

109TH CONGRESS
1ST SESSION

H. R. 4404

To amend the Internal Revenue Code of 1986 to allow a credit against tax for qualified equity investments in companies affected by Hurricane Katrina.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 2005

Mr. JEFFERSON introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a credit against tax for qualified equity investments in companies affected by Hurricane Katrina.

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 “Americans Helping
5 Americans Tax Credit Act of 2005”.

6 **SEC. 2. KATRINA INVESTMENT TAX CREDIT.**

7 (a) IN GENERAL.—Subpart D of part IV of sub-
8 chapter A of chapter 1 (relating to business related cred-

1 its) is amended by adding at the end the following new
2 section:

3 **“SEC. 45N. KATRINA INVESTMENT TAX CREDIT.**

4 “(a) GENERAL RULE.—For purposes of section 38,
5 in the case of a recovery area company, the Katrina invest-
6 ment tax credit determined under this section for the tax-
7 able year is an amount equal to 25 percent of the amount
8 of the qualified equity investments made by the recovery
9 area company during the taxable year.

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

12 “(1) IN GENERAL.—The term ‘qualified equity
13 investment’ means—

14 “(A) the transfer of cash, cash equivalents,
15 or other property in exchange for stock or cap-
16 ital interest in a recovery area company, and

17 “(B) the cost of any qualified property ac-
18 quired by a recovery area company to be used
19 in its trade or business.

20 “(2) RECOVERY AREA COMPANY.—The term
21 ‘recovery area company’ means a domestic corpora-
22 tion or partnership—

23 “(A) the principal place of business of
24 which is physically located in an area deter-
25 mined by the President before October 15,

1 2005, to warrant individual or individual and
2 public assistance from the Federal Government
3 under the Robert T. Stafford Disaster Relief
4 and Emergency Assistance Act by reason of
5 Hurricane Katrina,

6 “(B) at least 50 percent of the gross in-
7 come of which is derived from the conduct of
8 business in such area or the coastal waters ad-
9 jacent thereto,

10 “(C) a substantial portion of the use of the
11 tangible personal property of such entity
12 (whether owned or leased) is within such area
13 or the coastal waters adjacent thereto, and

14 “(D) a substantial portion of the services
15 performed by such entity or by its employees
16 are performed in such area or in the coastal
17 waters adjacent thereto.

18 “(3) QUALIFIED PROPERTY.—The term ‘quali-
19 fied property’ means section 1245 property (as de-
20 fined in section 1245(a)(3)).

21 “(c) RECAPTURE OF CREDIT.—

22 “(1) IN GENERAL.—If, at any time during the
23 5-year period beginning on the date on which a
24 qualified equity investment in a recovery area com-
25 pany is made, there is a recapture event with respect

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

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

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

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

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

22 “(3) APPLICABLE PERCENTAGE.—For purposes
23 of paragraph (2), the applicable percentage is—

24 “(A) in the case of a recapture event that
25 occurs within 1 year after the date that the

1 qualified equity investment is made, 100 per-
2 cent,

3 “(B) in the case of a recapture event that
4 occurs within 2 years after such date, 80 per-
5 cent,

6 “(C) in the case of a recapture event that
7 occurs within 3 years after such date, 60 per-
8 cent,

9 “(D) in the case of a recapture event that
10 occurs within 4 years after such date, 40 per-
11 cent, and

12 “(E) in the case of a recapture event that
13 occurs within 5 years after such date, 20 per-
14 cent.

15 “(4) RECAPTURE EVENT.—For purposes of this
16 subsection, there is a recapture event with respect to
17 a qualified equity investment if—

18 “(A) the recovery area company that made
19 such investment ceases to be a recovery area
20 company,

21 “(B) the qualified equity investment is re-
22 deemed by the recovery area company that
23 made such investment, or

24 “(C) the qualified property acquired by a
25 recovery area company ceases to be used by the

1 recovery area company in its trade or business
2 or such property is sold or otherwise disposed
3 of by the recovery area company.

4 “(d) CREDIT MAY BE TRANSFERRED.—

5 “(1) IN GENERAL.—Nothing in any law or rule
6 of law shall be construed to limit the transferability
7 of the credit allowed by this section through sale or
8 repurchase agreements.

9 “(2) TRANSFERRED CREDIT EXCLUDED FROM
10 GROSS INCOME.—The amount of a credit that is
11 transferred through sale or repurchase agreements
12 pursuant to this section shall not be included in
13 gross income by the taxpayer to whom the credit is
14 transferred.

15 “(e) TERMINATION.—This section shall not apply to
16 qualified equity investments made after December 31,
17 2007.”.

18 (b) CREDIT MADE PART OF GENERAL BUSINESS
19 CREDIT.—Subsection (b) of section 38 of such Code is
20 amended by striking “and” at the end of paragraph (25),
21 by striking the period at the end of paragraph (26) and
22 inserting “, and”, and by adding at the end the following
23 new paragraph:

24 “(27) the Katrina investment tax credit deter-
25 mined under section 45N(a).”.

1 (c) CLERICAL AMENDMENT.—The table of sections
2 for subpart D of part IV of subchapter A of chapter 1
3 of such Code is amended by adding at the end the fol-
4 lowing new item:

“Sec. 45N. Katrina investment tax credit.”.

5 (d) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to qualified equity investments
7 made after September 1, 2005, in taxable years ending
8 after such date.

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