-
9 teria shall be the consideration that the nomi-
10 nated area is a strategic planning community
11 and with respect to the criteria for the designa-
12 tion of any rural area, an additional eligibility
13 criteria shall be the existence of outmigration
14 from such area.

15 “(B) STRATEGIC PLANNING COMMU-
16 NITY.—The term ‘strategic planning commu-
17 nity’ means a respondent to the Notice Inviting
18 Applications at 63 Federal Register 19162
19 (April 16, 1998) whose application was ranked
20 16th through 30th in the competition that con-
21 cluded in December 1998.

22 “(4) EMPOWERMENT ZONES WHICH BECOME
23 RENEWAL COMMUNITIES.—The number of areas
24 which may be designated as empowerment zones
25 under this subsection shall be increased by 1 for

1 each area which ceases to be an empowerment zone
2 by reason of section 1400E(e). Each additional area
3 designated by reason of the preceding sentence shall
4 have the same urban or rural character as the area
5 it is replacing.

6 “(i) TRANSFER OF ENTERPRISE COMMUNITY DES-
7 IGNATION.—

8 “(1) PROHIBITION OF DUAL DESIGNATION.—

9 “(A) IN GENERAL.—No area may retain
10 dual designation as an enterprise community
11 and an empowerment zone or renewal commu-
12 nity. The subsequent designation as an em-
13 powerment zone or a renewal community of any
14 area previously designated under subsection
15 (b)(1) as an enterprise community shall cause
16 that area to forfeit its designation as an enter-
17 prise community.

18 “(B) RULES FOR INCLUSION IN EMPOWER-
19 MENT ZONE.—In the case of any enterprise
20 community which is later designated pursuant
21 to subsection (g) or (h) as an empowerment
22 zone, all census tracts included in such enter-
23 prise community shall be included in such em-
24 powerment zone without regard to the limita-

1 tions on population or size imposed by para-
2 graphs (1) and (3) of section 1392(a).

3 “(2) REDESIGNATIONS.—

4 “(A) IN GENERAL.—Any enterprise com-
5 munity designation that is forfeited pursuant to
6 this paragraph shall be available for transfer by
7 the appropriate Secretary.

8 “(B) RULES OF REDESIGNATION.—To the
9 extent that enterprise community designations
10 become available for transfer pursuant to sub-
11 paragraph (A) and for the period that such des-
12 ignations remain in effect pursuant to sub-
13 section (d), the appropriate Secretaries may
14 designate the highest ranking areas nominated
15 for designation as empowerment zones pursuant
16 to subsection (g) or (h) which were not so des-
17 ignated and which continue to meet appropriate
18 eligibility criteria, as enterprise communities.
19 Except as set forth in subparagraph (C), areas
20 designated as enterprise communities pursuant
21 to this paragraph shall be subject to all other
22 limitations and shall be accorded all remaining
23 benefits otherwise applicable to enterprise com-
24 munities designated pursuant to subsection
25 (b)(1).

1 “(C) SPECIAL RULES.—Any area nomi-
2 nated for designation as an enterprise commu-
3 nity pursuant to this paragraph which is lo-
4 cated in Alaska or Hawaii shall be treated as
5 meeting the requirements of paragraphs (2),
6 (3), and (4) of section 1392(a) if for each cen-
7 sus tract or block group within such area 20
8 percent or more of the families have income
9 which is 50 percent or less of the statewide me-
10 dian family income (as determined under sec-
11 tion 143).”.

12 **SEC. 402. EXTENSION OF ENTERPRISE ZONE TREATMENT**
13 **THROUGH 2009.**

14 (a) IN GENERAL.—Subparagraph (A) of section
15 1391(d)(1) (relating to period for which designation is in
16 effect) is amended to read as follows:

17 “(A) December 31, 2009,”.

18 (b) DISTRICT OF COLUMBIA.—Section 1400(f) (relat-
19 ing to time for which designation applicable) is amended
20 by striking “2002” both places it appears and inserting
21 “2009”.

1 **SEC. 403. 20 PERCENT EMPLOYMENT CREDIT FOR ALL EM-**
2 **POWERMENT ZONES.**

3 (a) 20 PERCENT CREDIT.—Subsection (b) of section
4 1396 (relating to empowerment zone employment credit)
5 is amended to read as follows:

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

8 (b) ALL EMPOWERMENT ZONES ELIGIBLE FOR
9 CREDIT.—Section 1396 is amended by striking subsection
10 (e).

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

13 “(d) SPECIAL RULE FOR APPLICATION OF EMPLOY-
14 MENT CREDIT.—With respect to the DC Zone, section
15 1396(d)(1)(B) (relating to empowerment zone employ-
16 ment credit) shall be applied by substituting ‘the District
17 of Columbia’ for ‘such empowerment zone’.”.

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

21 **SEC. 404. INCREASED EXPENSING UNDER SECTION 179.**

22 (a) IN GENERAL.—Subparagraph (A) of section
23 1397A(a)(1) is amended by striking “\$20,000” and in-
24 serting “\$35,000”.

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

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

7 **SEC. 405. HIGHER LIMITS ON TAX-EXEMPT EMPOWERMENT**
 8 **ZONE FACILITY BONDS.**

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

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

18 (b) CONFORMING AMENDMENTS.—

19 (1) Subsection (f) of section 1394 is amended
 20 by striking “new empowerment zone facility bond”
 21 each place it appears and inserting “empowerment
 22 zone facility bond”.

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

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

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

3 (A) by striking “empowerment zone or” in
4 subparagraph (A), and

5 (B) by striking “empowerment zones and”
6 in subparagraph (B).

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

10 **SEC. 406. NONRECOGNITION OF GAIN ON ROLLOVER OF**
11 **EMPOWERMENT ZONE INVESTMENTS.**

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

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

15 (2) by redesignating sections 1397B and 1397C
16 as sections 1397C and 1397D, respectively, and

17 (3) by inserting after subpart B the following
18 new subpart:

19 **“Subpart C—Nonrecognition of Gain on Rollover of**
20 **Empowerment Zone Investments**

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

21 **“SEC. 1397B. NONRECOGNITION OF GAIN ON ROLLOVER OF**
22 **EMPOWERMENT ZONE INVESTMENTS.**

23 “(a) NONRECOGNITION OF GAIN.—In the case of any
24 sale of a qualified empowerment zone asset held by the

1 taxpayer for more than 1 year and with respect to which
2 such taxpayer elects the application of this section, gain
3 from such sale shall be recognized only to the extent that
4 the amount realized on such sale exceeds—

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

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

12 This section shall apply only to gain which is qualified cap-
13 ital gain.

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

16 “(1) QUALIFIED EMPOWERMENT ZONE
17 ASSET.—

18 “(A) IN GENERAL.—The term ‘qualified
19 empowerment zone asset’ means any property
20 which would be a qualified community asset (as
21 defined in section 1400F) if in section 1400F—

22 “(i) references to empowerment zones
23 were substituted for references to renewal
24 communities, and

1 “(ii) references to enterprise zone
2 businesses (as defined in section 1397C)
3 were substituted for references to renewal
4 community businesses.

5 “(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).**

6 “(2) QUALIFIED CAPITAL GAIN.—

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

11 “(i) a capital asset, or

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

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

18 “(3) PURCHASE.—A taxpayer shall be treated
19 as having purchased any property if, but for para-
20 graph (4), the unadjusted basis of such property in
21 the hands of the taxpayer would be its cost (within
22 the meaning of section 1012).

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

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

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

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

22 (b) CONFORMING AMENDMENTS.—

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

1 (A) by striking “or 1045” and inserting
2 “1045, or 1397B”, and

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

5 (2) Paragraph (15) of section 1223 is amended
6 to read as follows:

7 “(15) Except for purposes of sections
8 1202(a)(2), 1202(c)(2)(A), 1400B(b), and
9 1400F(b), in determining the period for which the
10 taxpayer has held property the acquisition of which
11 resulted under section 1045 or 1397B in the non-
12 recognition of any part of the gain realized on the
13 sale of other property, there shall be included the pe-
14 riod for which such other property has been held as
15 of the date of such sale.”

16 (3) Paragraph (2) of section 1394(b) is
17 amended—

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

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

22 (4) Paragraph (3) of section 1394(b) is
23 amended—

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

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

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

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

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

“Subpart D. General provisions.”

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

“Sec. 1397C. Enterprise zone business defined.

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

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

14 **SEC. 407. INCREASED EXCLUSION OF GAIN ON SALE OF EM-**
 15 **POWERMENT ZONE STOCK.**

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

18 “(a) EXCLUSION.—

19 “(1) IN GENERAL.—In the case of a taxpayer
 20 other than a corporation, gross income shall not in-
 21 clude 50 percent of any gain from the sale or ex-

1 change of qualified small business stock held for
2 more than 5 years.

3 “(2) EMPOWERMENT ZONE BUSINESSES.—

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

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

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

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

23 “(A) the gain which would be excluded
24 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. 408. TREATMENT OF INTANGIBLES.**

9 (a) IN GENERAL.—Section 1397C(d)(4) (relating to
10 treatment of business holding intangibles) is amended—

11 (1) by striking “development or”, and

12 (2) by inserting “unless a substantial portion of
13 the development with respect to such intangibles oc-
14 curs within any empowerment zone” after “license”.

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

18 **SEC. 409. APPLICATION OF DEVELOPABLE SITE OPPORTU-
19 NITIES TO ROUND I EMPOWERMENT ZONES
20 AND ENTERPRISE COMMUNITIES.**

21 (a) IN GENERAL.—Section 1392(a)(4) (relating to
22 poverty rate) is amended—

23 (1) by redesignating subparagraphs (A), (B),
24 and (C) as clauses (i), (ii), and (iii), respectively,

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

4 (A) in subparagraph (A), by striking “in
5 the State; and” and inserting “that is in the
6 State and is designated pursuant to section
7 1391(b) of the Internal Revenue Code of
8 1986;”;

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

11 “(C)(i) 9 grants under this section for
12 each qualified empowerment zone that is in an
13 urban area in the State and is designated pur-
14 suant to section 1391(g) of such Code; and

15 “(ii) 9 grants under this section for each
16 qualified empowerment zone that is in a rural
17 area in the State and is designated pursuant to
18 section 1391(g) of such Code; and

19 “(D) 8 grants under this section for each
20 qualified enterprise community that is in the
21 State and is designated pursuant to section 766
22 of the Agriculture, Rural Development, Food
23 and Drug Administration, and Related Agencies
24 Appropriations Act, 1999.”.

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

3 (A) in the heading of subparagraph (A), by
4 inserting “ORIGINAL” before “EMPOWER-
5 MENT”;

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

9 (C) by redesignating subparagraph (C) as
10 subparagraph (F); and

11 (D) by inserting after subparagraph (B)
12 the following:

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

17 “(i) if the zone is in an urban area,
18 \$10,000,000 for each of fiscal years 2001
19 through 2008 and \$13,300,000 for fiscal
20 year 2009; or

21 “(ii) if the zone is in a rural area,
22 \$3,000,000 for each of fiscal years 2001
23 through 2009,

24 multiplied by the proportion of the population
25 of the zone that resides in the State.

1 “(D) ADDITIONAL ENTERPRISE COMMU-
2 NITY GRANTS.—The amount of the grant to a
3 State under this section for a qualified enter-
4 prise community referred to in paragraph
5 (1)(D) shall be \$250,000, multiplied by the pro-
6 portion of the population of the community that
7 resides in the State, for each of fiscal years
8 2001 through 2008.”.

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

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

13 (B) in subparagraph (A), in the matter
14 preceding clause (i), by inserting “referred to in
15 paragraph (1)(A)” after “empowerment zone”;
16 and

17 (C) by adding after subparagraph (B) the
18 following:

19 “(C) ADDITIONAL QUALIFIED EMPOWER-
20 MENT ZONES.—With respect to each qualified
21 empowerment zone referred to in paragraph
22 (1)(C), the Secretary shall make 1 grant under
23 this section to the State in which the zone is lo-
24 cated, on the first day of fiscal year 2001 and
25 of each of the 8 succeeding fiscal years.

1 “(D) ADDITIONAL QUALIFIED ENTERPRISE
 2 COMMUNITIES.—With respect to each qualified
 3 enterprise community referred to in paragraph
 4 (1)(D), the Secretary shall make 1 grant under
 5 this section to the State in which the commu-
 6 nity is located on the first day of fiscal year
 7 2001 and each of the 7 succeeding fiscal
 8 years.”.

9 (4) FUNDING.—Section 2007(a)(4) of such Act
 10 (42 U.S.C. 1397f(a)(4)) is amended—

11 (A) by striking “(4) FUNDING.—
 12 \$1,000,000,000” and inserting the following:

13 “(4) FUNDING.—

14 “(A) ORIGINAL GRANTS.—
 15 \$1,000,000,000”;

16 (B) by inserting “for empowerment zones
 17 and enterprise communities described in sub-
 18 paragraphs (A) and (B) of paragraph (1)” be-
 19 fore the period; and

20 (C) by adding after and below the end the
 21 following:

22 “(B) ADDITIONAL EMPOWERMENT ZONE
 23 GRANTS.—\$1,535,000,000 shall be made avail-
 24 able to the Secretary for grants under this sec-

1 tion for empowerment zones referred to in para-
2 graph (1)(C).

3 “(C) ADDITIONAL ENTERPRISE COMMU-
4 NITY GRANTS.—\$40,000,000 shall be made
5 available to the Secretary for grants under this
6 section for enterprise communities referred to
7 in paragraph (1)(D).”.

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

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

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

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

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

23 “(I) included in the strategic
24 plan of the qualified empowerment

1 zone or qualified enterprise commu-
 2 nity, consistent with this section; and

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

12 “(B) RULES OF INTERPRETATION.—

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

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

23 (6) DEFINITIONS.—

24 (A) QUALIFIED ENTERPRISE COMMU-
 25 NITY.—Section 2007(f)(2)(A) of such Act (42

1 U.S.C. 1397f(f)(2)(A)) is amended by inserting
2 “or pursuant to section 766 of the Agriculture,
3 Rural Development, Food and Drug Adminis-
4 tration, and Related Agencies Appropriations
5 Act, 1999” before the semicolon.

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

12 (C) INDIAN TRIBE.—Section 2007(f) of
13 such Act (42 U.S.C. 1397f(f)), as amended by
14 subparagraph (C), is amended by adding at the
15 end the following:

16 “(8) INDIAN TRIBE.—The term ‘Indian tribe’
17 means any Indian tribe, band, nation, or other orga-
18 nized group or community, including any Alaska Na-
19 tive village or regional or village corporation as de-
20 fined in or established pursuant to the Alaska Na-
21 tive Claims Settlement Act, which is recognized as
22 eligible for the special programs and services pro-
23 vided by the United States to Indians because of
24 their status as Indians.”.

25 (b) USE OF GRANT FUNDS.—

1 (1) REVOLVING LOAN ACTIVITIES.—Section
2 2007(b) of the Social Security Act (42 U.S.C.
3 1397f(b)) is amended by adding at the end the fol-
4 lowing:

5 “(5) REVOLVING LOAN ACTIVITIES.—

6 “(A) IN GENERAL.—In order to assist dis-
7 advantaged adults and youths in achieving and
8 maintaining economic self-support, a State may
9 use amounts paid under this section to fund re-
10 volving loan funds or similar arrangements for
11 the purpose of making loans to residents, insti-
12 tutions, organizations, or businesses.

13 “(B) RULES FOR DISBURSEMENT.—
14 Amounts to be used as described in subpara-
15 graph (A) shall be disbursed by the Secretary,
16 consistent with the provisions of the Cash Man-
17 agement Improvement Act and its implementing
18 rules, regulations, and procedures issued by the
19 Secretary of the Treasury—

20 “(i) in the case of a grant to a revol-
21 ving loan fund—

22 “(I) pursuant to a written irrev-
23 ocable grant commitment; and

24 “(II) at such time or times as the
25 Secretary determines that the funds

1 are needed to meet the purposes of
2 such commitment; or

3 “(ii) in the case of a grant for pur-
4 poses of capitalizing an insured depository
5 institution (as defined in section 3 of the
6 Federal Deposit Insurance Act (12 U.S.C.
7 1813)) or an insured credit union (as de-
8 fined in section 101 of the Federal Credit
9 Union Act (12 U.S.C. 1742)), at such time
10 or times as the Secretary determines that
11 funds are needed for such capitalization.”.

12 (2) USE AS NON-FEDERAL SHARE.—Section
13 2007(b) of such Act (42 U.S.C. 1397f(b)), as
14 amended by paragraph (1), is amended by adding at
15 the end the following:

16 “(6) A State may use amounts received from a
17 grant under this section to pay all or part of the
18 non-Federal share of expenditures under any other
19 Federal grant to a local public or nonprofit private
20 agency or organization for activities consistent with
21 the purposes of this section, unless the statutory au-
22 thority for such other grant expressly prohibits
23 counting of Federal grant funds as such non-Federal
24 share.”.

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

3 (1) by redesignating subsection (f) as sub-
4 section (g); and

5 (2) by inserting after subsection (e) the fol-
6 lowing:

7 “(f) ENVIRONMENTAL REVIEW.—

8 “(1) EXECUTION OF RESPONSIBILITY BY THE
9 SECRETARY OF HOUSING AND URBAN DEVELOPMENT
10 AND THE SECRETARY OF AGRICULTURE.—

11 “(A) APPLICABILITY.—This subsection
12 shall apply to grants under this section in con-
13 nection with empowerment zones and enterprise
14 communities.

15 “(B) EXECUTION OF RESPONSIBILITY.—
16 With respect to grants described in subpara-
17 graph (A), the Secretary of Housing and Urban
18 Development and the Secretary of Agriculture,
19 as appropriate, shall execute the responsibilities
20 under the National Environmental Policy Act of
21 1969 and other provisions of law that further
22 the purposes of such Act (as specified in regula-
23 tions issued by each such Secretary under para-
24 graph (2)(B)) that would otherwise apply to the
25 Secretary of Health and Human Services, and

1 may provide for the assumption of such respon-
2 sibilities in accordance with paragraphs (2)
3 through (5).

4 “(C) DEFINITION OF SECRETARY.—Except
5 as otherwise specified, in this subsection, the
6 term ‘Secretary’ means the Secretary of Hous-
7 ing and Urban Development for purposes of
8 grants under this section with respect to quali-
9 fied empowerment zones and qualified enter-
10 prise communities in urban areas, and the Sec-
11 retary of Agriculture for purposes of grants
12 under this section with respect to qualified em-
13 powerment zones and qualified enterprise com-
14 munities in rural areas.

15 “(2) ASSUMPTION OF RESPONSIBILITY BY
16 STATES, UNITS OF GENERAL LOCAL GOVERNMENT,
17 AND INDIAN TRIBES.—

18 “(A) RELEASE OF FUNDS.—In order to as-
19 sure that the policies of the National Environ-
20 mental Policy Act of 1969 and other provisions
21 of law that further the purposes of such Act (as
22 specified in regulations issued by the Secretary
23 under subparagraph (B)) are most effectively
24 implemented in connection with the expenditure
25 of funds under this section, and to assure to the

1 public undiminished protection of the environ-
2 ment, the Secretary may, under such regula-
3 tions, in lieu of the environmental protection
4 procedures otherwise applicable, provide for the
5 release of funds for particular projects to recipi-
6 ents of assistance under this section if the
7 State, unit of general local government, or In-
8 dian tribe, as designated by the Secretary in ac-
9 cordance with regulations issued by the Sec-
10 retary under subparagraph (B), assumes all of
11 the responsibilities for environmental review,
12 decisionmaking, and action pursuant to such
13 Act, and such other provisions of law as the
14 regulations of the Secretary specify, that would
15 otherwise apply to the Secretary were the Sec-
16 retary to undertake such projects as Federal
17 projects.

18 “(B) IMPLEMENTATION.—The Secretary of
19 Housing and Urban Development and the Sec-
20 retary of Agriculture shall each issue regula-
21 tions to carry out this subsection only after con-
22 sultation with the Council on Environmental
23 Quality. Such regulations shall—

24 “(i) specify any other provisions of
25 law that further the purposes of the Na-

1 tional Environmental Policy Act of 1969
2 and to which the assumption of responsi-
3 bility as provided in this subsection ap-
4 plies;

5 “(ii) provide eligibility criteria and
6 procedures for the designation of a State,
7 unit of general local government, or Indian
8 tribe to assume all of the responsibilities
9 described in subparagraph (A);

10 “(iii) specify the purposes for which
11 funds may be committed without regard to
12 the procedure established under paragraph
13 (3);

14 “(iv) provide for monitoring of the
15 performance of environmental reviews
16 under this subsection;

17 “(v) in the discretion of the Secretary,
18 provide for the provision or facilitation of
19 training for such performance; and

20 “(vi) subject to the discretion of the
21 Secretary, provide for suspension or termi-
22 nation by the Secretary of the assumption
23 under subparagraph (A).

24 “(C) RESPONSIBILITIES OF STATE, UNIT
25 OF GENERAL LOCAL GOVERNMENT, OR INDIAN

1 TRIBE.—The Secretary’s duty under subpara-
2 graph (B) shall not be construed to limit any
3 responsibility assumed by a State, unit of gen-
4 eral local government, or Indian tribe with re-
5 spect to any particular release of funds under
6 subparagraph (A).

7 “(3) PROCEDURE.—The Secretary shall ap-
8 prove the release of funds for projects subject to the
9 procedures authorized by this subsection only if, not
10 less than 15 days prior to such approval and prior
11 to any commitment of funds to such projects (except
12 for such purposes specified in the regulations issued
13 under paragraph (2)(B)), the recipient submits to
14 the Secretary a request for such release accompanied
15 by a certification of the State, unit of general local
16 government, or Indian tribe that meets the require-
17 ments of paragraph (4). The approval by the Sec-
18 retary of any such certification shall be deemed to
19 satisfy the Secretary’s responsibilities pursuant to
20 paragraph (1) under the National Environmental
21 Policy Act of 1969 and such other provisions of law
22 as the regulations of the Secretary specify insofar as
23 those responsibilities relate to the releases of funds
24 for projects to be carried out pursuant thereto that
25 are covered by such certification.

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

3 “(A) be in a form acceptable to the Sec-
4 retary;

5 “(B) be executed by the chief executive of-
6 ficer or other officer of the State, unit of gen-
7 eral local government, or Indian tribe who
8 qualifies under regulations of the Secretary;

9 “(C) specify that the State, unit of general
10 local government, or Indian tribe under this
11 subsection has fully carried out its responsibil-
12 ities as described under paragraph (2); and

13 “(D) specify that the certifying officer—

14 “(i) consents to assume the status of
15 a responsible Federal official under the
16 National Environmental Policy Act of
17 1969 and each provision of law specified in
18 regulations issued by the Secretary insofar
19 as the provisions of such Act or other such
20 provisions of law apply pursuant to para-
21 graph (2); and

22 “(ii) is authorized and consents on be-
23 half of the State, unit of general local gov-
24 ernment, or Indian tribe and himself or
25 herself to accept the jurisdiction of the

1 Federal courts for the purpose of enforce-
 2 ment of the responsibilities as such an offi-
 3 cial.

4 “(5) APPROVAL BY STATES.—In cases in which
 5 a unit of general local government carries out the re-
 6 sponsibilities described in paragraph (2), the Sec-
 7 retary may permit the State to perform those ac-
 8 tions of the Secretary described in paragraph (3).
 9 The performance of such actions by the State, where
 10 permitted, shall be deemed to satisfy the responsibil-
 11 ities referred to in the second sentence of paragraph
 12 (3).”.

13 **SEC. 411. EXTENSION OF TERMINATION DATE FOR EXPENS-**
 14 **ING OF ENVIRONMENTAL REMEDIATION**
 15 **COSTS; EXTENSION TO RENEWAL COMMU-**
 16 **NITIES.**

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

21 (b) EXTENSION.—

22 (1) IN GENERAL.—Subparagraph (A) of section
 23 198(c)(2) (defining targeted area) is amended by
 24 striking “and” at the end of clause (iii), by striking
 25 the period at the end of clause (iv) and inserting “,

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

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

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

8 **TITLE V—AMERICAN**
9 **COMMUNITY RENEWAL**

10 **SEC. 501. DESIGNATION OF AND TAX INCENTIVES FOR RE-**
11 **NEWAL COMMUNITIES.**

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

14 **“Subchapter X—Renewal Communities**

“Part I. Designation.

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

“Part III. Additional incentives.

15 **“PART I—DESIGNATION**

“Sec. 1400E. Designation of renewal communities.

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

17 “(a) DESIGNATION.—

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

20 “(A) which is nominated by one or more
21 local governments and the State or States in
22 which it is located for designation as a renewal

1 community (hereinafter in this section referred
2 to as a ‘nominated area’), and

3 “(B) which the Secretary of Housing and
4 Urban Development designates as a renewal
5 community, after consultation with—

6 “(i) the Secretaries of Agriculture,
7 Commerce, Labor, and the Treasury; the
8 Director of the Office of Management and
9 Budget, and the Administrator of the
10 Small Business Administration, and

11 “(ii) in the case of an area on an In-
12 dian reservation, the Secretary of the Inte-
13 rior.

14 “(2) NUMBER OF DESIGNATIONS.—

15 “(A) IN GENERAL.—The Secretary of
16 Housing and Urban Development may des-
17 ignate not more than 40 nominated areas as re-
18 newal communities.

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

22 “(i) which are within a local govern-
23 ment jurisdiction or jurisdictions with a
24 population of less than 50,000,

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

4 “(iii) which are determined by the
5 Secretary of Housing and Urban Develop-
6 ment, after consultation with the Secretary
7 of Commerce, to be rural areas.

8 “(3) AREAS DESIGNATED BASED ON DEGREE
9 OF POVERTY, ETC.—

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

23 “(B) EXCEPTION WHERE INADEQUATE
24 COURSE OF ACTION, ETC.—An area shall not be
25 designated under subparagraph (A) if the Sec-

1 retary of Housing and Urban Development de-
2 termines that the course of action described in
3 subsection (d)(2) with respect to such area is
4 inadequate.

5 “(4) LIMITATION ON DESIGNATIONS.—

6 “(A) PUBLICATION OF REGULATIONS.—

7 The Secretary of Housing and Urban Develop-
8 ment shall prescribe by regulation no later than
9 4 months after the date of the enactment of
10 this section, after consultation with the officials
11 described in paragraph (1)(B)—

12 “(i) the procedures for nominating an
13 area under paragraph (1)(A),

14 “(ii) the parameters relating to the
15 size and population characteristics of a re-
16 newal community, and

17 “(iii) the manner in which nominated
18 areas will be evaluated based on the cri-
19 teria specified in subsection (d).

20 “(B) TIME LIMITATIONS.—The Secretary
21 of Housing and Urban Development may des-
22 ignate nominated areas as renewal communities
23 only during the 24-month period beginning on
24 the first day of the first month following the

1 month in which the regulations described in
2 subparagraph (A) are prescribed.

3 “(C) PROCEDURAL RULES.—The Secretary
4 of Housing and Urban Development shall not
5 make any designation of a nominated area as a
6 renewal community under paragraph (2)
7 unless—

8 “(i) the local governments and the
9 States in which the nominated area is lo-
10 cated have the authority—

11 “(I) to nominate such area for
12 designation as a renewal community,

13 “(II) to make the State and local
14 commitments described in subsection
15 (d), and

16 “(III) to provide assurances sat-
17 isfactory to the Secretary of Housing
18 and Urban Development that such
19 commitments will be fulfilled,

20 “(ii) a nomination regarding such
21 area is submitted in such a manner and in
22 such form, and contains such information,
23 as the Secretary of Housing and Urban
24 Development shall by regulation prescribe,
25 and

1 “(iii) the Secretary of Housing and
2 Urban Development determines that any
3 information furnished is reasonably accu-
4 rate.

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

12 “(b) PERIOD FOR WHICH DESIGNATION IS IN EF-
13 FECT.—

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

18 “(A) December 31, 2009,

19 “(B) the termination date designated by
20 the State and local governments in their nomi-
21 nation, or

22 “(C) the date the Secretary of Housing
23 and Urban Development revokes such designa-
24 tion.

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

6 “(A) has modified the boundaries of the
7 area, or

8 “(B) is not complying substantially with,
9 or fails to make progress in achieving, the State
10 or local commitments, respectively, described in
11 subsection (d).

12 “(3) EARLIER TERMINATION OF ENVIRON-
13 MENTAL REMEDIATION EXPENSING IF EARLIER TER-
14 MINATION OF DESIGNATION.—If the designation of
15 an area as a renewal community terminates before
16 December 31, 2009, the date of such termination
17 shall be substituted for ‘December 31, 2009’ in sec-
18 tion 198(h) with respect to such area.

19 “(c) AREA AND ELIGIBILITY REQUIREMENTS.—

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

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

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

5 “(B) the boundary of the area is contin-
6 uous, and

7 “(C) the area—

8 “(i) has a population, of at least—

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

16 “(II) 1,000 in any other case, or

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

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

1 data as he deems appropriate, accepts such certifi-
2 cation) that—

3 “(A) the area is one of pervasive poverty
4 and general distress,

5 “(B) the poverty rate for each population
6 census tract within the nominated area is at
7 least 20 percent, and

8 “(C) in the case of an urban area, at least
9 70 percent of the households living in the area
10 have incomes below 80 percent of the median
11 income of households within the jurisdiction of
12 the local government (determined in the same
13 manner as under section 119(b)(2) of the
14 Housing and Community Development Act of
15 1974).

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

22 “(5) CONSIDERATION OF COMMUNITIES IDENTI-
23 FIED IN GAO STUDY.—The Secretary of Housing
24 and Urban Development shall take into account, in
25 selecting nominated areas for designation as renewal

1 communities under this section, if the area has cen-
2 sus tracts identified in the May 12, 1998, report of
3 the Government Accounting Office regarding the
4 identification of economically distressed areas.

5 “(d) REQUIRED STATE AND LOCAL COMMIT-
6 MENTS.—

7 “(1) IN GENERAL.—The Secretary of Housing
8 and Urban Development may designate any nomi-
9 nated area as a renewal community under subsection
10 (a) only if—

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

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

21 “(2) COURSE OF ACTION.—

22 “(A) IN GENERAL.—A course of action
23 meets the requirements of this paragraph if
24 such course of action is a written document,
25 signed by a State (or local government) and

1 neighborhood organizations, which evidences a
2 partnership between such State or government
3 and community-based organizations and which
4 commits each signatory to specific and measur-
5 able goals, actions, and timetables. Such course
6 of action shall include at least 4 of the fol-
7 lowing:

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

10 “(ii) An increase in the level of effi-
11 ciency of local services within the renewal
12 community.

13 “(iii) Crime reduction strategies, such
14 as crime prevention (including the provi-
15 sion of such services by nongovernmental
16 entities).

17 “(iv) Actions to reduce, remove, sim-
18 plify, or streamline governmental require-
19 ments applying within the renewal commu-
20 nity.

21 “(v) Involvement in the program by
22 private entities, organizations, neighbor-
23 hood organizations, and community
24 groups, particularly those in the renewal
25 community, including a commitment from

1 such private entities to provide jobs and
2 job training for, and technical, financial, or
3 other assistance to, employers, employees,
4 and residents from the renewal community.

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

12 “(B) RECOGNITION OF PAST EFFORTS.—

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

20 “(3) ECONOMIC GROWTH PROMOTION REQUIRE-
21 MENTS.—The economic growth promotion require-
22 ments of this paragraph are met with respect to a
23 nominated area if the local government and the
24 State in which such area is located certify in writing
25 that such government and State (respectively) have

1 repealed, will not enforce, or will reduce within the
2 area at least 4 of the following if such area is des-
3 ignated as a renewal community:

4 “(A) Licensing requirements for occupa-
5 tions that do not ordinarily require a profes-
6 sional degree.

7 “(B) Zoning restrictions on home-based
8 businesses which do not create a public nui-
9 sance.

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

12 “(D) Zoning or other restrictions that im-
13 pede the formation of schools or child care cen-
14 ters.

15 “(E) Franchises or other restrictions on
16 competition for businesses providing public
17 services, including taxicabs, jitneys, cable tele-
18 vision, or trash hauling.

19 This paragraph shall not apply to the extent that
20 such regulation of businesses and occupations is nec-
21 essary for and well-tailored to the protection of
22 health and safety.

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

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

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

9 “(A) there shall not be taken into account
10 wages taken into account under section 1396
11 (without regard to section 1400H), and

12 “(B) the \$15,000 amount in section
13 1396(c) shall (in applying section 1400H) be
14 reduced for any calendar year by the amount of
15 wages paid or incurred during such year which
16 are taken into account in determining the credit
17 under section 1396 (without regard to section
18 1400H).

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

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

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

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

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

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

12 “(4) APPLICATION OF RULES RELATING TO
13 CENSUS TRACTS.—The rules of sections 1392(b)(4)
14 shall apply.

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

17 **“PART II—RENEWAL COMMUNITY CAPITAL GAIN;
18 RENEWAL COMMUNITY BUSINESS**

“Sec. 1400F. Renewal community capital gain.

“Sec. 1400G. Renewal community business defined.

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

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

1 “(b) QUALIFIED COMMUNITY ASSET.—For purposes
2 of this section—

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

5 “(A) any qualified community stock,

6 “(B) any qualified community partnership
7 interest, and

8 “(C) any qualified community business
9 property.

10 “(2) QUALIFIED COMMUNITY STOCK.—

11 “(A) IN GENERAL.—Except as provided in
12 subparagraph (B), the term ‘qualified commu-
13 nity stock’ means any stock in a domestic cor-
14 poration if—

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

20 “(ii) as of the time such stock was
21 issued, such corporation was a renewal
22 community business (or, in the case of a
23 new corporation, such corporation was
24 being organized for purposes of being a re-
25 newal community business), and

1 “(iii) during substantially all of the
2 taxpayer’s holding period for such stock,
3 such corporation qualified as a renewal
4 community business.

5 “(B) REDEMPTIONS.—A rule similar to
6 the rule of section 1202(c)(3) shall apply for
7 purposes of this paragraph.

8 “(3) QUALIFIED COMMUNITY PARTNERSHIP IN-
9 TEREST.—The term ‘qualified community partner-
10 ship interest’ means any capital or profits interest in
11 a domestic partnership if—

12 “(A) such interest is acquired by the tax-
13 payer after December 31, 2000, and before
14 January 1, 2010, from the partnership solely in
15 exchange for cash,

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

22 “(C) during substantially all of the tax-
23 payer’s holding period for such interest, such
24 partnership qualified as a renewal community
25 business.

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

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

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

8 “(i) such property was acquired by
9 the taxpayer by purchase (as defined in
10 section 179(d)(2)) after December 31,
11 2000, and before January 1, 2010,

12 “(ii) the original use of such property
13 in the renewal community commences with
14 the taxpayer, and

15 “(iii) during substantially all of the
16 taxpayer’s holding period for such prop-
17 erty, substantially all of the use of such
18 property was in a renewal community busi-
19 ness of the taxpayer.

20 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
21 PROVEMENTS.—The requirements of clauses (i)
22 and (ii) of subparagraph (A) shall be treated as
23 satisfied with respect to—

1 “(i) property which is substantially
2 improved by the taxpayer before January
3 1, 2010, and

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

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

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

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

17 “(A) a capital asset, or

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

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

24 “(3) CERTAIN RULES TO APPLY.—Rules similar
25 to the rules of paragraphs (3), (4), and (5) of sec-

1 tion 1400B(e) shall apply for purposes of this sub-
2 section.

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

10 “(e) REGULATIONS.—The Secretary shall prescribe
11 such regulations as may be appropriate to carry out the
12 purposes of this section, including regulations to prevent
13 the avoidance of the purposes of this section.

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

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

21 **“PART III—ADDITIONAL INCENTIVES**

 “Sec. 1400H. Renewal community employment credit.

 “Sec. 1400I. Commercial revitalization deduction.

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

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

23 “(a) IN GENERAL.—Subject to the modification in
24 subsection (b), a renewal community shall be treated as

1 an empowerment zone for purposes of section 1396 with
2 respect to wages paid or incurred after December 31,
3 2000.

4 “(b) MODIFICATION.—In applying section 1396 with
5 respect to renewal communities—

6 “(1) the applicable percentage shall be 15 per-
7 cent, and

8 “(2) subsection (c) thereof shall be applied by
9 substituting ‘\$10,000’ for ‘\$15,000’ each place it ap-
10 pears.

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

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

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

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

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

1 “(1) QUALIFIED REVITALIZATION BUILDING.—

2 The term ‘qualified revitalization building’ means

3 any building (and its structural components) if—

4 “(A) such building is located in a renewal
5 community and is placed in service after De-
6 cember 31, 2000,

7 “(B) a commercial revitalization deduction
8 amount is allocated to the building under sub-
9 section (d), and

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

12 “(2) QUALIFIED REVITALIZATION EXPENDI-
13 TURE.—

14 “(A) IN GENERAL.—The term ‘qualified
15 revitalization expenditure’ means any amount
16 properly chargeable to capital account—

17 “(i) for property for which deprecia-
18 tion is allowable under section 168 (with-
19 out regard to this section) and which is—

20 “(I) nonresidential real property,

21 or

22 “(II) an addition or improvement
23 to property described in subclause (I),

24 “(ii) in connection with the construc-
25 tion of any qualified revitalization building

1 which was not previously placed in service
2 or in connection with the substantial reha-
3 bilitation (within the meaning of section
4 47(e)(1)(C)) of a building which was
5 placed in service before the beginning of
6 such rehabilitation, and

7 “(iii) for land (including land which is
8 functionally related to such property and
9 subordinate thereto).

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

15 “(i) \$10,000,000, reduced by

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

21 “(C) CERTAIN EXPENDITURES NOT IN-
22 CLUDED.—The term ‘qualified revitalization ex-
23 penditure’ does not include—

24 “(i) ACQUISITION COSTS.—The costs
25 of acquiring any building or interest there-

1 in and any land in connection with such
2 building to the extent that such costs ex-
3 ceed 30 percent of the qualified revitaliza-
4 tion expenditures determined without re-
5 gard to this clause.

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

12 “(c) LIMITATION ON AGGREGATE EXPENDITURES
13 ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN
14 A STATE.—

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

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

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

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

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

17 “(ii) for each calendar year thereafter
18 is zero.

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

24 “(d) RESPONSIBILITIES OF COMMERCIAL REVITAL-
25 IZATION AGENCIES.—

1 “(1) PLANS FOR ALLOCATION.—Notwith-
2 standing any other provision of this section, the
3 commercial revitalization deduction amount with re-
4 spect to any building shall be zero unless—

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

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

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

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

25 “(B) which considers—

1 “(i) the degree to which a project con-
2 tributes to the implementation of a stra-
3 tegic plan that is devised for a renewal
4 community through a citizen participation
5 process,

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

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

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

15 “(e) SPECIAL RULES.—

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

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

23 “(B) with respect to the deduction deter-
24 mined under subsection (a)(2), be in lieu of any

1 depreciation deduction otherwise allowable on
2 account of all of such expenditures.

3 “(2) BASIS ADJUSTMENT, ETC.—For purposes
4 of sections 1016 and 1250, the deduction under this
5 section shall be treated in the same manner as a de-
6 preciation deduction. For purposes of section
7 1250(b)(5), the straight line method of adjustment
8 shall be determined without regard to this section.

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

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

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

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

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

2 “(a) IN GENERAL.—For purposes of section
3 1397A—

4 “(1) a renewal community shall be treated as
5 an empowerment zone,

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

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

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

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

15 “(A) such property was acquired by the
16 taxpayer by purchase (as defined in section
17 179(d)(2)) after December 31, 2000, and be-
18 fore January 1, 2010, and

19 “(B) such property would be qualified zone
20 property (as defined in section 1397D) if ref-
21 erences to renewal communities were sub-
22 stituted for references to empowerment zones in
23 section 1397D.

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

1 (b) EXCEPTION FOR COMMERCIAL REVITALIZATION
2 DEDUCTION FROM PASSIVE LOSS RULES.—

3 (1) Paragraph (3) of section 469(i) is amended
4 by redesignating subparagraphs (C), (D), and (E) as
5 subparagraphs (D), (E), and (F), respectively, and
6 by inserting after subparagraph (B) the following
7 new subparagraph:

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

14 (2) Subparagraph (E) of section 469(i)(3), as
15 redesignated by subparagraph (A), is amended to
16 read as follows:

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

21 “(i) first to the portion of the passive
22 activity loss to which subparagraph (C)
23 does not apply,

1 “(ii) second to the portion of the pas-
 2 sive activity credit to which subparagraph
 3 (B) or (D) does not apply,

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

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

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

10 (3)(A) Subparagraph (B) of section 469(i)(6) is
 11 amended by striking “or” at the end of clause (i),
 12 by striking the period at the end of clause (ii) and
 13 inserting “, or”, and by adding at the end the fol-
 14 lowing new clause:

15 “(iii) any deduction under section
 16 1400I (relating to commercial revitaliza-
 17 tion deduction).”.

18 (B) The heading for such subparagraph (B) is
 19 amended by striking “OR REHABILITATION CREDIT”
 20 and inserting “, REHABILITATION CREDIT, OR COM-
 21 MERCIAL REVITALIZATION DEDUCTION”.

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

“Subchapter X. Renewal Communities.”.

1 **SEC. 502. WORK OPPORTUNITY CREDIT FOR HIRING YOUTH**
2 **RESIDING IN RENEWAL COMMUNITIES.**

3 (a) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and
4 (B) of section 51(d)(5) are each amended by striking “em-
5 powerment zone or enterprise community” and inserting
6 “empowerment zone, enterprise community, or renewal
7 community”.

8 (b) QUALIFIED SUMMER YOUTH EMPLOYEE.—
9 Clause (iv) of section 51(d)(7)(A) is amended by striking
10 “empowerment zone or enterprise community” and insert-
11 ing “empowerment zone, enterprise community, or re-
12 newal community”.

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

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

19 **SEC. 503. EVALUATION AND REPORTING REQUIREMENTS.**

20 Not later than the close of the fourth calendar year
21 after the year in which the Secretary of Housing and
22 Urban Development first designates an area as a renewal
23 community under section 1400E of the Internal Revenue
24 Code of 1986, and at the close of each fourth calendar
25 year thereafter, such Secretary shall prepare and submit
26 to the Congress a report on the effects of such designa-

1 tions in stimulating the creation of new jobs, particularly
 2 for disadvantaged workers and long-term unemployed in-
 3 dividuals, and promoting the revitalization of economically
 4 distressed areas.

5 **TITLE VI—HOMEOWNERSHIP**
 6 **AND REVITALIZATION**

7 **SEC. 601. INCREASE IN STATE CEILING ON LOW-INCOME**
 8 **HOUSING CREDIT.**

9 (a) IN GENERAL.—Clause (i) of section 42(h)(3)(C)
 10 (relating to State housing credit ceiling) is amended by
 11 striking “\$1.25” and inserting “\$1.75”.

12 (b) ADJUSTMENT OF STATE CEILING FOR IN-
 13 CREASES IN COST-OF-LIVING.—Paragraph (3) of section
 14 42(h) (relating to housing credit dollar amount for agen-
 15 cies) is amended by adding at the end the following new
 16 subparagraph:

17 “(H) COST-OF-LIVING ADJUSTMENT.—

18 “(i) IN GENERAL.—In the case of a
 19 calendar year after 2001, the dollar
 20 amount contained in subparagraph (C)(i)
 21 shall be increased by an amount equal to—

22 “(I) such dollar amount, multi-
 23 plied by

24 “(II) the cost-of-living adjust-
 25 ment determined under section 1(f)(3)

1 for such calendar year by substituting
 2 ‘calendar year 2000’ for ‘calendar
 3 year 1992’ in subparagraph (B) there-
 4 of.

5 “(ii) ROUNDING.—If any increase
 6 under clause (i) is not a multiple of 5
 7 cents, such increase shall be rounded to
 8 the next lowest multiple of 5 cents.”.

9 (c) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to calendar years after 2000.

11 **SEC. 602. ADDITIONAL MODIFICATIONS TO LOW-INCOME**
 12 **HOUSING CREDIT.**

13 (a) MODIFICATION OF CRITERIA FOR ALLOCATING
 14 HOUSING CREDITS AMONG PROJECTS.—

15 (1) SELECTION CRITERIA.—Subparagraph (C)
 16 of section 42(m)(1) (relating to certain selection cri-
 17 teria must be used) is amended—

18 (A) by inserting “, including whether the
 19 project includes the use of existing housing as
 20 part of a community revitalization plan” before
 21 the comma at the end of clause (iii), and

22 (B) by striking clauses (v), (vi), and (vii)
 23 and inserting the following new clauses:

24 “(v) tenant populations with special
 25 housing needs,

- 1 “(vi) public housing waiting lists,
 2 “(vii) tenant populations of individ-
 3 uals with children,
 4 “(viii) projects intended for eventual
 5 tenant ownership, and
 6 “(ix) the accessibility of jobs, includ-
 7 ing lower skilled jobs, to the project.”

8 (2) PREFERENCE FOR COMMUNITY REVITALIZA-
 9 TION PROJECTS LOCATED IN QUALIFIED CENSUS
 10 TRACTS.—Clause (ii) of section 42(m)(1)(B) is
 11 amended by striking “and” at the end of subclause
 12 (I), by adding “and” at the end of subclause (II),
 13 and by inserting after subclause (II) the following
 14 new subclause:

15 “(III) projects which are located
 16 in qualified census tracts (as defined
 17 in subsection (d)(5)(C)) and the devel-
 18 opment of which contributes to a con-
 19 certed community revitalization
 20 plan,”.

21 (b) ADDITIONAL RESPONSIBILITIES OF HOUSING
 22 CREDIT AGENCIES.—

23 (1) MARKET STUDY; PUBLIC DISCLOSURE OF
 24 RATIONALE FOR NOT FOLLOWING CREDIT ALLOCA-
 25 TION PRIORITIES.—Subparagraph (A) of section

1 42(m)(1) (relating to responsibilities of housing
2 credit agencies) is amended by striking “and” at the
3 end of clause (i), by striking the period at the end
4 of clause (ii) and inserting a comma, and by adding
5 at the end the following new clauses:

6 “(iii) a comprehensive market study
7 of the housing needs of low-income individ-
8 uals in the area to be served by the build-
9 ing is conducted before the credit alloca-
10 tion is made and at the developer’s expense
11 by a disinterested party who is approved
12 by such agency, and

13 “(iv) a written explanation is available
14 to the general public for any allocation of
15 a housing credit dollar amount which is
16 not made in accordance with established
17 priorities and selection criteria of the hous-
18 ing credit agency.”.

19 (2) SITE VISITS.—Clause (iii) of section
20 42(m)(1)(B) (relating to qualified allocation plan) is
21 amended by inserting before the period “and in
22 monitoring for noncompliance with habitability
23 standards through regular site visits”.

24 (c) OTHER MODIFICATIONS.—

1 (1) ADJUSTED BASIS TO INCLUDE PORTION OF
2 CERTAIN BUILDINGS USED BY LOW-INCOME INDIVID-
3 UALS WHO ARE NOT TENANTS AND BY PROJECT EM-
4 PLOYEES.—Paragraph (4) of section 42(d) (relating
5 to special rules relating to determination of adjusted
6 basis) is amended—

7 (A) by striking “subparagraph (B)” in
8 subparagraph (A) and inserting “subpara-
9 graphs (B) and (C)”,

10 (B) by redesignating subparagraph (C) as
11 subparagraph (D), and

12 (C) by inserting after subparagraph (B)
13 the following new subparagraph:

14 “(C) INCLUSION OF BASIS OF PROPERTY
15 USED TO PROVIDE SERVICES FOR CERTAIN
16 NONTENANTS.—

17 “(i) IN GENERAL.—The adjusted
18 basis of any building located in a qualified
19 census tract (as defined in paragraph
20 (5)(C)) shall be determined by taking into
21 account the adjusted basis of property (of
22 a character subject to the allowance for de-
23 preciation and not otherwise taken into ac-
24 count) used throughout the taxable year in
25 providing any community service facility.

1 “(ii) LIMITATION.—The increase in
2 the adjusted basis of any building which is
3 taken into account by reason of clause (i)
4 shall not exceed 20 percent of the eligible
5 basis of the qualified low-income housing
6 project of which it is a part. For purposes
7 of the preceding sentence, all community
8 service facilities which are part of the same
9 qualified low-income housing project shall
10 be treated as 1 facility.

11 “(iii) COMMUNITY SERVICE FACIL-
12 ITY.—For purposes of this subparagraph,
13 the term ‘community service facility’
14 means any facility designed to serve pri-
15 marily individuals whose income is 60 per-
16 cent or less of area median income (within
17 the meaning of subsection (g)(1)(B)).”.

18 (2) ALLOCATION OF CREDIT LIMIT TO CERTAIN
19 BUILDINGS.—

20 (A) The first sentence of section
21 42(h)(1)(E)(ii) is amended by striking “(as of”
22 the first place it appears and inserting “(as of
23 the later of the date which is 6 months after
24 the date that the allocation was made or”.

1 (B) The last sentence of section
2 42(h)(3)(C) is amended by striking “project
3 which” and inserting “project which fails to
4 meet the 10 percent test under paragraph
5 (1)(E)(ii) on a date after the close of the cal-
6 endar year in which the allocation was made or
7 which”.

8 (3) DETERMINATION OF WHETHER BUILDINGS
9 ARE LOCATED IN HIGH COST AREAS.—The first sen-
10 tence of section 42(d)(5)(C)(ii)(I) is amended—

11 (A) by inserting “either” before “in which
12 50 percent”, and

13 (B) by inserting before the period “ or
14 which has a poverty rate of at least 25 per-
15 cent”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to—

18 (1) housing credit dollar amounts allocated
19 after December 31, 2000, and

20 (2) buildings placed in service after December
21 31, 2000, to the extent paragraph (1) of section
22 42(h) of the Internal Revenue Code of 1986 does
23 not apply to any building by reason of paragraph (4)
24 thereof, but only with respect to bonds issued after
25 December 31, 2000.

1 **SEC. 603. INCREASE IN STATE CEILING ON PRIVATE ACTIV-**
2 **ITY BONDS.**

3 (a) IN GENERAL.—Paragraphs (1) and (2) of section
4 146(d) (relating to State ceiling) are amended to read as
5 follows:

6 “(1) IN GENERAL.—The State ceiling applicable
7 to any State for any calendar year shall be the
8 greater of—

9 “(A) an amount equal to \$75 multiplied by
10 the State population, or

11 “(B) \$225,000,000.

12 Subparagraph (B) shall not apply to any possession
13 of the United States.

14 “(2) INFLATION ADJUSTMENT.—In the case of
15 a calendar year after 2001, each of the dollar
16 amounts contained in paragraph (1) shall be in-
17 creased by an amount equal to—

18 “(A) such dollar amount, multiplied by

19 “(B) the cost-of-living adjustment deter-
20 mined under section 1(f)(3) for such calendar
21 year by substituting ‘calendar year 2000’ for
22 ‘calendar year 1992’ in subparagraph (B)
23 thereof.

24 If any increase determined under the preceding sen-
25 tence is not a multiple of \$1 (\$250 in the case of
26 the dollar amount in paragraph (1)(B), such in-

1 crease shall be rounded to the nearest multiple
2 thereof.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to calendar years after 2000.

5 **SEC. 604. HOME OWNERSHIP TAX CREDIT.**

6 (a) IN GENERAL.—Subpart D of part IV of sub-
7 chapter A of chapter 1 (relating to business related cred-
8 its), as amended by section 101(a), is amended by adding
9 at the end the following:

10 **“SEC. 45E. HOME OWNERSHIP TAX CREDIT.**

11 “(a) ALLOWANCE OF CREDIT.—

12 “(1) IN GENERAL.—For purposes of section 38,
13 the amount of the home ownership tax credit deter-
14 mined under this section for any taxable year in the
15 credit period shall be an amount equal to the appli-
16 cable percentage of the home ownership tax credit
17 amount allocated such taxpayer by a State housing
18 finance agency in the credit allocation year under
19 subsection (b).

20 “(2) APPLICABLE PERCENTAGE.—For purposes
21 of this section, the Secretary shall prescribe the ap-
22 plicable percentage for any year in which the tax-
23 payer is a qualified lender. Such percentage with re-
24 spect to any month in the credit period with respect
25 to such taxpayer shall be percentages which will

1 yield over such period amounts of credit under para-
 2 graph (1) which have a present value equal to 100
 3 percent of the home ownership tax credit amount al-
 4 located such taxpayer under subsection (b).

5 “(3) METHOD OF DISCOUNTING.—The present
 6 value under paragraph (2) shall be determined in
 7 the same manner as the low-income housing credit
 8 under section 42(b)(2)(C).

9 “(b) ALLOCATION OF HOME OWNERSHIP TAX CRED-
 10 IT AMOUNTS.—

11 “(1) AMOUNT OF CREDIT.—Each qualified
 12 State shall receive a home ownership tax credit dol-
 13 lar amount for each calendar year in an amount
 14 equal to the sum of—

15 “(A) an amount equal to—

16 “(i) 40 cents multiplied by the State
 17 population, multiplied by

18 “(ii) 10, plus

19 “(B) the unused home ownership tax credit
 20 dollar amount (if any) of such State for the
 21 preceding year.

22 “(2) QUALIFIED STATE.—For purposes of this
 23 section—

24 “(A) IN GENERAL.—The term ‘qualified
 25 State’ means a State with an approved alloca-

1 tion plan to allocate home ownership tax credits
2 to qualified lenders through the State housing
3 finance agency.

4 “(B) APPROVED ALLOCATION PLAN.—For
5 purposes of this paragraph, the term ‘approved
6 allocation plan’ means a written plan, certified
7 by the Secretary, which includes—

8 “(i) selection criteria for the allocation
9 of credits to qualified lenders—

10 “(I) based on a process in which
11 lenders submit bids for the value of
12 the credit, and

13 “(II) which gives priority to
14 qualified lenders with qualified home
15 ownership tax credit loans which are
16 prepaid during a calendar year, for
17 credit allocations in the succeeding
18 calendar year,

19 “(ii) an assurance that the State will
20 not allocate in excess of 10 percent of the
21 home ownership tax credit amount for the
22 calendar year for qualified home ownership
23 tax credit loans which are neighborhood re-
24 vitalization project loans,

1 “(iii) a procedure that the agency (or
2 an agent or other private contractor of
3 such agency) will follow in monitoring for
4 noncompliance with the provisions of this
5 section and in notifying the Internal Rev-
6 enue Service of such noncompliance with
7 respect to which such agency becomes
8 aware, and

9 “(iv) such other assurances as the
10 Secretary may require.

11 “(3) QUALIFIED LENDER.—For purposes of
12 this section, the term ‘qualified lender’ means a
13 lender which—

14 “(A) is an insured depository institution
15 (as defined in section 3 of the Federal Deposit
16 Insurance Act), insured credit union (as defined
17 in section 101 of the Federal Credit Union
18 Act), community development financial institu-
19 tion (as defined in section 103 of the Commu-
20 nity Development Banking and Financial Insti-
21 tutions Act of 1994 (12 U.S.C. 4702)), or non-
22 profit community development corporation (as
23 defined in section 613 of the Community Eco-
24 nomic Development Act of 1981 (42 U.S.C.
25 9802)),

1 “(B) makes available, through such lender
2 or the lender’s designee, pre-purchase home-
3 ownership counseling for mortgagors, and

4 “(C) during the 1-year period beginning on
5 the date of the credit allocation, originates not
6 less than 100 qualified home ownership tax
7 credit loans in an aggregate amount not less
8 than the amount of the bid of such lender for
9 such credit allocation.

10 “(4) CARRYOVER OF CREDIT.—A home owner-
11 ship tax credit amount received by a State for any
12 calendar year and not allocated in such year shall
13 remain available to be allocated in the succeeding
14 calendar year.

15 “(5) POPULATION.—For purposes of this sec-
16 tion, population shall be determined in accordance
17 with section 146(j).

18 “(6) COST-OF-LIVING ADJUSTMENT.—

19 “(A) IN GENERAL.—In the case of a cal-
20 endar year after 2000, the 40 cent amount con-
21 tained in paragraph (1)(A)(i) shall be increased
22 by an amount equal to—

23 “(i) such amount, multiplied by

24 “(ii) the cost-of-living adjustment de-
25 termined under section 1(f)(3) for such

1 calendar year by substituting ‘calendar
2 year 1999’ for ‘calendar year 1992’ in sub-
3 paragraph (B) thereof.

4 “(B) ROUNDING.—If any amount as ad-
5 justed under subparagraph (A) is not a multiple
6 of 5 cents, such amount shall be rounded to the
7 next lowest multiple of 5 cents.

8 “(c) QUALIFIED HOME OWNERSHIP TAX CREDIT
9 LOAN DEFINED.—For purposes of this section—

10 “(1) IN GENERAL.—The term ‘qualified home
11 ownership tax credit loan’ means a loan originated
12 and funded by a qualified lender which is secured by
13 a second lien on a residence, but only if—

14 “(A) the requirements of subsections (d),
15 (e), and (f) are met,

16 “(B) subject to subparagraphs (F), (H),
17 and (I), the proceeds from such loan are ap-
18 plied exclusively—

19 “(i) to acquire such residence, or

20 “(ii) to substantially improve such
21 residence in connection with a neighbor-
22 hood revitalization project,

23 “(C) the principal amount of the loan is
24 equal to an amount which is—

1 “(i) not less than 18 percent of the
2 purchase price of the residence securing
3 the loan, and

4 “(ii) not more than the lesser of—

5 “(I) 22 percent of such purchase
6 price, or

7 “(II) \$25,000,

8 “(D) in the case of a neighborhood revital-
9 ization project loan, subparagraph (C) is ap-
10 plied by substituting—

11 “(i) ‘purchase price or appraised
12 value’ for ‘purchase price’, and

13 “(ii) ‘\$40,000’ for ‘\$25,000’,

14 “(E) the loan is—

15 “(i) amortized over a period of not
16 more than 30 years (or any lesser period
17 of time as determined by the lender or the
18 State housing finance agency (as applica-
19 ble)), or

20 “(ii) described in paragraph (2),

21 “(F) the proceeds of such loan are not
22 used for settlement or other closing costs of the
23 transaction in an amount in excess of 4 percent
24 of the purchase price of the residence securing
25 the loan,

1 “(G) the rate of interest of the loan does
2 not exceed the greater of—

3 “(i) the excess of—

4 “(I) the prime lending rate in ef-
5 fect as of the date on which the loan
6 is originated, over

7 “(II) 5.5 percent, or

8 “(ii) 3 percent,

9 “(H) the origination fee paid with respect
10 to the loan does not cause the aggregate
11 amount of origination fees paid with respect to
12 any loans secured by the residence—

13 “(i) in the case of a neighborhood re-
14 vitalization project loan, to exceed 1 per-
15 cent of the appraised value of the residence
16 which secures the loan, and

17 “(ii) in the case of any other loan, to
18 exceed 2 percent of the appraised value of
19 such residence, and

20 “(I) the servicing fees of such loan—

21 “(i) are allocated from interest pay-
22 ments made with respect to the loan, and

23 “(ii) may not—

1 “(I) in the case of a neighbor-
2 hood revitalization project loan, ex-
3 ceed a total of 38 basis points, and

4 “(II) in the case of any other
5 loan, when added to such fees of any
6 other loan secured by the residence,
7 exceed a total of 63 basis points.

8 “(2) BALLOON PAYMENT LOAN.—

9 “(A) IN GENERAL.—A loan is described in
10 this paragraph if such loan—

11 “(i) meets the requirements of sub-
12 paragraphs (B) and (C),

13 “(ii) is for a period of 25 years and,
14 except as provided in clause (iv), no pay-
15 ment is due on such loan until the sooner
16 of—

17 “(I) the end of such period, or

18 “(II) the date on which the resi-
19 dence which secures the loan is dis-
20 posed of,

21 “(iii) does not prohibit early repay-
22 ment of such loan, and

23 “(iv) requires payment on such loan if
24 the mortgagor receives any portion of the
25 equity of such residence as part of a refi-

1 nancing of any loan secured by such resi-
2 dence.

3 “(B) INTEREST.—Notwithstanding para-
4 graph (1)(G), the rate of interest of the loan is
5 zero percent.

6 “(C) SERVICING FEES.—Notwithstanding
7 paragraph (1)(I), there shall be no servicing
8 fees in connection with the loan.

9 “(3) INDEX OF AMOUNT.—

10 “(A) IN GENERAL.—In the case of a cal-
11 endar year after 2000, the amounts under sub-
12 paragraphs (C) and (D) of paragraph (1) shall
13 be increased by an amount equal to—

14 “(i) such amount, multiplied by

15 “(ii) the housing price adjustment for
16 such calendar year.

17 “(B) HOUSING PRICE ADJUSTMENT.—For
18 purposes of subparagraph (A), the housing
19 price adjustment for any calendar year is the
20 percentage (if any) by which—

21 “(i) the housing price index for the
22 preceding calendar year, exceeds

23 “(ii) the housing price index for cal-
24 endar year 2000.

1 “(C) HOUSING PRICE INDEX.—For pur-
2 poses of subparagraph (B), the housing price
3 index means the housing price index published
4 by the Federal Housing Finance Board (as es-
5 tablished in section 2A of the Federal Home
6 Loan Bank Act (12 U.S.C. 1422a)) for the cal-
7 endar year.

8 “(d) MORTGAGOR.—

9 “(1) IN GENERAL.—A loan meets the require-
10 ments of this subsection if it is made to a
11 mortgagor—

12 “(A) whose family income for the year in
13 which the mortgagor applies for the loan is 80
14 percent or less of the area median gross income
15 for the area in which the residence which se-
16 cures the mortgage is located,

17 “(B) for whom the loan would not result in
18 a housing debt-to-income ratio, with respect to
19 the residence securing the loan, or total debt-to-
20 income ratio which is greater than the guide-
21 lines set by the Federal Housing Administra-
22 tion (or any other ratio as determined by the
23 State housing finance agency or lender if such
24 ratio is less than such guidelines), and

1 “(C) who attends pre-purchase home-
2 ownership counseling provided by the qualified
3 lender or the lender’s designee.

4 “(2) DETERMINATION OF FAMILY INCOME.—
5 For purposes of this subsection and subsection (h),
6 the family income of a mortgagor and area median
7 gross income shall be determined in accordance with
8 section 143(f)(2).

9 “(e) RESIDENCE REQUIREMENTS.—A loan meets the
10 requirements of this subsection if it is secured by a resi-
11 dence that is—

12 “(1) a single-family residence (including a man-
13 ufactured home (within the meaning of section
14 25(e)(10))) which is the principal residence (within
15 the meaning of section 121) of the mortgagor, or
16 can reasonably be expected to become the principal
17 residence of the mortgagor within a reasonable time
18 after the financing is provided,

19 “(2) purchased by the mortgagor with a down
20 payment in an amount not less than the lesser of—

21 “(A) 2 percent of the purchase price, or

22 “(B) \$1,000, and

23 “(3) in the case of a mortgagor with a family
24 income greater than 50 percent of the area median
25 gross income, as determined under subsection

1 (d)(1)(A), not financed in connection with a quali-
2 fied mortgage issued under section 143.

3 “(f) DEFINITION AND SPECIAL RULES RELATING TO
4 CREDIT PERIOD.—

5 “(1) CREDIT PERIOD DEFINED.—For purposes
6 of this section, the term ‘credit period’ means the
7 period of 10 taxable years beginning with the tax-
8 able year in which a home ownership tax credit
9 amount is allocated to the taxpayer.

10 “(2) SPECIAL RULE FOR 1ST YEAR OF CREDIT
11 PERIOD.—

12 “(A) IN GENERAL.—The credit allowable
13 under subsection (a) with respect to any tax-
14 payer for the 1st taxable year of the credit pe-
15 riod shall be determined by substituting for the
16 applicable percentage under subsection (a)(2)
17 the fraction—

18 “(i) the numerator of which is the
19 sum of the applicable percentages deter-
20 mined under subsection (a)(2) as of the
21 close of each full month of such year, dur-
22 ing which the taxpayer was a qualified
23 lender, and

24 “(ii) the denominator of which is 12.

1 “(B) DISALLOWED 1ST YEAR CREDIT AL-
2 LOWED IN 11TH YEAR.—Any reduction by rea-
3 son of subparagraph (A) in the credit allowable
4 (without regard to subparagraph (A)) for the
5 1st taxable year of the credit period shall be al-
6 lowable under subsection (a) for the 1st taxable
7 year following the credit period.

8 “(3) DISPOSITION OF HOME OWNERSHIP TAX
9 CREDIT LOANS.—If a qualified home ownership tax
10 credit loan is disposed of during any year for which
11 a credit is allowable under subsection (a), such cred-
12 it shall be allocated between the parties on the basis
13 of the number of days during such year the mort-
14 gage was held by each and the portion of the total
15 credit allocated to the qualified lender which is at-
16 tributable to such mortgage.

17 “(g) LOSS OF CREDIT.—If, during the taxable year,
18 a qualified home ownership tax credit loan is repaid prior
19 to the expiration of the credit period with respect to such
20 loan, the amount of the home ownership tax credit attrib-
21 utable to such loan is no longer available under subsection
22 (a). For purposes of the preceding sentence, the tax credit
23 is allowable for the portion of the year in which such re-
24 payment occurs for which the loan is outstanding, deter-

1 mined in the same manner as provided in subsection
2 (f)(2)(A).

3 “(h) RECAPTURE OF PORTION OF FEDERAL SUBSIDY
4 FROM HOME-OWNER.—

5 “(1) IN GENERAL.—If, during the taxable year,
6 any taxpayer described in paragraph (3) disposes of
7 an interest in a residence with respect to which a
8 home ownership tax credit amount applies, then the
9 taxpayer’s tax imposed by this chapter for such tax-
10 able year shall be increased by 50 percent of the
11 gain (if any) on the disposition of such interest.

12 “(2) EXCEPTIONS.—Paragraph (1) shall not
13 apply to any disposition—

14 “(A) by reason of death,

15 “(B) which is made on a date that is more
16 than 10 years after the date on which the quali-
17 fied home ownership tax credit loan secured by
18 such residence was made, or

19 “(C) in which the purchaser of the resi-
20 dence assumes the qualified home ownership
21 tax credit loan secured by the residence.

22 “(3) INCOME LIMITATION.—A taxpayer is de-
23 scribed in this paragraph if, on the date of the dis-
24 position, the family income of the mortgagor is 115
25 percent or more of the area median gross income as

1 determined under subsection (d)(1)(A) for the year
2 in which the disposition occurs.

3 “(4) SPECIAL RULES RELATING TO LIMITATION
4 ON RECAPTURE AMOUNT BASED ON GAIN REAL-
5 IZED.—For purposes of this subsection, rules similar
6 to the rules of section 143(m)(6) shall apply.

7 “(5) LENDER TO INFORM MORTGAGOR OF PO-
8 TENTIAL RECAPTURE.—The qualified lender which
9 makes a qualified home ownership tax credit loan to
10 a mortgagor shall, at the time of settlement, provide
11 a written statement informing the mortgagor of the
12 potential recapture under this subsection.

13 “(6) SPECIAL RULES.—For purposes of this
14 subsection, rules similar to the rules of section
15 143(m)(8) shall apply.

16 “(i) OTHER DEFINITIONS.—

17 “(1) NEIGHBORHOOD REVITALIZATION
18 PROJECT LOAN.—

19 “(A) IN GENERAL.—The term ‘neighbor-
20 hood revitalization project loan’ means a loan
21 secured by a second lien on a residence, the
22 proceeds of which are used to substantially im-
23 prove such residence in connection with a
24 neighborhood revitalization project.

1 “(B) NEIGHBORHOOD REVITALIZATION
2 PROJECT.—The term ‘neighborhood revitaliza-
3 tion project’ means a project of sufficient size
4 and scope to alleviate physical deterioration and
5 stimulate investment in—

6 “(i) a geographic location within the
7 jurisdiction of a unit of local government
8 (but not the entire jurisdiction) designated
9 in comprehensive plans, ordinances, or
10 other documents as a neighborhood, vil-
11 lage, or similar geographic designation, or

12 “(ii) the entire jurisdiction of a unit
13 of local government if the population of
14 such jurisdiction is not in excess of 25,000.

15 “(2) STATE.—The term ‘State’ includes a pos-
16 session of the United States.

17 “(3) STATE HOUSING FINANCE AGENCY.—The
18 term ‘State housing finance agency’ means the pub-
19 lic agency, authority, corporation, or other instru-
20 mentality of a State that has the authority to pro-
21 vide residential mortgage loan financing throughout
22 the State.

23 “(j) CERTIFICATION AND OTHER REPORTS TO THE
24 SECRETARY.—

1 “(1) CERTIFICATION WITH RESPECT TO STATE
2 ALLOCATION OF HOME OWNERSHIP TAX CREDITS.—
3 The Secretary may, upon a finding of noncompli-
4 ance, revoke the certification of a qualified State and
5 revoke any qualified home ownership tax credit
6 amounts allocated to such State or allocated by such
7 State to a qualified lender.

8 “(2) ANNUAL REPORT FROM HOUSING FINANCE
9 AGENCIES.—Each State housing finance agency
10 which allocates any home ownership tax credit
11 amount to any qualified lender for any calendar year
12 shall submit to the Secretary (at such time and in
13 such manner as the Secretary shall prescribe) an an-
14 nual report specifying—

15 “(A) the home ownership tax credit
16 amount allocated to each qualified lender for
17 such year, and

18 “(B) with respect to each qualified
19 lender—

20 “(i) the principal amount of the ag-
21 gregate qualified home ownership tax cred-
22 it loans made by such lender in such year
23 and the outstanding amount of such loans
24 in such year, and

1 “(ii) the number of qualified home
2 ownership tax credit loans made by such
3 lender in such year.

4 The penalty under section 6652(j) shall apply to any
5 failure to submit the report required by this para-
6 graph on the date prescribed therefore.

7 “(k) REGULATIONS.—The Secretary shall prescribe
8 such regulations as may be necessary or appropriate to
9 carry out the purposes of this section.”.

10 (b) LIMITATION ON CARRYBACK OF UNUSED CRED-
11 IT.—Subsection (d) of section 39 (relating to carryback
12 and carryforward of unused credits), as amended by sec-
13 tion 101(b)(2) is amended by adding at the end the fol-
14 lowing:

15 “(10) NO CARRYBACK OF HOME OWNERSHIP
16 TAX CREDITS BEFORE EFFECTIVE DATE.—No por-
17 tion of the unused business credit for any taxable
18 year which is attributable to the home ownership tax
19 credit determined under section 45E may be carried
20 back to a taxable year ending before the date of the
21 enactment of section 45E.”.

22 (c) CONFORMING AMENDMENTS.—

23 (1) Section 38(b), as amended by section
24 101(b)(1), is amended—

1 (A) by striking “plus” at the end of para-
2 graph (12),

3 (B) by striking the period at the end of
4 paragraph (13), and inserting “, plus”, and

5 (C) by adding at the end the following:

6 “(14) the home ownership tax credit determined
7 under section 45E.”

8 (2) The table of sections for subpart D of part
9 IV of subchapter A of chapter 1, as amended by sec-
10 tion 101(d), is amended by adding at the end the
11 following:

“Sec. 45E. Home ownership tax credit.”

12 (d) **EFFECTIVE DATE.**—The amendments made by
13 this section apply to calendar years after 2000.

14 **SEC. 605. TAX CREDIT FOR RENOVATING HISTORIC HOMES.**

15 (a) **IN GENERAL.**—Subpart A of part IV of sub-
16 chapter A of chapter 1 (relating to nonrefundable personal
17 credits) is amended by inserting after section 25A the fol-
18 lowing new section:

19 **“SEC. 25B. HISTORIC HOMEOWNERSHIP REHABILITATION**
20 **CREDIT.**

21 “(a) **GENERAL RULE.**—In the case of an individual,
22 there shall be allowed as a credit against the tax imposed
23 by this chapter for the taxable year an amount equal to
24 20 percent of the qualified rehabilitation expenditures

1 made by the taxpayer with respect to a qualified historic
2 home.

3 “(b) DOLLAR LIMITATION.—The credit allowed by
4 subsection (a) with respect to any residence of a taxpayer
5 shall not exceed \$20,000 (\$10,000 in the case of a married
6 individual filing a separate return).

7 “(c) QUALIFIED REHABILITATION EXPENDITURE.—
8 For purposes of this section—

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

12 “(A) in connection with the certified reha-
13 bilitation of a qualified historic home, and

14 “(B) for property for which depreciation
15 would be allowable under section 168 if the
16 qualified historic home were used in a trade or
17 business.

18 “(2) CERTAIN EXPENDITURES NOT IN-
19 CLUDED.—

20 “(A) EXTERIOR.—Such term shall not in-
21 clude any expenditure in connection with the re-
22 habilitation of a building unless at least 5 per-
23 cent of the total expenditures made in the reha-
24 bilitation process are allocable to the rehabilita-
25 tion of the exterior of such building.

1 “(B) OTHER RULES TO APPLY.—Rules
2 similar to the rules of clauses (ii) and (iii) of
3 section 47(c)(2)(B) shall apply.

4 “(3) MIXED USE OR MULTIFAMILY BUILDING.—
5 If only a portion of a building is used as the prin-
6 cipal residence of the taxpayer, only qualified reha-
7 bilitation expenditures which are properly allocable
8 to such portion shall be taken into account under
9 this section.

10 “(d) CERTIFIED REHABILITATION.—For purposes of
11 this section:

12 “(1) IN GENERAL.—Except as otherwise pro-
13 vided in this subsection, the term ‘certified rehabili-
14 tation’ has the meaning given such term by section
15 47(c)(2)(C).

16 “(2) FACTORS TO BE CONSIDERED IN THE
17 CASE OF TARGETED AREA RESIDENCES, ETC.—

18 “(A) IN GENERAL.—For purposes of ap-
19 plying section 47(c)(2)(C) under this section
20 with respect to the rehabilitation of a building
21 to which this paragraph applies, consideration
22 shall be given to—

23 “(i) the feasibility of preserving exist-
24 ing architectural and design elements of
25 the interior of such building,

1 “(ii) the risk of further deterioration
2 or demolition of such building in the event
3 that certification is denied because of the
4 failure to preserve such interior elements,
5 and

6 “(iii) the effects of such deterioration
7 or demolition on neighboring historic prop-
8 erties.

9 “(B) BUILDINGS TO WHICH THIS PARA-
10 GRAPH APPLIES.—This paragraph shall apply
11 with respect to any building—

12 “(i) any part of which is a targeted
13 area residence within the meaning of sec-
14 tion 143(j)(1), or

15 “(ii) which is located within an enter-
16 prise community or empowerment zone as
17 designated under section 1391,

18 but shall not apply with respect to any building
19 which is listed in the National Register.

20 “(3) APPROVED STATE PROGRAM.—The term
21 ‘certified rehabilitation’ includes a certification made
22 by—

23 “(A) a State Historic Preservation Officer
24 who administers a State Historic Preservation
25 Program approved by the Secretary of the Inte-

1 rior pursuant to section 101(b)(1) of the Na-
 2 tional Historic Preservation Act, as in effect on
 3 the date of the enactment of this section, or

4 “(B) a local government, certified pursuant
 5 to section 101(c)(1) of the National Historic
 6 Preservation Act, as in effect on the date of the
 7 enactment of this section, and authorized by a
 8 State Historic Preservation Officer, or the Sec-
 9 retary of the Interior where there is no ap-
 10 proved State program),

11 subject to such terms and conditions as may be
 12 specified by the Secretary of the Interior for the re-
 13 habilitation of buildings within the jurisdiction of
 14 such officer (or local government) for purposes of
 15 this section.

16 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
 17 poses of this section—

18 “(1) QUALIFIED HISTORIC HOME.—The term
 19 ‘qualified historic home’ means a certified historic
 20 structure—

21 “(A) which has been substantially rehabili-
 22 tated, and

23 “(B) which (or any portion of which)—

24 “(i) is owned by the taxpayer, and

1 “(ii) is used (or will, within a reason-
2 able period, be used) by such taxpayer as
3 his principal residence.

4 “(2) SUBSTANTIALLY REHABILITATED.—The
5 term ‘substantially rehabilitated’ has the meaning
6 given such term by section 47(c)(1)(C); except that,
7 in the case of any building described in subsection
8 (d)(2), clause (i)(I) thereof shall not apply.

9 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-
10 cipal residence’ has the same meaning as when used
11 in section 121.

12 “(4) CERTIFIED HISTORIC STRUCTURE.—

13 “(A) IN GENERAL.—The term ‘certified
14 historic structure’ means any building (and its
15 structural components) which—

16 “(i) is listed in the National Register,
17 or

18 “(ii) is located in a registered historic
19 district (as defined in section 47(c)(3)(B))
20 within which only qualified census tracts
21 (or portions thereof) are located, and is
22 certified by the Secretary of the Interior to
23 the Secretary as being of historic signifi-
24 cance to the district.

1 “(B) CERTAIN STRUCTURES INCLUDED.—
2 Such term includes any building (and its struc-
3 tural components) which is designated as being
4 of historic significance under a statute of a
5 State or local government, if such statute is
6 certified by the Secretary of the Interior to the
7 Secretary as containing criteria which will sub-
8 stantially achieve the purpose of preserving and
9 rehabilitating buildings of historic significance.

10 “(C) QUALIFIED CENSUS TRACTS.—For
11 purposes of subparagraph (A)(ii)—

12 “(i) IN GENERAL.—The term ‘quali-
13 fied census tract’ means a census tract in
14 which the median family income is less
15 than twice the statewide median family in-
16 come.

17 “(ii) DATA USED.—The determination
18 under clause (i) shall be made on the basis
19 of the most recent decennial census for
20 which data are available.

21 “(5) REHABILITATION NOT COMPLETE BEFORE
22 CERTIFICATION.—A rehabilitation shall not be treat-
23 ed as complete before the date of the certification re-
24 ferred to in subsection (d).

1 “(6) LESSEES.—A taxpayer who leases his
2 principal residence shall, for purposes of this section,
3 be treated as the owner thereof if the remaining
4 term of the lease (as of the date determined under
5 regulations prescribed by the Secretary) is not less
6 than such minimum period as the regulations re-
7 quire.

8 “(7) TENANT-STOCKHOLDER IN COOPERATIVE
9 HOUSING CORPORATION.—If the taxpayer holds
10 stock as a tenant-stockholder (as defined in section
11 216) in a cooperative housing corporation (as de-
12 fined in such section), such stockholder shall be
13 treated as owning the house or apartment which the
14 taxpayer is entitled to occupy as such stockholder.

15 “(8) ALLOCATION OF EXPENDITURES RELAT-
16 ING TO EXTERIOR OF BUILDING CONTAINING COOP-
17 ERATIVE OR CONDOMINIUM UNITS.—The percentage
18 of the total expenditures made in the rehabilitation
19 of a building containing cooperative or condominium
20 residential units allocated to the rehabilitation of the
21 exterior of the building shall be attributed propor-
22 tionately to each cooperative or condominium resi-
23 dential unit in such building for which a credit
24 under this section is claimed.

1 “(f) WHEN EXPENDITURES TAKEN INTO AC-
2 COUNT.—In the case of a building other than a building
3 to which subsection (g) applies, qualified rehabilitation ex-
4 penditures shall be treated for purposes of this section as
5 made on the date the rehabilitation is completed.

6 “(g) ALLOWANCE OF CREDIT FOR PURCHASE OF RE-
7 HABILITATED HISTORIC HOME.—

8 “(1) IN GENERAL.—In the case of a qualified
9 purchased historic home, the taxpayer shall be treat-
10 ed as having made (on the date of purchase) the
11 qualified rehabilitation expenditures made by the
12 seller of such home. For purposes of the preceding
13 sentence, expenditures made by the seller shall be
14 deemed to be qualified rehabilitation expenditures if
15 such expenditures, if made by the purchaser, would
16 be qualified rehabilitation expenditures.

17 “(2) QUALIFIED PURCHASED HISTORIC
18 HOME.—For purposes of this subsection, the term
19 ‘qualified purchased historic home’ means any sub-
20 stantially rehabilitated certified historic structure
21 purchased by the taxpayer if—

22 “(A) the taxpayer is the first purchaser of
23 such structure after the date rehabilitation is
24 completed, and the purchase occurs within 5
25 years after such date,

1 “(B) the structure (or a portion thereof)
2 will, within a reasonable period, be the principal
3 residence of the taxpayer,

4 “(C) no credit was allowed to the seller
5 under this section or section 47 with respect to
6 such rehabilitation, and

7 “(D) the taxpayer is furnished with such
8 information as the Secretary determines is nec-
9 essary to determine the credit under this sub-
10 section.

11 “(h) HISTORIC REHABILITATION MORTGAGE CREDIT
12 CERTIFICATE.—

13 “(1) IN GENERAL.—The taxpayer may elect, in
14 lieu of the credit otherwise allowable under this sec-
15 tion, to receive a historic rehabilitation mortgage
16 credit certificate. An election under this paragraph
17 shall be made—

18 “(A) in the case of a building to which
19 subsection (g) applies, at the time of purchase,
20 or

21 “(B) in any other case, at the time reha-
22 bilitation is completed.

23 “(2) HISTORIC REHABILITATION MORTGAGE
24 CREDIT CERTIFICATE.—For purposes of this sub-

1 section, the term ‘historic rehabilitation mortgage
2 credit certificate’ means a certificate—

3 “(A) issued to the taxpayer, in accordance
4 with procedures prescribed by the Secretary,
5 with respect to a certified rehabilitation,

6 “(B) the face amount of which shall be
7 equal to the credit which would (but for this
8 subsection) be allowable under subsection (a) to
9 the taxpayer with respect to such rehabilitation,

10 “(C) which may only be transferred by the
11 taxpayer to a lending institution (including a
12 non-depository institution) in connection with a
13 loan—

14 “(i) that is secured by the building
15 with respect to which the credit relates,
16 and

17 “(ii) the proceeds of which may not be
18 used for any purpose other than the acqui-
19 sition or rehabilitation of such building,
20 and

21 “(D) in exchange for which such lending
22 institution provides the taxpayer—

23 “(i) a reduction in the rate of interest
24 on the loan which results in interest pay-
25 ment reductions which are substantially

1 equivalent on a present value basis to the
2 face amount of such certificate, or

3 “(ii) if the taxpayer so elects with re-
4 spect to a specified amount of the face
5 amount of such a certificate relating to a
6 building—

7 “(I) which is a targeted area res-
8 idence within the meaning of section
9 143(j)(1), or

10 “(II) which is located in an en-
11 terprise community or empowerment
12 zone as designated under section
13 1391,

14 a payment which is substantially equivalent
15 to such specified amount to be used to re-
16 duce the taxpayer’s cost of purchasing the
17 building (and only the remainder of such
18 face amount shall be taken into account
19 under clause (i)).

20 “(3) METHOD OF DISCOUNTING.—The present
21 value under paragraph (2)(D)(i) shall be
22 determined—

23 “(A) for a period equal to the term of the
24 loan referred to in subparagraph (D)(i),

1 “(B) by using the convention that any pay-
2 ment on such loan in any taxable year within
3 such period is deemed to have been made on
4 the last day of such taxable year,

5 “(C) by using a discount rate equal to 65
6 percent of the average of the annual Federal
7 mid-term rate and the annual Federal long-
8 term rate applicable under section 1274(d)(1)
9 to the month in which the taxpayer makes an
10 election under paragraph (1) and compounded
11 annually, and

12 “(D) by assuming that the credit allowable
13 under this section for any year is received on
14 the last day of such year.

15 “(4) USE OF CERTIFICATE BY LENDER.—The
16 amount of the credit specified in the certificate shall
17 be allowed to the lender only to offset the regular
18 tax (as defined in section 55(c)) of such lender. The
19 lender may carry forward all unused amounts under
20 this subsection until exhausted.

21 “(5) HISTORIC REHABILITATION MORTGAGE
22 CREDIT CERTIFICATE NOT TREATED AS TAXABLE IN-
23 COME.—Notwithstanding any other provision of law,
24 no benefit accruing to the taxpayer through the use
25 of an historic rehabilitation mortgage credit certifi-

1 cate shall be treated as taxable income for purposes
2 of this title.

3 “(i) RECAPTURE.—

4 “(1) IN GENERAL.—If, before the end of the 5-
5 year period beginning on the date on which the reha-
6 bilitation of the building is completed (or, if sub-
7 section (g) applies, the date of purchase of such
8 building by the taxpayer, or, if subsection (h) ap-
9 plies, the date of the loan)—

10 “(A) the taxpayer disposes of such tax-
11 payer’s interest in such building, or

12 “(B) such building ceases to be used as the
13 principal residence of the taxpayer,

14 the taxpayer’s tax imposed by this chapter for the
15 taxable year in which such disposition or cessation
16 occurs shall be increased by the recapture percent-
17 age of the credit allowed under this section for all
18 prior taxable years with respect to such rehabilita-
19 tion.

20 “(2) RECAPTURE PERCENTAGE.—For purposes
21 of paragraph (1), the recapture percentage shall be
22 determined in accordance with the following table:

**“If the disposition or ces- The recapture percentage is—
sation occurs within—**

- | | |
|---|-----|
| (i) One full year after the taxpayer becomes entitled to the credit. | 100 |
| (ii) One full year after the close of the period described in clause (i). | 80 |

“If the disposition or cessation occurs within— The recapture percentage is—

- | | |
|---|-----|
| (iii) One full year after the close of the period described in clause (ii). | 60 |
| (iv) One full year after the close of the period described in clause (iii). | 40 |
| (v) One full year after the close of the period described in clause (iv). | 20. |

1 “(j) BASIS ADJUSTMENTS.—For purposes of this
 2 subtitle, if a credit is allowed under this section for any
 3 expenditure with respect to any property (including any
 4 purchase under subsection (g) and any transfer under sub-
 5 section (h)), the increase in the basis of such property
 6 which would (but for this subsection) result from such ex-
 7 penditure shall be reduced by the amount of the credit
 8 so allowed.

9 “(k) DENIAL OF DOUBLE BENEFIT.—No credit shall
 10 be allowed under this section for any amount for which
 11 credit is allowed under section 47.

12 “(l) REGULATIONS.—The Secretary shall prescribe
 13 such regulations as may be appropriate to carry out the
 14 purposes of this section, including regulations where less
 15 than all of a building is used as a principal residence and
 16 where more than 1 taxpayer use the same dwelling unit
 17 as their principal residence.”.

18 (b) CONFORMING AMENDMENT.—Subsection (a) of
 19 section 1016 is amended by striking “and” at the end of
 20 paragraph (26), by striking the period at the end of para-
 21 graph (27) and inserting “, and”, and by adding at the
 22 end the following new item:

1 “(28) to the extent provided in section
2 25B(j).”.

3 (c) CLERICAL AMENDMENT.—The table of sections
4 for subpart A of part IV of subchapter A of chapter 1
5 is amended by inserting after the item relating to section
6 25A the following new item:

 “Sec. 25B. Historic homeownership rehabilitation credit.”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to expenses paid or incurred in
9 taxable years beginning after December 31, 2000.

10 **SEC. 606. TRANSFER OF UNOCCUPIED AND SUBSTANDARD**
11 **HUD-HELD HOUSING TO LOCAL GOVERN-**
12 **MENTS AND COMMUNITY DEVELOPMENT**
13 **CORPORATIONS.**

14 Section 204 of the Departments of Veterans Affairs
15 and Housing and Urban Development, and Independent
16 Agencies Appropriations Act, 1997 (12 U.S.C. 1715z–
17 11a) is amended—

18 (1) by striking “FLEXIBLE AUTHORITY.—” and
19 inserting “DISPOSITION OF HUD-OWNED PROP-
20 ERTIES. (a) FLEXIBLE AUTHORITY FOR MULTI-
21 FAMILY PROJECTS.—”; and

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

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

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

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

1 that the property was determined to be unoccupied
2 or substandard, that is owned by the Secretary and
3 is—

4 “(A) an unoccupied multifamily housing
5 project;

6 “(B) a substandard multifamily housing
7 project; or

8 “(C) an unoccupied single family property
9 that—

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

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

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

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

24 “(3) TIMING.—The Secretary shall establish
25 procedures that provide for—

1 “(A) time deadlines for transfers under
2 this subsection;

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

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

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

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

18 “(ii) the Secretary shall offer qualified
19 HUD properties that are single family
20 properties for purchase by units of general
21 local government at a cost of \$1 for each
22 property, but only to the extent that the
23 costs to the Federal Government of dis-
24 posal at such price do not exceed the costs
25 to the Federal Government of disposing of

1 property subject to the procedures for sin-
2 gle family property established by the Sec-
3 retary pursuant to the authority under the
4 last sentence of section 204(g) of the Na-
5 tional Housing Act (12 U.S.C. 1710(g));

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

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

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

22 “(4) OTHER DISPOSITION.—With respect to
23 any qualified HUD property, if the Secretary does
24 not receive an acceptable offer to purchase the prop-
25 erty pursuant to the procedure established under

1 paragraph (3), the Secretary shall dispose of the
2 property to the unit of general local government in
3 which property is located or to community develop-
4 ment corporations located in such unit of general
5 local government on a negotiated, competitive bid, or
6 other basis, on such terms as the Secretary deems
7 appropriate.

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

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

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

23 “(B) UPON ACQUISITION.—Upon acquiring
24 any residential property, the Secretary shall

1 promptly determine whether the property is a
2 qualified HUD property.

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

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

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

20 “(9) INAPPLICABILITY TO PROPERTIES MADE
21 AVAILABLE FOR HOMELESS.—Notwithstanding any
22 other provision of this subsection, this subsection
23 shall not apply to any properties that the Secretary
24 determines are to be made available for use by the
25 homeless pursuant to subpart E of part 291 of title

1 24, Code of Federal Regulations, during the period
2 that the properties are so available.

3 “(10) PROTECTION OF EXISTING CONTRACTS.—
4 This subsection may not be construed to alter, af-
5 fect, or annul any legally binding obligations entered
6 into with respect to a qualified HUD property before
7 the property becomes a qualified HUD property.

8 “(11) DEFINITIONS.—For purposes of this sub-
9 section, the following definitions shall apply:

10 “(A) COMMUNITY DEVELOPMENT COR-
11 PORATION.—The term ‘community development
12 corporation’ means a nonprofit organization
13 whose primary purpose is to promote commu-
14 nity development by providing housing opportu-
15 nities for low-income families.

16 “(B) COST RECOVERY BASIS.—The term
17 ‘cost recovery basis’ means, with respect to any
18 sale of a residential property by the Secretary,
19 that the purchase price paid by the purchaser
20 is equal to or greater than the sum of (i) the
21 appraised value of the property, as determined
22 in accordance with such requirements as the
23 Secretary shall establish, and (ii) the costs in-
24 curred by the Secretary in connection with such
25 property during the period beginning on the

1 date on which the Secretary acquires title to the
2 property and ending on the date on which the
3 sale is consummated.

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

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

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

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

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

23 “(ii) on not less than three separate
24 occasions during the preceding winter
25 months, was uncomfortably cold for a pe-

1 riod of more than 6 consecutive hours due
2 to a malfunction of the heating system for
3 the unit;

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

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

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

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

24 “(H) SUBSTANDARD.—The term ‘sub-
25 standard’ means, with respect to a multifamily

1 housing project, that 25 percent or more of the
2 dwelling units in the project have severe phys-
3 ical problems.

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

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

15 “(12) REGULATIONS.—

16 “(A) INTERIM.—Not later than 30 days
17 after the date of the enactment of this sub-
18 section, the Secretary shall issue such interim
19 regulations as are necessary to carry out this
20 subsection.

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

1 **SEC. 607. TRANSFER OF HUD ASSETS IN REVITALIZATION**
 2 **AREAS.**

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

12 **SEC. 608. RISK-SHARING DEMONSTRATION.**

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

15 (1) by striking the section heading and insert-
 16 ing the following:

17 “RISK-SHARING DEMONSTRATION”;

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

20 (3) in subsection (a)—

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

24 (B) in the second sentence—

25 (i) by striking “two” and inserting
 26 “4”; and

1 (ii) by striking “March 15, 1988” and
2 inserting “the expiration of the 5-year pe-
3 riod beginning on the date of the enact-
4 ment of the Creating New Markets and
5 Empowering America Act of 2000”; and

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

8 (4) in subsection (b)—

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

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

15 (C) in the second sentence, by inserting
16 “and insured community development financial
17 institutions” after “private mortgage insurance
18 companies”;

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

21 “(1) assume the first loss on any mortgage in-
22 sured pursuant to section 203(b), 234, or 245 that
23 covers a one- to four-family dwelling and is included
24 in the program under this section, up to the percent-

1 age of loss that is set forth in the risk-sharing con-
2 tract;” and

3 (E) in paragraph (2)—

4 (i) by striking “carry out (under ap-
5 propriate delegation) such” and inserting
6 “delegate underwriting,”; and

7 (ii) by striking “function” and insert-
8 ing “functions”;

9 (5) in subsection (c)—

10 (A) in the first sentence—

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

13 (ii) by striking “insurance reserves”
14 and inserting “loss reserves”; and

15 (iii) by striking “such insurance” and
16 inserting “such reserves”; and

17 (B) in the second sentence, by inserting
18 “or insured community development financial
19 institution” after “private mortgage insurance
20 company”;

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

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

1 “(e) INSURED COMMUNITY DEVELOPMENT FINAN-
 2 CIAL INSTITUTIONS.—For purposes of this section, the
 3 term ‘insured community development financial institu-
 4 tion’ means a community development financial institu-
 5 tion, as such term is defined in section 103 of Reigle Com-
 6 munity Development and Regulatory Improvement Act of
 7 1994 (12 U.S.C. 4702) that is an insured depository insti-
 8 tution (as such term is defined in section 3 of the Federal
 9 Deposit Insurance Act (12 U.S.C. 1813)) or an insured
 10 credit union (as such term is defined in section 101 of
 11 the Federal Credit Union Act (12 U.S.C. 1752)).”.

12 **TITLE VII—TRADE-AFFECTED**
 13 **COMMUNITIES RELIEF**

14 **SEC. 701. DEFINITIONS.**

15 In this title:

16 (1) NAFTA.—The term “NAFTA” means the
 17 North American Free Trade Agreement entered into
 18 between the United States, Mexico, and Canada on
 19 December 17, 1992.

20 (2) SECRETARY.—The term “Secretary” means
 21 the Secretary of Commerce.

22 (3) TRADE-AFFECTED COMMUNITY.—The term
 23 “trade-affected community” means a political sub-
 24 division of a State that meets the trade adjustment
 25 assistance requirements.

1 (4) TRADE ADJUSTMENT ASSISTANCE REQUIRE-
2 MENTS.—The term “trade adjustment assistance re-
3 quirements” means—

4 (A) in the case of a political subdivision
5 with a population of not more than 100,000, at
6 least 300 workers have been certified after No-
7 vember 1, 1999, as eligible for—

8 (i) trade adjustment assistance under
9 subchapter A of chapter II of the Trade
10 Act of 1974 (19 U.S.C. 2271 et seq.); or

11 (ii) NAFTA trade adjustment assist-
12 ance under subchapter D of chapter 2 of
13 title II of the Trade Act of 1974 (19
14 U.S.C. 2331); and

15 (B) in the case of a political subdivision
16 with a population of over 100,000, at least 500
17 workers have been certified after November 1,
18 1999, as eligible for—

19 (i) trade adjustment assistance under
20 subchapter A of chapter II of the Trade
21 Act of 1974 (19 U.S.C. 2271 et seq.); or

22 (ii) NAFTA trade adjustment assist-
23 ance under subchapter D of chapter 2 of
24 title II of the Trade Act of 1974.

1 **SEC. 702. PETITIONS AND DETERMINATIONS.**

2 (a) IN GENERAL.—A petition for certification for as-
3 sistance under this title may be filed with the Secretary
4 by a political subdivision (in this title referred to as a
5 “community”), by a group of such communities, or by the
6 Governor of a State on behalf of such communities.

7 (b) CERTIFICATION.—As soon as practicable after
8 the date on which a petition described in subsection (a)
9 is filed, the Secretary shall determine if the community
10 (or group of communities) filing the petition meets the re-
11 quirements of a trade-affected community and shall certify
12 the community as eligible for assistance under this title
13 if the Secretary determines that the community is a trade-
14 affected community.

15 **SEC. 703. GRANTS FOR ECONOMIC DEVELOPMENT.**

16 (a) GRANTS TO DEVELOP ECONOMIC PLANS.—Each
17 community that is certified as a trade-affected community
18 under this title shall receive a grant of not more than
19 \$100,000 to be used for planning and technical assistance
20 to develop economic plans for community adjustment as-
21 sistance and diversification of such community. The
22 amount of the grant shall be determined by the Secretary.

23 (b) GRANTS TO CARRY OUT ECONOMIC DEVELOP-
24 MENT ACTIVITIES.—Each community that is certified as
25 a trade-affected community under this title shall be eligi-
26 ble to file an application with the Secretary for adjustment

1 assistance to make the following improvements in the com-
2 munity based on the economic plan developed under sub-
3 section (a):

4 (1) Construct or expand the industrial and
5 commercial infrastructure.

6 (2) Improve educational opportunities.

7 (3) Construct advanced manufacturing centers,
8 industrial parks, and water and sewer facilities.

9 (4) Improve transportation.

10 (5) Establish small business incubators.

11 (6) Make technology infrastructure improve-
12 ments.

13 (7) Take such other action as necessary to cap-
14 italize on opportunities to diversify the economy and
15 develop new industrial and commercial ventures.

16 (c) REGULATIONS.—The Secretary shall prescribe
17 such regulations as are necessary to carry out the provi-
18 sions of this section.

19 **SEC. 704. PROVIDE INCENTIVES FOR NEW INVESTMENTS**
20 **FOR TRADE-AFFECTED COMMUNITIES.**

21 (a) EXPANSION OF WORK OPPORTUNITY CREDIT.—

22 (1) IN GENERAL.—Section 51(d)(1) (relating to
23 members of targeted groups) is amended by striking
24 “or” at the end of subparagraph (G), by striking the

1 period at the end of subparagraph (H) and inserting
2 “, or”, and by adding at the end the following:

3 “(I) an adversely affected individual.”

4 (2) ADVERSELY AFFECTED INDIVIDUAL.—Sec-
5 tion 51(d) is amended by redesignating paragraphs
6 (10) through (12) as paragraphs (11) through (13),
7 respectively, and by inserting after paragraph (9)
8 the following:

9 “(10) ADVERSELY AFFECTED INDIVIDUAL.—
10 The term ‘adversely affected individual’ means any
11 individual who is certified by the designated local
12 agency as being adversely affected by trade-related
13 activities and as residing in a trade-affected commu-
14 nity as defined in section 701(2) of the Creating
15 New Markets and Empowering America Act of
16 2000.”

17 (3) EFFECTIVE DATE.—The amendments made
18 by this subsection shall apply to individuals who
19 begin work for the employer after the date of enact-
20 ment of this Act.

21 (b) EXTENSION OF NEW MARKETS TAX CREDIT.—

22 (1) IN GENERAL.—Section 45D(e)(1) (defining
23 low-income community), as added by section 101(a),
24 is amended to read as follows:

1 “(1) IN GENERAL.—The term ‘low-income com-
2 munity’ means—

3 “(A) any population census tract if—

4 “(i) the poverty rate for such tract is
5 at least 20 percent,

6 “(ii)(I) in the case of a tract not lo-
7 cated within a metropolitan area, the me-
8 dian family income for such tract does not
9 exceed 80 percent of statewide median
10 family income, or

11 “(II) in the case of a tract located
12 within a metropolitan area, the median
13 family income for such tract does not ex-
14 ceed 80 percent of the greater of statewide
15 median family income or the metropolitan
16 area median family income, or

17 “(B) any trade-affected community as de-
18 fined in section 701(2) of the Creating New
19 Markets and Empowering America Act of
20 2000.”

21 (2) EFFECTIVE DATE.—The amendments made
22 by this subsection shall apply to investments made
23 after December 31, 2000.

1 **SEC. 705. CENTRAL CLEARINGHOUSE FOR ECONOMIC DE-**
2 **VELOPMENT.**

3 (a) IN GENERAL.—The Secretary shall establish a
4 one-stop clearinghouse for States and political subdivisions
5 of States to obtain information regarding assistance avail-
6 able for trade-affected communities. The clearinghouse
7 should be easily accessible and contain information regard-
8 ing grants, low-interest loans, and other types of economic
9 development assistance available from government re-
10 sources for trade-affected communities.

11 (b) NOTIFICATION BY DEPARTMENT OF LABOR.—
12 Not later than 15 days after the date that a political sub-
13 division meets the trade adjustment assistance require-
14 ments defined in section 701(4), the Secretary of Labor
15 shall notify the Secretary. The Secretary shall notify each
16 such political subdivision that the subdivision is eligible
17 to receive a grant described in section 703 (a) and (b),
18 that the clearinghouse established pursuant to subsection
19 (a) exists, and how to access clearinghouse information.

20 **SEC. 706. APPROPRIATIONS.**

21 There is authorized to be appropriated for fiscal year
22 2001, and each fiscal year thereafter, \$30,000,000 for the
23 grants described in section 703(a) and \$200,000,000 for
24 the grants described in section 703(b).

1 **SEC. 707. SUPPLEMENT NOT SUPPLANT.**

2 Funds appropriated pursuant to the authority of this
3 title shall be used to supplement and not supplant other
4 Federal, State, and local public funds expended to provide
5 economic development assistance for communities.

6 **SEC. 708. REGULATIONS.**

7 The Secretary may promulgate such regulations as
8 may be necessary to carry out the provisions of this title.

9 **TITLE VIII—DELTA REGIONAL**
10 **AUTHORITY**

11 **SEC. 801. DELTA REGIONAL AUTHORITY.**

12 The Consolidated Farm and Rural Development Act
13 (7 U.S.C. 1921 et seq.) is amended by adding at the end
14 the following:

15 **“Subtitle F—Delta Regional**
16 **Authority**

17 **“SEC. 382A. DEFINITIONS.**

18 “In this subtitle:

19 “(1) **AUTHORITY.**—The term ‘Authority’ means
20 the Delta Regional Authority established by section
21 382B.

22 “(2) **REGION.**—The term ‘region’ means areas
23 in the States of Arkansas, Illinois, Kentucky, Lou-
24 isiana, Mississippi, Missouri, and Tennessee, as de-
25 fined under section 4 of the Lower Mississippi Delta

1 Development Act (Public Law 100–460; 42 U.S.C.
2 3121 note).

3 “(3) FEDERAL GRANT PROGRAM.—The term
4 ‘Federal grant program’ means a Federal grant pro-
5 gram to provide assistance in—

6 “(A) acquiring or developing land;

7 “(B) constructing or equipping a facility;

8 or

9 “(C) carrying out other community or eco-
10 nomic development or economic adjustment ac-
11 tivities.

12 **“SEC. 382B. DELTA REGIONAL AUTHORITY.**

13 “(a) ESTABLISHMENT.—

14 “(1) IN GENERAL.—There is established the
15 Delta Regional Authority.

16 “(2) COMPOSITION.—The Authority shall be
17 composed of—

18 “(A) a Federal member, to be appointed
19 by the President, with the advice and consent
20 of the Senate; and

21 “(B) the Governor (or a designee of the
22 Governor) of each State in the region that
23 elects to participate in the Authority.

24 “(3) COCHAIRPERSONS.—The Authority shall
25 be headed by 2 cochairpersons, which shall be—

1 “(A) the Federal member, who shall
2 serve—

3 “(i) as the Federal cochairperson; and

4 “(ii) as a liaison between the Federal
5 Government and the Authority; and

6 “(B) a State cochairperson, who—

7 “(i) shall be a Governor of a partici-
8 pating State in the region; and

9 “(ii) shall be elected by the State
10 members for a term of not less than 1
11 year.

12 “(b) ALTERNATE MEMBERS.—

13 “(1) STATE ALTERNATES.—Each State member
14 may have a single alternate, appointed by the Gov-
15 ernor from among the members of the cabinet or the
16 personal staff of the Governor.

17 “(2) ALTERNATE FEDERAL COCHAIRPERSON.—

18 The President shall appoint an alternate Federal co-
19 chairperson.

20 “(3) QUORUM.—A State alternate shall not be
21 counted toward the establishment of a quorum of
22 the Authority in any instance in which a quorum of
23 the State members is required to be present.

24 “(4) DELEGATION OF POWER.—No power or
25 responsibility of the Authority specified in para-

1 graphs (2) and (3) of subsection (b), and no voting
2 right of any Authority member, shall be delegated to
3 any person—

4 “(A) who is not a Authority member; or

5 “(B) who is not entitled to vote in Author-
6 ity meetings.

7 “(c) VOTING.—

8 “(1) IN GENERAL.—Except as provided in sec-
9 tion 382I(d), decisions by the Authority shall require
10 the affirmative vote of the Federal cochairperson
11 and of a majority of the State members (not includ-
12 ing a member representing a State that is delin-
13 quent under subsection (g)(2)(C).

14 “(2) QUORUM.—A quorum of State members
15 shall be required to be present for the Authority to
16 make any policy decision, including—

17 “(A) a modification or revision of a Au-
18 thority policy decision;

19 “(B) approval of a State or regional devel-
20 opment plan; and

21 “(C) any allocation of funds among the
22 States.

23 “(3) PROJECT AND GRANT PROPOSALS.—The
24 approval of project and grant proposals shall be—

25 “(A) a responsibility of the Authority; and

1 “(B) conducted in accordance with section
2 382I.

3 “(4) VOTING BY ALTERNATE MEMBERS.—An
4 alternate member shall vote in the case of the ab-
5 sence, death, disability, removal, or resignation of
6 the State or Federal representative for which the al-
7 ternate member is an alternate.

8 “(d) DUTIES.—The Authority shall—

9 “(1) develop, on a continuing basis, comprehen-
10 sive and coordinated plans and programs to establish
11 priorities and approve grants for the economic devel-
12 opment of the region, giving due consideration to
13 other Federal, State, and local planning and devel-
14 opment activities in the region;

15 “(2) not later than 220 days after the date of
16 enactment of this subtitle, establish priorities in a
17 development plan for the region (including 5-year re-
18 gional outcome targets);

19 “(3) provide for an understanding of the needs
20 and assets of the region through research, dem-
21 onstration, investigation, assessment, and evaluation
22 of the region, in cooperation with Federal, State,
23 and local agencies, universities, local development
24 districts, and other nonprofit groups, as appropriate;

1 “(4) review and study, in cooperation with the
2 appropriate agencies, Federal, State, and local pub-
3 lic and private programs in the region;

4 “(5) recommend any modification or addition to
5 a program described in paragraph (4) that could in-
6 crease the effectiveness of the program;

7 “(6) formulate and recommend interstate com-
8 pacts and other forms of interstate cooperation;

9 “(7) work with State and local agencies in de-
10 veloping appropriate model legislation;

11 “(8) encourage the formation of, build the ca-
12 pacity of, and provide support for, local development
13 districts in the region;

14 “(9) encourage private investment in industrial,
15 commercial, and other economic development
16 projects in the region;

17 “(10) serve as a focal point and coordinating
18 unit for region programs;

19 “(11) provide a forum for consideration of
20 problems of the region and proposed solutions for
21 those problems; and

22 “(12) establish and involve citizens, special ad-
23 visory councils, and public conferences to consider
24 and resolve issues concerning the region.

1 “(e) INFORMATION.—In carrying out the duties of
2 the Authority under subsection (d), the Authority may—

3 “(1) hold such hearings, sit and act at such
4 times and places, take such testimony, receive such
5 evidence, and print or otherwise reproduce and dis-
6 tribute the proceedings and reports on actions by the
7 Authority as the Authority considers appropriate;

8 “(2) authorize, through the Federal or State co-
9 chairperson, or any other member of the Authority
10 designated by the Authority, the administration of
11 oaths if the Authority determines that testimony
12 shall be taken or evidence shall be received under
13 oath; and

14 “(3) arrange for the head of any Federal,
15 State, or local department or agency to furnish to
16 the Authority such information as may be available
17 to or procurable by the department or agency;

18 “(4) adopt, amend, and repeal bylaws and rules
19 governing the conduct of Authority business and the
20 performance of Authority functions;

21 “(5) request the head of any Federal depart-
22 ment or agency to detail to the Authority such per-
23 sonnel as the Authority requires to carry out func-
24 tions of the Authority, each such detail to be without
25 loss of seniority, pay, or other employee status;

1 “(6) request the head of any State department
2 or agency or local government to detail to the Au-
3 thority such personnel as the Authority requires to
4 carry out functions of the Authority, each such de-
5 tail to be without loss of seniority, pay, or other em-
6 ployee status;

7 “(7) provide for coverage of Authority employ-
8 ees in a suitable retirement and employee benefit
9 system by—

10 “(A) making arrangements or entering
11 into contracts with any participating State gov-
12 ernment; or

13 “(B) otherwise providing retirement and
14 other employee benefit coverage;

15 “(8) accept, use, and dispose of gifts or dona-
16 tions of services or real, personal, tangible, or intan-
17 gible property;

18 “(9) enter into and perform such contracts,
19 leases, cooperative agreements, or other transactions
20 as are necessary to carry out Authority duties, in-
21 cluding any contracts, leases, cooperative agree-
22 ments, or any other arrangement with—

23 “(A) any department, agency, or instru-
24 mentality of the United States;

1 “(B) any State (including a political sub-
2 division, agency, or instrumentality of the
3 State); or

4 “(C) any person, firm, association, or cor-
5 poration;

6 “(10) establish and maintain a central office
7 and field offices at such locations as the Authority
8 may select; and

9 “(11) take such other actions and incur such
10 other expenses as are necessary or appropriate.

11 “(f) FEDERAL AGENCY COOPERATION.—Federal
12 agencies shall—

13 “(1) cooperate with the Authority; and

14 “(2) provide such assistance in carrying out
15 this subtitle as the Federal cochairperson may re-
16 quest.

17 “(g) ADMINISTRATIVE EXPENSES.—

18 “(1) IN GENERAL.—Administrative expenses of
19 the Authority shall be paid—

20 “(A) by the Federal Government, during
21 the period beginning on the date of enactment
22 of this subtitle and ending on September 30,
23 2000; and

24 “(B) after September 30, 2000 (except for
25 the expenses of the Federal cochairperson, in-

1 including expenses of the alternate and staff of
2 the Federal cochairperson, which shall be paid
3 solely by the Federal Government)—

4 “(i) by the Federal Government, in an
5 amount equal to 50 percent of the admin-
6 istrative expenses; and

7 “(ii) by the States in the region rep-
8 resented by the Authority, in an amount
9 equal to 50 percent of the administrative
10 expenses.

11 “(2) STATE SHARE.—

12 “(A) IN GENERAL.—The share of adminis-
13 trative expenses of the Authority to be paid by
14 each State shall be determined by the Author-
15 ity.

16 “(B) NO FEDERAL PARTICIPATION.—The
17 Federal cochairperson shall not participate or
18 vote in any decision under subparagraph (A) to
19 determine the share of administrative expenses
20 of the Authority to be paid by a State.

21 “(C) DELINQUENT STATES.—If a State is
22 delinquent in payment of the State’s share of
23 administrative expenses of the Authority under
24 this subsection—

1 “(i) no assistance under this subtitle
2 shall be furnished to the State (including
3 assistance to a political subdivision or a
4 resident of the State); and

5 “(ii) no member of the Authority from
6 the State shall participate or vote in any
7 action by the Authority.

8 “(h) COMPENSATION.—

9 “(1) FEDERAL COCHAIRPERSON.—The Federal
10 cochairperson shall be compensated by the Federal
11 Government at level III of the Executive Schedule in
12 subchapter II of chapter 53 of title V, United States
13 Code.

14 “(2) ALTERNATE FEDERAL COCHAIRPERSON.—
15 The alternate Federal cochairperson—

16 “(A) shall be compensated by the Federal
17 Government at level V of the Executive Sched-
18 ule described in paragraph (1); and

19 “(B) when not actively serving as an alter-
20 nate for the Federal cochairperson, shall per-
21 form such functions and duties as are delegated
22 by the Federal cochairperson.

23 “(3) STATE MEMBERS AND ALTERNATES.—

24 “(A) IN GENERAL.—A State shall com-
25 pensate each member and alternate rep-

1 resenting the State on the Authority at the rate
2 established by law of the State.

3 “(B) NO ADDITIONAL COMPENSATION.—
4 No State member or alternate member shall re-
5 ceive any salary, or any contribution to or sup-
6 plementation of salary from any source other
7 than the State for services provided by the
8 member or alternate to the Authority.

9 “(4) DETAILED EMPLOYEES.—

10 “(A) IN GENERAL.—No person detailed to
11 serve the Authority under subsection (e)(6)
12 shall receive any salary or any contribution to
13 or supplementation of salary for services pro-
14 vided to the Authority from—

15 “(i) any source other than the State,
16 local, or intergovernmental department or
17 agency from which the person was detailed;
18 or

19 “(ii) the Authority.

20 “(B) VIOLATION.—Any person that vio-
21 lates this paragraph shall be fined not more
22 than \$5,000, imprisoned not more than 1 year,
23 or both.

24 “(C) APPLICABLE LAW.—The Federal co-
25 chairperson, the alternate Federal cochair-

1 person, and any Federal officer or employee de-
2 tailed to duty on the Authority under sub-
3 section (e)(5) shall not be subject to subpara-
4 graph (A), but shall remain subject to sections
5 202 through 209 of title 18, United States
6 Code.

7 “(5) ADDITIONAL PERSONNEL.—

8 “(A) COMPENSATION.—

9 “(i) IN GENERAL.—The Authority
10 may appoint and fix the compensation of
11 an executive director and such other per-
12 sonnel as are necessary to enable the Au-
13 thority to carry out the duties of the Au-
14 thority.

15 “(ii) EXCEPTION.—Compensation de-
16 scribed under clause (i) shall not exceed
17 the maximum rate for the Senior Executive
18 Service under section 5382 of title 5,
19 United States Code, including any applica-
20 ble locality-based comparability payment
21 that may be authorized under section
22 5304(h)(2)(C) of that title.

23 “(B) EXECUTIVE DIRECTOR.—The execu-
24 tive director shall be responsible for—

1 “(i) the carrying out of the adminis-
2 trative functions of the Authority;

3 “(ii) direction of the Authority staff;
4 and

5 “(iii) such other duties as the Author-
6 ity may assign.

7 “(C) NO FEDERAL EMPLOYEE STATUS.—

8 No member, alternate, officer, or employee of
9 the Authority (except the Federal cochairperson
10 of the Authority, the alternate and staff for the
11 Federal cochairperson, and any Federal em-
12 ployee detailed to the Authority under sub-
13 section (e)(5)) shall be considered to be a Fed-
14 eral employee for any purpose.

15 “(i) CONFLICTS OF INTEREST.—

16 “(1) IN GENERAL.—Except as provided under
17 paragraph (2), no State member, alternate, officer,
18 or employee of the Authority shall participate per-
19 sonally and substantially as a member, alternate, of-
20 ficer, or employee of the Authority, through decision,
21 approval, disapproval, recommendation, the ren-
22 dering of advice, investigation, or otherwise, in any
23 proceeding, application, request for a ruling or other
24 determination, contract, claim, controversy, or other

1 matter in which, to knowledge of the member, alter-
2 nate, officer, or employee—

3 “(A) the member, alternate, officer, or em-
4 ployee;

5 “(B) the spouse, minor child, partner, or
6 organization (other than a State or political
7 subdivision thereof) of the member, alternate,
8 officer, or employee, in which the member, al-
9 ternate, officer, or employee is serving as offi-
10 cer, director, trustee, partner, or employee; or

11 “(C) any person or organization with
12 whom the member, alternate, officer, or em-
13 ployee is negotiating or has any arrangement
14 concerning prospective employment;

15 has a financial interest.

16 “(2) DISCLOSURE.—Paragraph (1) shall not
17 apply if the State member, alternate, officer, or
18 employee—

19 “(A) immediately advises the Authority of
20 the nature and circumstances of the proceeding,
21 application, request for a ruling or other deter-
22 mination, contract, claim, controversy, or other
23 particular matter presenting a conflict of inter-
24 est;

1 “(1) to assist the region in obtaining the job
2 training and employment-related education, leader-
3 ship, business, and civic development (with an em-
4 phasis on entrepreneurship), that are needed to
5 build and maintain strong local economies;

6 “(2) to provide assistance to severely distressed
7 and underdeveloped counties that lack financial re-
8 sources for improving basic services;

9 “(3) to fund—

10 “(A) research, demonstrations, evaluations,
11 and assessments of the region; and

12 “(B) training programs, and construction
13 of necessary facilities, and the provision of tech-
14 nical assistance necessary to complete activities
15 described in subparagraph (A); or

16 “(4) to otherwise achieve the objectives of this
17 subtitle.

18 “(b) FUNDING.—

19 “(1) IN GENERAL.—Funds for grants under
20 subsection (a) may be provided—

21 “(A) entirely from appropriations to carry
22 out this section;

23 “(B) in combination with funds available
24 under another Federal or Federal grant pro-
25 gram; or

1 “(C) from any other source.

2 “(2) PRIORITY OF FUNDING.—To best build the
3 foundations for long-term, self-sustaining economies
4 and to complement other Federal and State re-
5 sources in the region, Federal funds available under
6 this subtitle shall be focused on the activities in the
7 following order or priority:

8 “(A) Basic infrastructure in distressed
9 counties.

10 “(B) Job-related infrastructure.

11 “(C) Job training or employment-related
12 education.

13 “(D) Leadership and civic development.

14 “(E) Business development, with emphasis
15 on entrepreneurship.

16 “(3) FEDERAL SHARE IN GRANT PROGRAMS.—
17 Notwithstanding any provision of law limiting the
18 Federal share in any grant program, funds appro-
19 priated to carry out this section may be used to in-
20 crease a Federal share in a grant program, as the
21 Authority determines to be appropriate.

22 **“SEC. 382D. SUPPLEMENTS TO FEDERAL GRANT PRO-**
23 **GRAMS.**

24 “(a) FINDING.—Congress finds that certain people,
25 States, and local communities of the region, including local

1 development districts, are unable to take maximum advan-
2 tage of Federal grant programs for which the people are
3 eligible because—

4 “(1) they lack the economic resources to supply
5 the required matching share; or

6 “(2) there are insufficient funds available under
7 the applicable Federal grant law authorizing the
8 program to meet pressing needs of the region.

9 “(b) FEDERAL GRANT PROGRAM FUNDING.—In ac-
10 cordance with subsection (c), the Federal cochairperson
11 may use amounts made available to carry out this subtitle,
12 without regard to any limitations on areas eligible for as-
13 sistance or authorizations for appropriation under any
14 other Act to fund all or any portion of the basic Federal
15 contribution to a project or activity under a Federal grant
16 program in an amount that is above the fixed maximum
17 portion of the cost of the project otherwise authorized by
18 the applicable law, not to exceed 80 percent of the costs
19 of the project except as provided in section 382F(b).

20 “(c) CERTIFICATION.—

21 “(1) IN GENERAL.—In the case of any program
22 or project for which all or any portion of the basic
23 Federal contribution to the project under a Federal
24 grant program is proposed to be made under this
25 section, no Federal contribution shall be made until

1 the Federal official administering the Federal law
2 authorizing the contribution certifies that the pro-
3 gram or project—

4 “(A) meets the applicable requirements of
5 the applicable Federal grant law; and

6 “(B) could be approved for Federal con-
7 tribution under the law if funds were available
8 under the law for the program or project.

9 “(2) CERTIFICATION BY AUTHORITY.—

10 “(A) IN GENERAL.—The certifications and
11 determinations required to be made by the Au-
12 thority for approval of projects under this sub-
13 title in accordance with section 382I—

14 “(i) shall be controlling; and

15 “(ii) shall be accepted by the Federal
16 agencies.

17 “(B) ACCEPTANCE BY FEDERAL COCHAIR-
18 PERSON.—Any finding, report, certification, or
19 documentation required to be submitted to the
20 head of the department, agency, or instrumen-
21 tality of the Federal Government responsible for
22 the administration of any Federal grant pro-
23 gram shall be accepted by the Federal cochair-
24 person with respect to a supplemental grant for
25 any project under the program.

1 **“SEC. 382E. LOCAL DEVELOPMENT DISTRICTS; CERTIFI-**
2 **CATION AND ADMINISTRATIVE EXPENSES.**

3 “(a) DEFINITION OF LOCAL DEVELOPMENT DIS-
4 TRICT.—In this section, the term “local development dis-
5 trict” means an entity that is—

6 “(1) organized and operated in a manner that
7 ensures broad-based community participation and an
8 effective opportunity for other nonprofit and citizen
9 groups to contribute to the development and imple-
10 mentation of programs in the region;

11 “(2) certified to the Authority as having a char-
12 ter or authority that includes the economic develop-
13 ment of counties or parts of counties or other polit-
14 ical subdivisions within the region—

15 “(A) by the Governor of each State in
16 which the entity is located; or

17 “(B) by the State officer designated by the
18 appropriate State law to make the certification;
19 and

20 “(3) is—

21 “(A) a nonprofit incorporated body orga-
22 nized or chartered under the law of the State
23 in which the entity is located;

24 “(B) a nonprofit agency or instrumentality
25 of a State or local government;

1 “(C) a nonprofit agency or instrumentality
2 created through an interstate compact; or

3 “(D) a nonprofit association or combina-
4 tion of bodies, agencies, and instrumentalities
5 described in subparagraphs (A) through (C).

6 “(b) GRANTS TO LOCAL DEVELOPMENT DIS-
7 TRICTS.—

8 “(1) IN GENERAL.—The Authority may make
9 grants for administrative expenses of local develop-
10 ment districts.

11 “(2) CONDITIONS FOR GRANTS.—

12 “(A) MAXIMUM AMOUNT.—The amount of
13 any grant awarded under paragraph (1) shall
14 not exceed 80 percent of the administrative ex-
15 penses of the local development district receiv-
16 ing the grant.

17 “(B) MAXIMUM PERIOD.—No grant de-
18 scribed in paragraph (1) shall be awarded to a
19 State agency certified as a local development
20 district for a period greater than 3 years.

21 “(C) LOCAL SHARE.—The contributions of
22 a local development district for administrative
23 expenses may be in cash or in kind, fairly evalu-
24 ated, including space, equipment, and services.

1 “(c) DUTIES OF LOCAL DEVELOPMENT DIS-
2 TRICTS.—Local development districts—

3 “(1) shall operate as lead organizations serving
4 multicounty areas in the region at the local level;
5 and

6 “(2) shall serve as a liaison between State and
7 local governments, nonprofit organizations (including
8 community-based groups and educational institu-
9 tions), the business community, and citizens that—

10 “(A) are involved in multijurisdictional
11 planning;

12 “(B) provide technical assistance to local
13 jurisdictions and potential grantees; and

14 “(C) provide leadership and civic develop-
15 ment assistance.

16 **“SEC. 382F. DISTRESSED COUNTIES AND ECONOMICALLY**
17 **STRONG COUNTIES.**

18 “(a) DESIGNATIONS.—Not later than 90 days after
19 the date of enactment of this subtitle, and annually there-
20 after, the Authority, in accordance with such criteria as
21 the Authority may establish, shall designate—

22 “(1) as distressed counties, counties in the re-
23 gion that are the most severely and persistently dis-
24 tressed and underdeveloped;

1 “(2) as economically strong counties, counties
2 in the region that are approaching or have reached
3 economic parity with the rest of the United States;
4 and

5 “(3) as isolated areas of distress, areas located
6 in an economically strong county that have high
7 rates of poverty or unemployment.

8 “(b) DISTRESSED COUNTIES.—

9 “(1) IN GENERAL.—The Authority shall allo-
10 cate at least 50 percent of the appropriations made
11 available under section 382N for programs and
12 projects designed to serve the needs of distressed
13 counties in the region.

14 “(2) FUNDING LIMITATIONS.—The funding lim-
15 itations under section 382D(b) shall not apply to
16 projects providing basic services to residents in 1 or
17 more distressed counties in the region.

18 “(c) ECONOMICALLY STRONG COUNTIES.—

19 “(1) IN GENERAL.—Except as provided in this
20 subsection, no funds shall be provided under this
21 subtitle for a project located in a county designated
22 as an economically strong county under subsection
23 (a).

24 “(2) EXCEPTIONS.—

1 “(A) IN GENERAL.—The funding prohibi-
2 tion under paragraph (1) shall not apply to
3 grants to fund the administrative expenses of
4 local development districts under section
5 382E(b).

6 “(B) MULTICOUNTY PROJECTS.—The Au-
7 thority may approve additional exceptions to
8 the funding prohibition under paragraph (1)
9 for—

10 “(i) multicounty projects that include
11 participation by an economically strong
12 county; and

13 “(ii) any other type of project, if the
14 Authority determines that the project could
15 bring significant benefits to areas of the
16 region outside an economically strong
17 county.

18 “(C) ISOLATED AREAS OF DISTRESS.—

19 “(i) IN GENERAL.—An isolated area
20 of distress shall be eligible for assistance at
21 the discretion of the Authority.

22 “(ii) DETERMINATION.—A determina-
23 tion of eligibility of an isolated area of dis-
24 tress for assistance shall be supported—

1 “(I) by the most recent Federal
2 data available; or

3 “(II) if no recent Federal data
4 are available, by the most recent data
5 available through the government of
6 the State in which the isolated area of
7 distress is located.

8 **“SEC. 382G. DEVELOPMENT PLANNING PROCESS.**

9 “(a) STATE DEVELOPMENT PLAN.—In accordance
10 with policies established by the Authority, each State
11 member shall submit on such schedule as the Authority
12 shall prescribe a development plan for the area of the re-
13 gion represented by the State member.

14 “(b) CONTENT OF PLAN.—A State development plan
15 submitted under subsection (a) shall—

16 “(1) reflect the goals, objectives, and priorities
17 identified in the regional development plan under
18 section 382B(d);

19 “(2) describe—

20 “(A) the organization and continuous proc-
21 ess for development planning of the State, in-
22 cluding the procedures established by the State
23 for the participation of local development dis-
24 tricts in the development planning process;

1 “(B) the means by which the development
2 planning process of the State is related to over-
3 all State-wide planning and budgeting proc-
4 esses; and

5 “(C) the method of coordinating planning
6 and projects in the region under this subtitle
7 and other Federal, State, and local programs;

8 “(3)(A) identify the goals, objectives, priorities,
9 and expected outcomes of the State for the region,
10 as determined by the Governor;

11 “(B) identify the needs on which those goals,
12 objectives, priorities are based; and

13 “(C) describe the development strategy for
14 achieving and the expected outcomes of those goals,
15 objectives, and priorities; and

16 “(4) describe how strategies proposed in the
17 plan would advance the objectives of this subtitle.

18 “(c) CONSULTATION WITH INTERESTED LOCAL PAR-
19 TIES.—In carrying out the development planning process
20 (including the selection of programs and projects for as-
21 sistance), a State shall—

22 “(1) consult with—

23 “(A) local development districts;

24 “(B) local units of government; and

25 “(C) citizen groups; and

1 “(2) take into consideration the goals, objec-
2 tives, priorities, and recommendations of the entities
3 identified in paragraph (1).

4 “(d) PUBLIC PARTICIPATION.—

5 “(1) IN GENERAL.—The Authority and applica-
6 ble State and local development districts shall en-
7 courage and assist, to the maximum extent prac-
8 ticable, public participation in the development, revi-
9 sion, and implementation of all plans and programs
10 under this subtitle.

11 “(2) REGULATIONS.—The Authority shall de-
12 velop guidelines specifying minimum goals for public
13 participation described in paragraph (1), including
14 public hearings.

15 **“SEC. 382H. PROGRAM DEVELOPMENT CRITERIA.**

16 “(a) IN GENERAL.—In considering programs and
17 projects to be provided assistance under this subtitle, and
18 in establishing a priority ranking of the requests for as-
19 sistance presented to the Authority, the Authority shall
20 follow procedures that ensure, to the maximum extent
21 practicable, consideration of—

22 “(1) the relationship of the project or class of
23 projects to overall regional development;

24 “(2) the per capita income and poverty and un-
25 employment rates in the area;

1 “(3) the financial resources available to the ap-
2 plicants for assistance seeking to carry out the
3 project;

4 “(4) the importance of the project or class of
5 projects in relation to other projects or classes of
6 projects that may be in competition for the same
7 funds;

8 “(5) the prospects that the project for which as-
9 sistance is sought will improve, on a continuing rath-
10 er than a temporary basis, the opportunities for em-
11 ployment, the average level of income, or the eco-
12 nomic and social development of the area served by
13 the project; and

14 “(6) the extent to which the project design pro-
15 vides for detailed outcome measurements by which
16 grant expenditures and the results of the expendi-
17 tures may be evaluated.

18 “(b) NO RELOCATION ASSISTANCE.—No financial
19 assistance authorized by this subtitle shall be used to as-
20 sist a person or entity in relocating from 1 area to an-
21 other.

22 “(c) REDUCTION OF FUNDS.—Funds may be pro-
23 vided for a program or project in a State under this sub-
24 title only if the Authority determines that the level of Fed-
25 eral or State financial assistance provided under a law

1 other than this subtitle, for the same type of program or
 2 project in the same area of the State within the region,
 3 will not be reduced so as to substitute funds authorized
 4 by this subtitle.

5 **“SEC. 382I. APPROVAL OF DEVELOPMENT PLANS AND**
 6 **PROJECTS.**

7 “(a) IN GENERAL.—A State or regional development
 8 plan or any multistate subregional plan that is proposed
 9 for development under this subtitle shall be reviewed for
 10 approval by the Authority in accordance with section
 11 382B(e)(3).

12 “(b) EVALUATION BY STATE MEMBER.—An applica-
 13 tion for a grant or any other assistance for a project under
 14 this subtitle shall be made through and evaluated for ap-
 15 proval by the State member of the Authority representing
 16 the applicant.

17 “(c) CERTIFICATION.—An application for a grant or
 18 other assistance for a project shall be approved only on
 19 certification by the State member and the Federal cochair-
 20 person that the application—

21 “(1) reflects an intent that the project comply
 22 with any applicable State development plan;

23 “(2) meets applicable criteria under section
 24 382H;

1 “(3) provides adequate assurance that the pro-
2 posed project will be properly administered, oper-
3 ated, and maintained; and

4 “(4) otherwise meets the requirements of this
5 subtitle.

6 “(d) VOTES FOR DECISIONS.—The certification by a
7 State member of an application for a grant or other assist-
8 ance for a specific project under this section shall, when
9 joined by an affirmative vote of the Federal cochairperson
10 for the application, be considered to satisfy the require-
11 ments for affirmative votes for decisions under section
12 382B.

13 **“SEC. 382J. CONSENT OF STATES.**

14 “Nothing in this subtitle requires any State to engage
15 in or accept any program under this subtitle without the
16 consent of the State.

17 **“SEC. 382K. RECORDS.**

18 “(a) RECORDS OF THE AUTHORITY.—

19 “(1) IN GENERAL.—The Authority shall main-
20 tain accurate and complete records of all trans-
21 actions and activities of the Authority financed with
22 Federal funds.

23 “(2) AVAILABILITY.—All records of the Author-
24 ity shall be available for audit and examination by
25 the Comptroller General of the United States (in-

1 including authorized representatives of the Comp-
2 troller General).

3 “(b) RECORDS OF RECIPIENTS OF FEDERAL ASSIST-
4 ANCE.—

5 “(1) IN GENERAL.—Recipients of Federal as-
6 sistance under this subtitle shall, as required by the
7 Authority, maintain accurate and complete records
8 of transactions and activities financed with Federal
9 funds and report on the transactions and activities
10 to the Authority.

11 “(2) AVAILABILITY.—All records described in
12 paragraph (1) shall be available for audit by the
13 Comptroller General of the United States and the
14 Authority or their duly authorized representatives.

15 **“SEC. 382L. ANNUAL REPORT.**

16 “Not later than 180 days after the end of each fiscal
17 year, the Authority shall submit to the President and to
18 Congress a report describing the activities carried out
19 under this subtitle.

20 **“SEC. 382M. AUTHORIZATION OF APPROPRIATIONS.**

21 “(a) IN GENERAL.—There is authorized to be appro-
22 priated to the Authority to carry out this subtitle
23 \$30,000,000 for each of fiscal years 2001 through 2005,
24 to remain available until expended.

1 “(b) ADMINISTRATIVE EXPENSES.—Not more than 5
2 percent of the amount appropriated under subsection (a)
3 shall be used for administrative expenses.”.

4 **TITLE IX—FEDERAL GRANT PRO-**
5 **GRAM PARTICIPATION EX-**
6 **PANSION**

7 **SEC. 901. EQUAL OPPORTUNITY FOR RELIGIOUS AND**
8 **OTHER COMMUNITY ORGANIZATIONS TO**
9 **PARTICIPATE IN CERTAIN FEDERAL GRANT**
10 **PROGRAMS.**

11 (a) IN GENERAL.—The Substance Abuse and Mental
12 Health Services Administration in the Department of
13 Health and Human Services shall ensure an equal oppor-
14 tunity for religious and other community organizations to
15 provide assistance under the programs administered by
16 such Administration by providing information and contact
17 for such programs to such organizations in a manner simi-
18 lar to that developed by the Office of Community Faith-
19 Based Organizations in the Department of Housing and
20 Urban Development.

21 (b) ASSISTANCE BY IRS.—The Commissioner of the
22 Internal Revenue Service shall provide for assistance and
23 guidance to religious organizations seeking to establish
24 charitable organizations in order to provide assistance de-
25 scribed in subsection (a).

1 **TITLE X—NEW MILLENNIUM**
2 **CLASSROOMS**

3 **SEC. 1001. CREDIT FOR COMPUTER DONATIONS TO**
4 **SCHOOLS, SENIOR CENTERS, PUBLIC LIBRAR-**
5 **IES, AND OTHER TRAINING CENTERS.**

6 (a) IN GENERAL.—Subpart D of part IV of sub-
7 chapter A of chapter 1 (relating to business related cred-
8 its), as amended by section 604(a), is amended by adding
9 at the end the following new section:

10 **“SEC. 45F. CREDIT FOR COMPUTER DONATIONS TO**
11 **SCHOOLS, SENIOR CENTERS, PUBLIC LIBRAR-**
12 **IES, AND OTHER TRAINING CENTERS.**

13 “(a) GENERAL RULE.—For purposes of section 38,
14 the computer donation credit determined under this sec-
15 tion is an amount equal to 50 percent of the qualified com-
16 puter contributions made by the taxpayer during the tax-
17 able year as determined after the application of section
18 170(e)(6)(A) to any entity located in—

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

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

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

1 “(4) a low-income community (as defined in
2 subsection (c).

3 “(b) QUALIFIED COMPUTER CONTRIBUTION.—For
4 purposes of this section, the term ‘qualified computer con-
5 tribution’ has the meaning given the term ‘qualified ele-
6 mentary or secondary educational contribution’ by section
7 170(e)(6)(B), except that—

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

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

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

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

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

17 “(3) such term shall include the contribution of
18 a computer (as defined in section 168(i)(2)(B)(ii))
19 only if computer software (as defined in section
20 197(e)(3)(B)) that serves as a computer operating
21 system has been lawfully installed in such computer,

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

1 “(A) multipurpose senior centers (as de-
2 fined in section 102(35) of the Older Americans
3 Act of 1965 (42 U.S.C. 3002(35), as in effect
4 on the date of the enactment of the Creating
5 New Markets and Empowering America Act of
6 2000) described in section 501(c)(3) and ex-
7 empt from tax under section 501(a) to be used
8 by individuals who have attained 60 years of
9 age to improve job skills in computers,

10 “(B) a public library (within the meaning
11 of section 213(2)(A) of the Library Services
12 and Technology Act (20 U.S.C. 9122(2)(A), as
13 in effect on the date of the enactment of the
14 Creating New Markets and Empowering Amer-
15 ica Act of 2000) established and maintained by
16 an entity described in section 170(c)(1), or

17 “(C) an organization exempt from tax
18 under section 501(a) which provides employ-
19 ment, vocational, and job-training services to
20 individuals with barriers to employment, includ-
21 ing welfare recipients and individuals with dis-
22 abilities, and

23 “(5) such term shall only include contributions
24 which meet the minimum standards prescribed by
25 the Secretary by regulation, after consultation, at

1 the option of the Secretary, with the National Tele-
2 communications and Information Agency and any
3 other Federal agency with expertise in computer
4 technology.

5 “(c) LOW-INCOME COMMUNITY.—For purposes of
6 this section—

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

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

11 “(ii)(I) in the case of a tract not located
12 within a metropolitan area, the median family
13 income for such tract does not exceed 80 per-
14 cent of statewide median family income, or

15 “(II) in the case of a tract located within
16 a metropolitan area, the median family income
17 for such tract does not exceed 80 percent of the
18 greater of statewide median family income or
19 the metropolitan area median family income,
20 and

21 “(B) the unemployment rate for such
22 tract, as determined by the most recent avail-
23 able data, was at least 1½ times the national
24 unemployment rate for the period to which such
25 data relate.

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

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

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

13 (b) CURRENT YEAR BUSINESS CREDIT CALCULA-
14 TION.—Section 38(b) (relating to current year business
15 credit), as amended by section 604(c)(1), is amended by
16 striking “plus” at the end of paragraph (13), by striking
17 the period at the end of paragraph (14) and inserting
18 “, plus”, and by adding at the end the following:

19 “(15) the computer donation credit determined
20 under section 45F(a).”.

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

1 “(d) CREDIT FOR COMPUTER DONATIONS.—No de-
2 duction shall be allowed for that portion of the qualified
3 computer contributions (as defined in section 45F(b))
4 made during the taxable year that is equal to the amount
5 of credit determined for the taxable year under section
6 45F(a). In the case of a corporation which is a member
7 of a controlled group of corporations (within the meaning
8 of section 52(a)) or a trade or business which is treated
9 as being under common control with other trades or busi-
10 nesses (within the meaning of section 52(b)), this sub-
11 section shall be applied under rules prescribed by the Sec-
12 retary similar to the rules applicable under subsections (a)
13 and (b) of section 52.”.

14 (d) LIMITATION ON CARRYBACK.—Subsection (d) of
15 section 39 (relating to carryback and carryforward of un-
16 used credits), as amended by section 604(b), is amended
17 by adding at the end the following:

18 “(11) NO CARRYBACK OF COMPUTER DONATION
19 CREDIT BEFORE EFFECTIVE DATE.—No amount of
20 unused business credit available under section 45F
21 may be carried back to a taxable year beginning on
22 or before the date of the enactment of this para-
23 graph.”.

24 (e) CLERICAL AMENDMENT.—The table of sections
25 for subpart D of part IV of subchapter A of chapter 1,

1 as amended by section 604(c)(2), is amended by adding
2 at the end the following:

“Sec. 45F. Credit for computer donations to schools, senior centers, public libraries, and other training centers.”.

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

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