

108TH CONGRESS
1ST SESSION

H. R. 302

To amend the Internal Revenue Code of 1986 to provide tax incentives and job training grants for communities affected by the migration of businesses and jobs to Canada or Mexico as a result of the North American Free Trade Agreement.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 8, 2003

Mr. MCINTYRE introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives and job training grants for communities affected by the migration of businesses and jobs to Canada or Mexico as a result of the North American Free Trade Agreement.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “NAFTA-Impacted
5 Community Relief Act”.

1 **SEC. 2. DESIGNATION OF AND TAX INCENTIVES FOR**
 2 **NAFTA-IMPACTED COMMUNITIES.**

3 (a) IN GENERAL.—Chapter 1 of the Internal Rev-
 4 enue Code of 1986 is amended by adding at the end the
 5 following new subchapter:

6 **“Subchapter Z—NAFTA-Impacted**
 7 **Communities**

“Sec. 1400M. Designation of NAFTA-impacted communities.
 “Sec. 1400N. NAFTA-impacted community employment credit.
 “Sec. 1400O. Increase in expensing under section 179.
 “Sec. 1400P. NAFTA-impacted community business defined.

8 **“SEC. 1400M. DESIGNATION OF NAFTA-IMPACTED COMMU-**
 9 **NITIES.**

10 “(a) DESIGNATION.—

11 “(1) NAFTA-IMPACTED COMMUNITY.—For
 12 purposes of this title, the term ‘NAFTA-impacted
 13 community’ means any area—

14 “(A) which is nominated by one or more
 15 local governments and the State or States in
 16 which it is located for designation as a commu-
 17 nity impacted by the North American Free
 18 Trade Agreement (hereinafter in this section re-
 19 ferred to as a ‘nominated area’), and

20 “(B) which the Secretary of Commerce
 21 designates as a NAFTA-impacted community,
 22 after consultation with—

1 “(i) in the case of an area in a rural
2 area, the Secretary of Agriculture;

3 “(ii) in the case of an area in an
4 urban area, the Secretary of Housing and
5 Urban Development; and

6 “(iii) in the case of an area on an In-
7 dian reservation, the Secretary of the Inte-
8 rior.

9 “(2) NUMBER OF DESIGNATIONS.—The Sec-
10 retary of Commerce may designate not more than
11 35 nominated areas as NAFTA-impacted commu-
12 nities.

13 “(3) AREAS DESIGNATED BASED ON DEGREE
14 OF LOSS OF JOBS RESULTING FROM NAFTA, ETC.—
15 Except as otherwise provided in this section, the
16 nominated areas designated as NAFTA-impacted
17 communities under this subsection shall be those
18 nominated areas with the highest average ranking
19 with respect to the criteria described in subsection
20 (c)(3). For purposes of the preceding sentence, an
21 area shall be ranked within each such criterion on
22 the basis of the amount by which the area exceeds
23 such criterion, with the area which exceeds such cri-
24 terion by the greatest amount given the highest
25 ranking.

1 “(4) LIMITATION ON DESIGNATIONS.—

2 “(A) PUBLICATION OF REGULATIONS.—

3 The Secretary of Commerce shall prescribe by
4 regulation no later than 4 months after the
5 date of the enactment of this section, after con-
6 sultation with the officials described in para-
7 graph (1)(B)—

8 “(i) the procedures for nominating an
9 area under paragraph (1)(A),

10 “(ii) the parameters relating to the
11 size and population characteristics of a
12 NAFTA-impacted community, and

13 “(iii) the manner in which nominated
14 areas will be evaluated based on the cri-
15 teria specified in subsection (c).

16 “(B) PROCEDURAL RULES.—The Secretary
17 of Commerce shall not make any designation of
18 a nominated area as a NAFTA-impacted com-
19 munity under paragraph (2) unless—

20 “(i) a nomination regarding such area
21 is submitted in such a manner and in such
22 form, and contains such information, as
23 the Secretary of Commerce shall by regula-
24 tion prescribe, and

1 “(ii) the Secretary of Commerce de-
2 termines that any information furnished is
3 reasonably accurate.

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

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

13 “(1) IN GENERAL.—Any designation of an area
14 as a NAFTA-impacted community shall remain in
15 effect during the period beginning on the date of the
16 designation and ending on the earliest of—

17 “(A) December 31, 2010,

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

21 “(C) the date the Secretary of Commerce
22 revokes such designation.

23 “(2) REVOCATION OF DESIGNATION.—The Sec-
24 retary of Commerce may revoke the designation
25 under this section of an area if the Secretary deter-

1 mines that the loss of jobs and other effects of
2 NAFTA on the area have been substantially allevi-
3 ated. Such determination shall include, at a min-
4 imum, a finding that the unemployment rate in the
5 area is equal to or lower than the national unem-
6 ployment rate, and a finding that new businesses are
7 being attracted to the area.

8 “(c) AREA AND ELIGIBILITY REQUIREMENTS.—

9 “(1) IN GENERAL.—The Secretary of Com-
10 merce may designate a nominated area as a
11 NAFTA-impacted community under subsection (a)
12 only if the area meets the requirements of para-
13 graphs (2) and (3) of this subsection.

14 “(2) AREA REQUIREMENTS.—For purposes of
15 paragraph (1), a nominated area meets the require-
16 ments of this paragraph if—

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

19 “(B) the boundary of the area is contin-
20 uous,

21 “(C) the area does not include an em-
22 powerment zone (as defined in section 1393(b)),
23 and

24 “(D) the area does not include a renewal
25 community designated under section 1400E.

1 “(3) ELIGIBILITY REQUIREMENTS.—

2 “(A) IN GENERAL.—For purposes of para-
3 graph (1), a nominated area meets the require-
4 ments of this paragraph if the State and the
5 local governments in which it is located certify
6 (and the Secretary of Commerce, after such re-
7 view of Department of Labor data and other
8 appropriate supporting data as he deems appro-
9 priate, accepts such certification) that—

10 “(i) the unemployment rate in the
11 area, as determined by the most recent
12 available data, was at least 1 percentage
13 point above the national unemployment
14 rate for the period to which such data re-
15 late, and

16 “(ii) in the case of—

17 “(I) a rural area, at least 300
18 workers who live or work in the area
19 have been certified as eligible to apply
20 for NAFTA transitional adjustment
21 assistance under subchapter D of
22 chapter 2 of title II of the Trade Act
23 of 1974 (19 U.S.C. 2341 et seq.), and

24 “(II) an urban area, at least 500
25 workers have been so certified.

1 “(B) RURAL AREA DEFINED.—For pur-
2 poses of this section, the term ‘rural area’
3 means an area—

4 “(i) which is within a local govern-
5 ment jurisdiction or jurisdictions with a
6 population of less than 10,000,

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

10 “(iii) which is determined by the Sec-
11 retary of Commerce, after consultation
12 with the Secretary of Agriculture, to be a
13 rural area.

14 “(C) URBAN AREA DEFINED.—For pur-
15 poses of this section, the term ‘urban area’
16 means any area that is not a rural area.

17 “(d) COORDINATION WITH TREATMENT OF ENTER-
18 PRISE COMMUNITIES.—For purposes of this title, if there
19 are in effect with respect to the same area both—

20 “(1) a designation as a NAFTA-impacted com-
21 munity, and

22 “(2) a designation as an enterprise community,
23 both of such designations shall be given full effect with
24 respect to such area.

1 wages which may be taken into account for a cal-
2 endar year shall not exceed \$15,000.

3 “(3) COORDINATION WITH WORK OPPORTUNITY
4 CREDIT.—

5 “(A) IN GENERAL.—The term ‘qualified
6 NAFTA-impacted community wages’ shall not
7 include wages taken into account in deter-
8 mining the credit under section 51.

9 “(B) COORDINATION WITH PARAGRAPH
10 (2).—The \$15,000 amount in paragraph (2)
11 shall be reduced for any calendar year by the
12 amount of wages paid or incurred during such
13 year which are taken into account in deter-
14 mining the credit under section 51.

15 “(c) QUALIFIED NAFTA-IMPACTED COMMUNITY
16 EMPLOYEE.—For purposes of this section—

17 “(1) IN GENERAL.—Except as otherwise pro-
18 vided in this subsection, the term ‘qualified NAFTA-
19 impacted community employee’ means, with respect
20 to any period, any employee of an employer if—

21 “(A) substantially all of the services per-
22 formed during such period by such employee for
23 such employer are performed within a NAFTA-
24 impacted community in a trade or business of
25 the employer, and

1 “(B) the principal place of abode of such
2 employee while performing such services is
3 within such NAFTA-impacted community.

4 “(2) OTHER RULES.—Rules similar to the rules
5 of paragraphs (2) and (3) of section 1396(d) shall
6 apply.

7 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—
8 For purposes of this section, the rules of section 1397
9 shall apply.

10 **“SEC. 1400O. INCREASE IN EXPENSING UNDER SECTION 179.**

11 “(a) GENERAL RULE.—In the case of a NAFTA-im-
12 pacted community business (as defined in section 1400P),
13 for purposes of section 179—

14 “(1) the limitation under section 179(b)(1)
15 shall be increased by the lesser of—

16 “(A) \$10,000, or

17 “(B) the cost of section 179 property
18 which is qualified NAFTA-impacted property
19 placed in service during the taxable year, and

20 “(2) the amount taken into account under sec-
21 tion 179(b)(2) with respect to any section 179 prop-
22 erty which is qualified NAFTA-impacted property
23 shall be 50 percent of the cost thereof.

24 “(b) RECAPTURE.—Rules similar to the rules under
25 section 179(d)(10) shall apply with respect to any quali-

1 fied NAFTA-impacted property which ceases to be used
 2 in a NAFTA-impacted community by a NAFTA-impacted
 3 community business.

4 “(c) QUALIFIED NAFTA-IMPACTED PROPERTY.—
 5 For purposes of this section—

6 “(1) IN GENERAL.—The term ‘qualified
 7 NAFTA-impacted property’ means section 179 prop-
 8 erty (as defined in section 179(d)) if—

9 “(A) such property was acquired by the
 10 taxpayer after December 31, 2001, and before
 11 January 1, 2009, and

12 “(B) such property would be qualified zone
 13 property (as defined in section 1397C) if ref-
 14 erences to NAFTA-impacted communities were
 15 substituted for references to empowerment
 16 zones in section 1397C.

17 “(2) CERTAIN RULES TO APPLY.—The rules of
 18 subsections (a)(2) and (b) of section 1397C shall
 19 apply for purposes of this section.

20 **“SEC. 1400P. NAFTA-IMPACTED COMMUNITY BUSINESS DE-
 21 FINED.**

22 “For purposes of this part, the term ‘NAFTA-im-
 23 pacted community business’ means any entity or propri-
 24 etorship which would be a qualified business entity or
 25 qualified proprietorship under section 1397C if references

1 to NAFTA-impacted communities were substituted for
2 references to empowerment zones in such section.”.

3 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

4 (1) NAFTA-IMPACTED COMMUNITY EMPLOY-
5 MENT CREDIT PART OF GENERAL BUSINESS CRED-
6 IT.—

7 (A) Subsection (b) of section 38 of such
8 Code (relating to current year business credit)
9 is amended by striking “plus” at the end of
10 paragraph (12), by striking the period at the
11 end of paragraph (13) and inserting “, plus”,
12 and by adding at the end the following new
13 paragraph:

14 “(14) the NAFTA-impacted community employ-
15 ment credit determined under section 1400N(a).”.

16 (B) Subsection (d) of section 39 of such
17 Code (relating to carryback and carryforward of
18 unused credits) is amended by adding at the
19 end the following new paragraph:

20 “(10) NO CARRYBACK OF SECTION 1400N CRED-
21 IT BEFORE EFFECTIVE DATE.—No portion of the
22 unused business credit for any taxable year which is
23 attributable to the credit determined under section
24 1400N (relating to NAFTA-impacted community

1 employment credit) may be carried to any taxable
2 year ending before January 1, 2002.”.

3 (2) DENIAL OF DEDUCTION FOR PORTION OF
4 WAGES EQUAL TO NAFTA-IMPACTED COMMUNITY
5 EMPLOYMENT CREDIT.—

6 (A) Subsection (a) of section 280C (relat-
7 ing to rule for employment credits) is amended
8 by striking “and 1396(a)” and inserting
9 “1396(a), and 1400N(a)”.

10 (B) Subsection (c) of section 196 (relating
11 to deduction for certain unused business cred-
12 its) is amended by striking “and” at the end of
13 paragraph (8), by striking the period at the end
14 of paragraph (9) and inserting “, and”, and by
15 adding at the end the following new paragraph:

16 “(10) the NAFTA-impacted community employ-
17 ment credit determined under section 1400N(a)”.

18 (3) CARRYOVERS.—Subsection (c) of section
19 381 (relating to carryovers in certain corporate ac-
20 quisitions) is amended by adding at the end the fol-
21 lowing new paragraph:

22 “(27) NAFTA-IMPACTED COMMUNITY PROVI-
23 SIONS.—The acquiring corporation shall take into
24 account (to the extent proper to carry out the pur-
25 poses of this section and subchapter XI, and under

1 such regulations as may be prescribed by the Sec-
 2 retary) the items required to be taken into account
 3 for purposes of subchapter XI in respect of the dis-
 4 tributor or transferor corporation.”.

5 (c) CLERICAL AMENDMENTS.—The table of sub-
 6 chapters for chapter 1 is amended by adding at the end
 7 the following new item:

“Subchapter Z. NAFTA-Impacted Communities.”

8 **SEC. 3. GRANTS FOR JOB TRAINING ASSISTANCE FOR**
 9 **NAFTA-IMPACTED COMMUNITIES.**

10 (a) IN GENERAL.—The Secretary of Labor shall pro-
 11 vide grants to States that contain NAFTA-impacted com-
 12 munities, as designated under section 1400M of the Inter-
 13 nal Revenue Code of 1986 (as added by section 2(a) of
 14 this Act), for the purpose of providing sub-grants to non-
 15 profit organizations and community or junior colleges in
 16 order to provide short-term job training courses, courses
 17 in entrepreneurship and self-employment, and other related
 18 job training assistance that will promote the economic self-
 19 sufficiency of individuals located in NAFTA-impacted
 20 communities.

21 (b) MAXIMUM AMOUNT OF GRANT.—The total
 22 amount provided under a grant to a State under sub-
 23 section (a) for a fiscal year may not exceed the product
 24 of—

25 (1) \$1,000,000; and

1 (2) the number of NAFTA-impacted commu-
2 nities located in the State.

3 (c) AUTHORIZATION OF APPROPRIATIONS.—

4 (1) IN GENERAL.—There are authorized to be
5 appropriated to carry out this section \$35,000,000
6 for each of the fiscal years 2004 through 2010.

7 (2) AVAILABILITY.—Amounts appropriated pur-
8 suant to the authorization of appropriations under
9 paragraph (1) are authorized to remain available
10 until expended.

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