

104TH CONGRESS
1ST SESSION

S. 1252

To amend the Internal Revenue Code of 1986 to provide additional tax incentives to stimulate economic growth in depressed areas, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 18 (legislative day, SEPTEMBER 5), 1995

Mr. ABRAHAM (for himself, Mr. LIEBERMAN, Mr. SANTORUM, Ms. MOSELEY-BRAUN, and Mr. DEWINE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide additional tax incentives to stimulate economic growth in depressed areas, 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; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Enhanced Enterprise Zones Act of 1995”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
 2 shall be considered to be made to a section or other provi-
 3 sion of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; amendment of 1986 Code; table of contents.
 Sec. 2. Findings and purpose.

TITLE I—FEDERAL TAX INCENTIVES

Sec. 101. Amendments to subchapter U.
 Sec. 102. Commercial revitalization tax credit.

TITLE II—REGULATORY FLEXIBILITY

Sec. 201. Definition of small entities in empowerment zones and enterprise
 communities for analysis of regulatory functions.
 Sec. 202. Waiver or modification of agency rules in empowerment zones and en-
 terprise communities.

TITLE III—LOW-INCOME SCHOOL CHOICE

Sec. 301. Definitions.
 Sec. 302. Authorization of appropriations.
 Sec. 303. Grants authorized.
 Sec. 304. Authorized projects; priority.
 Sec. 305. Applications.
 Sec. 306. Education certificates.
 Sec. 307. Effect on other programs; use of school lunch data.
 Sec. 308. Parental notification.
 Sec. 309. Reports.

TITLE IV—RESIDENT MANAGEMENT AND HOMEOWNERSHIP INCENTIVES

Sec. 401. Enterprise zone opportunity grants.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—The Congress makes the following
 8 findings:

9 (1) Many of the Nation's urban centers are
 10 places with high levels of poverty, high rates of wel-
 11 fare dependency, high crime rates, poor schools, and
 12 joblessness.

1 (2) Federal tax incentives and regulatory re-
2 forms can encourage economic growth, job creation
3 and small business formation in many urban centers.

4 (3) Encouraging private sector investment in
5 America's economically distressed urban and rural
6 areas is essential to breaking the cycle of poverty
7 and the related ills of crime, drug abuse, illiteracy,
8 welfare dependency, and unemployment.

9 (4) The provisions creating empowerment zones
10 that were enacted in 1993 should be enhanced by
11 providing incentives to increase entrepreneurial
12 growth, capital formation, job creation, educational
13 opportunities, and homeownership in designated en-
14 terprise communities and empowerment zones.

15 (b) PURPOSE.—The purpose of this Act is to increase
16 job creation, small business expansion and formation, edu-
17 cational opportunities, and homeownership in economically
18 depressed areas by providing Federal tax incentives, regu-
19 latory reforms, school reform pilot projects, and home-
20 ownership incentives.

21 **TITLE I—FEDERAL TAX** 22 **INCENTIVES**

23 **SEC. 101. AMENDMENTS TO SUBCHAPTER U.**

24 (a) IN GENERAL.—Subchapter U of chapter 1 (relat-
25 ing to designation and treatment of empowerment zones,

1 enterprise communities, and rural development investment
2 areas) is amended—

3 (1) by redesignating part IV as part V,

4 (2) by redesignating section 1397D as section
5 1397F, and

6 (3) by inserting after part III the following new
7 part:

8 **“PART IV—ADDITIONAL INCENTIVES FOR**
9 **EMPOWERMENT ZONES AND ENTERPRISE**
10 **COMMUNITIES**

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

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

11 **“SEC. 1397D. EMPOWERMENT ZONE AND ENTERPRISE COM-**
12 **MUNITY CAPITAL GAIN.**

13 “(a) GENERAL RULE.—Gross income does not in-
14 clude any qualified capital gain recognized on the sale or
15 exchange of a qualified zone asset held for more than 5
16 years.

17 “(b) QUALIFIED ZONE ASSET.—For purposes of this
18 section—

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

21 “(A) any qualified zone stock,

22 “(B) any qualified zone business property,

23 and

1 “(C) any qualified zone partnership inter-
2 est.

3 “(2) QUALIFIED ZONE STOCK.—

4 “(A) IN GENERAL.—Except as provided in
5 subparagraph (B), the term ‘qualified zone
6 stock’ means any stock in a domestic corpora-
7 tion if—

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

11 “(ii) as of the time such stock was is-
12 sued, such corporation was an enterprise
13 zone business (or, in the case of a new cor-
14 poration, such corporation was being orga-
15 nized for purposes of being an enterprise
16 zone business), and

17 “(iii) during substantially all of the
18 taxpayer’s holding period for such stock,
19 such corporation qualified as an enterprise
20 zone business.

21 “(B) EXCLUSION OF STOCK FOR WHICH
22 DEDUCTION UNDER SECTION 1397E AL-
23 LOWED.—The term ‘qualified zone stock’ shall
24 not include any stock the basis of which is re-
25 duced under section 1397E.

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

7 “(3) QUALIFIED ZONE BUSINESS PROPERTY.—

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

11 “(i) such property was acquired by
12 the taxpayer by purchase (as defined in
13 section 179(d)(2)) after the date on which
14 the designation of the empowerment zone
15 or enterprise community took effect,

16 “(ii) the original use of such property
17 in the empowerment zone or enterprise
18 community commences with the taxpayer,
19 and

20 “(iii) during substantially all of the
21 taxpayer’s holding period for such prop-
22 erty, substantially all of the use of such
23 property was in an enterprise zone busi-
24 ness of the taxpayer.

1 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
2 PROVEMENTS.—

3 “(i) IN GENERAL.—The requirements
4 of clauses (i) and (ii) of subparagraph (A)
5 shall be treated as satisfied with respect
6 to—

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

9 “(II) any land on which such
10 property is located.

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

21 “(I) an amount equal to the ad-
22 justed basis at the beginning of such
23 24-month period in the hands of the
24 taxpayer, or

25 “(II) \$5,000.

1 “(C) LIMITATION ON LAND.—The term
2 ‘qualified zone business property’ shall not in-
3 clude land which is not an integral part of an
4 enterprise zone business.

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

8 “(A) such interest is acquired by the tax-
9 payer from the partnership solely in exchange
10 for cash,

11 “(B) as of the time such interest was ac-
12 quired, such partnership was an enterprise zone
13 business (or, in the case of a new partnership,
14 such partnership was being organized for pur-
15 poses of being an enterprise zone business), and

16 “(C) during substantially all of the tax-
17 payer’s holding period for such interest, such
18 partnership qualified as an enterprise zone
19 business.

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

22 “(5) TREATMENT OF SUBSEQUENT PUR-
23 CHASERS.—The term ‘qualified zone asset’ includes
24 any property which would be a qualified zone asset
25 but for paragraph (2)(A)(i), (3)(A)(ii), or (4)(A) in

1 the hands of the taxpayer if such property was a
2 qualified zone asset in the hands of all prior holders.

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

14 “(7) TREATMENT OF ZONE TERMINATIONS.—
15 The termination of any designation of an area as an
16 empowerment zone or enterprise community shall be
17 disregarded for purposes of determining whether any
18 property is a qualified zone asset.

19 “(c) OTHER DEFINITIONS AND SPECIAL RULES.—
20 For purposes of this section—

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

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

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

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

17 “(5) ENTERPRISE ZONE BUSINESS.—The term
18 ‘enterprise zone business’ has the meaning given
19 such term by section 1394(b)(3), except that, in ap-
20 plying section 1394(b)(3), the term ‘qualified busi-
21 ness’ shall not include any trade or business of pro-
22 ducing property of a character subject to the allow-
23 ance for depletion under section 611.

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

1 “(1) SALES AND EXCHANGES.—Gain on the
2 sale or exchange of an interest in a pass-thru entity
3 held by the taxpayer (other than an interest in an
4 entity which was an enterprise zone business during
5 substantially all of the period the taxpayer held such
6 interest) for more than 5 years shall be treated as
7 gain described in subsection (a) to the extent such
8 gain is attributable to amounts which would be
9 qualified capital gain on qualified zone assets (deter-
10 mined as if such assets had been sold on the date
11 of the sale or exchange) held by such entity for more
12 than 5 years and throughout the period the taxpayer
13 held such interest. A rule similar to the rule of para-
14 graph (2)(C) shall apply for purposes of the preced-
15 ing sentence.

16 “(2) INCOME INCLUSIONS.—

17 “(A) IN GENERAL.—Any amount included
18 in income by reason of holding an interest in a
19 pass-thru entity (other than an entity which
20 was an enterprise zone business during substan-
21 tially all of the period the taxpayer held the in-
22 terest to which such inclusion relates) shall be
23 treated as gain described in subsection (a) if
24 such amount meets the requirements of sub-
25 paragraph (B).

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

3 “(i) such amount is attributable to
4 qualified capital gain recognized on the
5 sale or exchange by the pass-thru entity of
6 property which is a qualified zone asset in
7 the hands of such entity and which was
8 held by such entity for the period required
9 under subsection (a), and

10 “(ii) such amount is includible in the
11 gross income of the taxpayer by reason of
12 the holding of an interest in such entity
13 which was held by the taxpayer on the date
14 on which such pass-thru entity acquired
15 such asset and at all times thereafter be-
16 fore the disposition of such asset by such
17 pass-thru entity.

18 “(C) LIMITATION BASED ON INTEREST
19 ORIGINALLY HELD BY TAXPAYER.—Subpara-
20 graph (A) shall not apply to any amount to the
21 extent such amount exceeds the amount to
22 which subparagraph (A) would have applied if
23 such amount were determined by reference to
24 the interest the taxpayer held in the pass-thru

1 entity on the date the qualified zone asset was
2 acquired.

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

5 “(A) any partnership,

6 “(B) any S corporation,

7 “(C) any regulated investment company,

8 and

9 “(D) any common trust fund.

10 “(e) SALES AND EXCHANGES OF INTERESTS IN
11 PARTNERSHIPS AND S CORPORATIONS WHICH ARE
12 QUALIFIED ZONE BUSINESSES.—In the case of the sale
13 or exchange of an interest in a partnership, or of stock
14 in an S corporation, which was an enterprise zone business
15 during substantially all of the period the taxpayer held
16 such interest or stock, the amount of qualified capital gain
17 shall be determined without regard to—

18 “(1) any intangible, and any land, which is not
19 an integral part of any qualified business (as defined
20 in section 1397B(b) except that references to
21 empowerment zones shall be treated as including ref-
22 erences to enterprise communities), and

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

1 “(f) CERTAIN TAX-FREE AND OTHER TRANSFERS.—

2 For purposes of this section—

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

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

8 “(B) having held such asset during any
9 continuous period immediately preceding the
10 transfer during which it was held (or treated as
11 held under this subsection) by the transferor.

12 “(2) TRANSFERS TO WHICH SUBSECTION AP-
13 PLIES.—This subsection shall apply to any trans-
14 fer—

15 “(A) by gift,

16 “(B) at death, or

17 “(C) from a partnership to a partner
18 thereof of a qualified zone asset with respect to
19 which the requirements of subsection (d)(2) are
20 met at the time of the transfer (without regard
21 to the 5-year holding requirement).

22 “(3) CERTAIN RULES MADE APPLICABLE.—

23 Rules similar to the rules of section 1244(d)(2) shall
24 apply for purposes of this section.

1 **“SEC. 1397E. EMPOWERMENT ZONE AND ENTERPRISE COM-**
2 **MUNITY STOCK.**

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

8 “(b) LIMITATIONS.—

9 “(1) CEILING.—

10 “(A) IN GENERAL.—The maximum
11 amount allowed as a deduction under subsection
12 (a) to a taxpayer shall not exceed—

13 “(i) \$100,000 for any taxable year,
14 and

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

18 “(B) EXCESS AMOUNTS.—If the amount
19 otherwise deductible by any person under sub-
20 section (a) exceeds the limitation under—

21 “(i) subparagraph (A)(i), the amount
22 of such excess shall be treated as an
23 amount paid in the next taxable year, and

24 “(ii) subparagraph (A), the deduction
25 allowed for any taxable year shall be allo-
26 cated proportionately among the enterprise

1 zone stock purchased by such person on
2 the basis of the respective purchase prices
3 per share.

4 “(2) RELATED PERSON.—The taxpayer and
5 members of the taxpayer’s family shall be treated as
6 one person for purposes of paragraph (1) and the
7 limitations contained in such paragraph shall be al-
8 located among the taxpayer and such members in
9 accordance with their respective purchases of enter-
10 prise zone stock. For purposes of this paragraph, an
11 individual’s family includes only such individual’s
12 spouse and minor children.

13 “(3) PARTIAL TAXABLE YEAR.—If designation
14 of an area as an empowerment zone or enterprise
15 community occurs, expires, or is revoked pursuant to
16 section 1391 on a date other than the first or last
17 day of the taxable year of the taxpayer, or in the
18 case of a short taxable year, the limitations specified
19 in paragraph (1) shall be adjusted on a pro rata
20 basis (based upon the number of days).

21 “(c) ENTERPRISE ZONE STOCK.—For purposes of
22 this section—

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

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

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

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

7 “(A) IN GENERAL.—Such term shall in-
8 clude such stock only to the extent that the pro-
9 ceeds of such issuance are used by such issuer
10 during the 12-month period beginning on the
11 date of issuance to purchase (as defined in sec-
12 tion 179(d)(2)) qualified enterprise zone prop-
13 erty.

14 “(B) QUALIFIED ENTERPRISE ZONE PROP-
15 erty.—For purposes of this section, the term
16 ‘qualified enterprise zone property’ means prop-
17 erty to which section 168 applies (or would
18 apply but for section 179)—

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

22 “(ii) substantially all of the use of
23 which is in such empowerment zone or en-
24 terprise community.

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

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

10 “(1) such corporation is a corporation described
11 in section 1397B(b) (except that in applying such
12 section the references to empowerment zones shall
13 be treated as including references to enterprise com-
14 munities) or, in the case of a new corporation, such
15 corporation is being organized for purposes of being
16 such a corporation,

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

19 “(3) the sum of—

20 “(A) the money,

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

23 “(C) the value of property leased to the
24 corporation (as determined under regulations
25 prescribed by the Secretary),

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

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

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

10 “(e) DISPOSITIONS OF STOCK.—

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

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

17 “(A) any stock the basis of which is re-
18 duced under paragraph (1) (and any other
19 property the basis of which is determined in
20 whole or in part by reference to the adjusted
21 basis of such stock) shall be treated as section
22 1245 property, and

23 “(B) any reduction under paragraph (1)
24 shall be treated as a deduction allowed for de-
25 preciation.

1 If an exchange of any stock described in paragraph
2 (1) qualifies under section 354(a), 355(a), or
3 356(a), the amount of gain recognized under section
4 1245 by reason of this paragraph shall not exceed
5 the amount of gain recognized in the exchange (de-
6 termined without regard to this paragraph).

7 “(3) CERTAIN EVENTS TREATED AS DISPOSI-
8 TIONS.—For purposes of determining the amount
9 treated as ordinary income under section 1245 by
10 reason of paragraph (2), paragraph (3) of section
11 1245(b) (relating to certain tax-free transactions)
12 shall not apply.

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

15 “(A) IN GENERAL.—If—

16 “(i) a taxpayer disposes of any enter-
17 prise zone stock with respect to which a
18 deduction was allowed under subsection (a)
19 (or any other property the basis of which
20 is determined in whole or in part by ref-
21 erence to the adjusted basis of such stock)
22 before the end of the 5-year period begin-
23 ning on the date such stock was purchased
24 by the taxpayer, and

1 “(ii) section 1245(a) applies to such
2 disposition by reason of paragraph (2),
3 then the tax imposed by this chapter for the
4 taxable year in which such disposition occurs
5 shall be increased by the amount determined
6 under subparagraph (B).

7 “(B) ADDITIONAL AMOUNT.—For purposes
8 of subparagraph (A), the additional amount
9 shall be equal to the amount of interest (deter-
10 mined at the rate applicable under section
11 6621(a)(2)) that would accrue—

12 “(i) during the period beginning on
13 the date the stock was purchased by the
14 taxpayer and ending on the date of such
15 disposition by the taxpayer, and

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

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

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

1 “(ii) determining the amount of the
2 tax imposed by section 55.

3 “(f) DISQUALIFICATION.—

4 “(1) ISSUER CEASES TO QUALIFY.—If, during
5 the 10-year period beginning on the date enterprise
6 zone stock was purchased by the taxpayer, the issuer
7 of such stock ceases to be a qualified enterprise zone
8 issuer (determined without regard to subsection
9 (d)(3)), then notwithstanding any provision of this
10 subtitle other than paragraph (2), the taxpayer shall
11 be treated for purposes of subsection (e) as dispos-
12 ing of such stock (and any other property the basis
13 of which is determined in whole or in part by ref-
14 erence to the adjusted basis of such stock) during
15 the taxable year during which such cessation occurs
16 at its fair market value as of the 1st day of such
17 taxable year.

18 “(2) CESSATION OF ENTERPRISE ZONE STATUS
19 NOT TO CAUSE RECAPTURE.—A corporation shall
20 not fail to be treated as a qualified enterprise zone
21 issuer for purposes of paragraph (1) solely by reason
22 of the termination or revocation of a designation as
23 an empowerment zone or enterprise community, as
24 the case may be.

25 “(g) OTHER SPECIAL RULES.—

1 “(1) APPLICATION OF LIMITS TO PARTNER-
2 SHIPS AND S CORPORATIONS.—In the case of a part-
3 nership or an S corporation, the limitations under
4 subsection (b) shall apply at the partner and share-
5 holder level and shall not apply at the partnership
6 or corporation level.

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

10 (b) ADDITIONAL EXPENSING.—Section 1397A (relat-
11 ing to increase in expensing under section 179) is amend-
12 ed—

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

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

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

23 (c) TECHNICAL AMENDMENT.—Subsection (a) of sec-
24 tion 1016 (relating to adjustments to basis) is amended
25 by striking “and” at the end of paragraph (24), by strik-

1 ing the period at the end of paragraph (25) and inserting
 2 “, and”; and by adding at the end the following new para-
 3 graph:

4 “(26) to the extent provided in section
 5 1397E(b), in the case of stock with respect to which
 6 a deduction was allowed or allowable under section
 7 1397E(a).”

8 (d) CLERICAL AND CONFORMING AMENDMENTS.—

9 (1) The table of parts for subchapter U is
 10 amended by striking the item relating to part IV
 11 and inserting the following new items:

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

“Part V. Regulations.”

12 (2) The table of sections for part V of sub-
 13 chapter U of chapter 1, as redesignated by sub-
 14 section (a)(1), is amended by redesignating the item
 15 relating to section 1397D as section 1397F.

16 (3) Section 1397F, as so redesignated, is
 17 amended by striking “and III” each place it appears
 18 and inserting “, III, and IV”.

19 (e) EFFECTIVE DATE.—The amendments made by
 20 this section apply to taxable years beginning after Decem-
 21 ber 31, 1995.

22 **SEC. 102. COMMERCIAL REVITALIZATION TAX CREDIT.**

23 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-
 24 ternal Revenue Code of 1986 (relating to investment cred-

1 it) is amended by striking “and” at the end of paragraph
2 (2), by striking the period at the end of paragraph (3)
3 and inserting “, and”, and by adding at the end the follow-
4 ing new paragraph:

5 “(4) the commercial revitalization credit.”

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

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

12 “(a) GENERAL RULE.—For purposes of section 46,
13 except as provided in subsection (e), the commercial revi-
14 talization credit for any taxable year is an amount equal
15 to the applicable percentage of the qualified revitalization
16 expenditures with respect to any qualified revitalization
17 building.

18 “(b) APPLICABLE PERCENTAGE.—For purposes of
19 this section—

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

22 “(A) 20 percent, or

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

1 The election under subparagraph (B), once made,
2 shall be irrevocable.

3 “(2) CREDIT PERIOD.—

4 “(A) IN GENERAL.—The term ‘credit pe-
5 riod’ means, with respect to any building, the
6 period of 10 taxable years beginning with the
7 taxable year in which the building is placed in
8 service.

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

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

14 “(1) QUALIFIED REVITALIZATION BUILDING.—
15 The term ‘qualified revitalization building’ means
16 any building (and its structural components) if—

17 “(A) such building is located in an eligible
18 commercial revitalization area,

19 “(B) a commercial revitalization credit
20 amount is allocated to the building under sub-
21 section (e), and

22 “(C) depreciation (or amortization in lieu
23 of depreciation) is allowable with respect to the
24 building.

1 “(2) QUALIFIED REHABILITATION EXPENDI-
2 TURE.—

3 “(A) IN GENERAL.—The term ‘qualified
4 rehabilitation expenditure’ means any amount
5 properly chargeable to capital account—

6 “(i) for property for which deprecia-
7 tion is allowable under section 168 and
8 which is—

9 “(I) nonresidential real property,

10 or

11 “(II) an addition or improvement
12 to property described in subclause (I),

13 “(ii) in connection with the construc-
14 tion or substantial rehabilitation or recon-
15 struction of a qualified revitalization build-
16 ing, and

17 “(iii) for the acquisition of land in
18 connection with the qualified revitalization
19 building.

20 “(B) DOLLAR LIMITATION.—The aggre-
21 gate amount which may be treated as qualified
22 revitalization expenditures with respect to any
23 qualified revitalization building for any taxable
24 year shall not exceed \$10,000,000, reduced by
25 any such expenditures with respect to the build-

1 ing taken into account by the taxpayer or any
2 predecessor in determining the amount of the
3 credit under this section for all preceding tax-
4 able years.

5 “(C) CERTAIN EXPENDITURES NOT IN-
6 CLUDED.—The term ‘qualified revitalization ex-
7 penditure’ does not include—

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

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

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

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

9 “(3) ELIGIBLE COMMERCIAL REVITALIZATION
10 AREA.—The term ‘eligible commercial revitalization
11 area’ means an empowerment zone or enterprise
12 community designated under subchapter U.

13 “(4) SUBSTANTIAL REHABILITATION OR RE-
14 CONSTRUCTION.—For purposes of this subsection, a
15 rehabilitation or reconstruction shall be treated as a
16 substantial rehabilitation or reconstruction only if
17 the qualified revitalization expenditures in connec-
18 tion with the rehabilitation or reconstruction exceed
19 25 percent of the fair market value of the building
20 (and its structural components) immediately before
21 the rehabilitation or reconstruction.

22 “(d) WHEN EXPENDITURES TAKEN INTO AC-
23 COUNT.—

24 “(1) IN GENERAL.—Qualified revitalization ex-
25 penditures with respect to any qualified revitaliza-

1 tion building shall be taken into account for the tax-
2 able year in which the qualified rehabilitated build-
3 ing is placed in service. For purposes of the preced-
4 ing sentence, a substantial rehabilitation or recon-
5 struction of a building shall be treated as a separate
6 building.

7 “(2) PROGRESS EXPENDITURE PAYMENTS.—
8 Rules similar to the rules of subsections (b)(2) and
9 (d) of section 47 shall apply for purposes of this sec-
10 tion.

11 “(e) LIMITATION ON AGGREGATE CREDITS ALLOW-
12 ABLE WITH RESPECT TO BUILDINGS LOCATED IN A
13 STATE.—

14 “(1) IN GENERAL.—The amount of the credit
15 determined under this section for any taxable year
16 with respect to any building shall not exceed the
17 commercial revitalization credit amount (in the case
18 of an amount determined under subsection
19 (b)(1)(B), the present value of such amount as de-
20 termined under the rules of section 42(b)(2)(C)) al-
21 located to such building under this subsection by the
22 commercial revitalization credit agency. Such alloca-
23 tion shall be made at the same time and in the same
24 manner as under paragraphs (1) and (7) of section
25 42(h).

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

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

10 “(B) STATE COMMERCIAL REVITALIZATION
11 CREDIT CEILING.—

12 “(i) IN GENERAL.—The State com-
13 mercial revitalization credit ceiling applica-
14 ble to any State for any calendar year is
15 \$2,000,000 for each empowerment zone
16 and enterprise community in the State des-
17 ignated under subchapter U.

18 “(ii) SPECIAL RULE WHERE ZONE OR
19 COMMUNITY LOCATED IN MORE THAN 1
20 STATE.—If an empowerment zone or enter-
21 prise community is located in more than 1
22 State, a State’s share of the amount speci-
23 fied in clause (i) with respect to such zone
24 or community shall be an amount that
25 bears the same ratio to \$2,000,000 as the

1 population in the State bears to the popu-
2 lation in all States in which such zone or
3 community is located.

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

8 “(C) COMMERCIAL REVITALIZATION CRED-
9 IT AGENCY.—For purposes of this section, the
10 term ‘commercial revitalization credit agency’
11 means any agency authorized by a State to
12 carry out this section.

13 “(f) RESPONSIBILITIES OF COMMERCIAL REVITAL-
14 IZATION CREDIT AGENCIES.—

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

19 “(A) such amount was allocated pursuant
20 to a qualified allocation plan of the commercial
21 revitalization credit agency which is approved
22 by the governmental unit (in accordance with
23 rules similar to the rules of section 147(f)(2)
24 (other than subparagraph (B)(ii) thereof)) of
25 which such agency is a part, and

1 “(B) such agency notifies the chief execu-
2 tive officer (or its equivalent) of the local juris-
3 diction within which the building is located of
4 such project and provides such individual a rea-
5 sonable opportunity to comment on the project.

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

9 “(A) which sets forth selection criteria to
10 be used to determine priorities of the commer-
11 cial revitalization credit agency which are ap-
12 propriate to local conditions,

13 “(B) which considers—

14 “(i) the degree to which a project con-
15 tributes to the implementation of a strate-
16 gic plan that is devised for an eligible com-
17 mercial revitalization area through a citi-
18 zen participation process,

19 “(ii) the amount of any increase in
20 permanent, full-time employment by reason
21 of any project, and

22 “(iii) the active involvement of resi-
23 dents and nonprofit groups within the eli-
24 gible commercial revitalization area, and

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

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

6 (c) CONFORMING AMENDMENTS.—

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

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

17 (2) Subparagraph (B) of section 48(a)(2) of
18 such Code is amended by inserting “or commercial
19 revitalization” after “rehabilitation” each place it
20 appears in the text and heading thereof.

21 (3) Subparagraph (C) of section 49(a)(1) of
22 such Code is amended by striking “and” at the end
23 of clause (ii), by striking the period at the end of
24 clause (iii) and inserting “, and”, and by adding at
25 the end the following new clause:

1 “(iv) the basis of any qualified revital-
2 ization building attributable to qualified re-
3 vitalization expenditures.”

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

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

11 (6) Paragraph (2) of section 50(b) of such Code
12 is amended by striking “and” at the end of subpara-
13 graph (C), by striking the period at the end of sub-
14 paragraph (D) and inserting “, and”, and by adding
15 at the end the following new subparagraph:

16 “(E) a qualified revitalization building to
17 the extent of the portion of the basis which is
18 attributable to qualified revitalization expendi-
19 tures.”

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

24 (8) Subparagraph (C) of section 469(i)(3) is
25 amended—

1 (A) by inserting “or section 48A” after
2 “section 42”; and

3 (B) by striking “CREDIT” in the heading
4 and inserting “AND COMMERCIAL REVITALIZA-
5 TION CREDITS”.

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to property placed in service after
8 December 31, 1995.

9 **TITLE II—REGULATORY**
10 **FLEXIBILITY**

11 **SEC. 201. DEFINITION OF SMALL ENTITIES IN**
12 **EMPOWERMENT ZONES AND ENTERPRISE**
13 **COMMUNITIES FOR ANALYSIS OF REGU-**
14 **LATORY FUNCTIONS.**

15 Section 601 of title 5, United States Code, is amend-
16 ed—

17 (1) by striking “and” at the end of paragraph
18 (5); and

19 (2) by striking paragraph (6) and inserting the
20 following:

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

22 “(A) a small business, small organization,
23 or small governmental jurisdiction defined in
24 paragraphs (3), (4), and (5) of this section; and

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

4 “(ii) any unit of government that nomi-
5 nated an area which the appropriate Secretary
6 designates as an empowerment zone or enter-
7 prise community (within the meaning of section
8 1391 of the Internal Revenue Code of 1986)
9 that has a rule pertaining to the carrying out
10 of any project, activity, or undertaking within
11 such zone or community; and

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

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

19 **SEC. 202. WAIVER OR MODIFICATION OF AGENCY RULES IN**
20 **EMPOWERMENT ZONES AND ENTERPRISE**
21 **COMMUNITIES.**

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

1 **“§613. Waiver or modification of agency rules in**
2 **empowerment zones and enterprise com-**
3 **munities**

4 “(a) Upon the written request of any government
5 which nominated an area that the appropriate Secretary
6 has designated as an empowerment zone or enterprise
7 community under section 1391 of the Internal Revenue
8 Code of 1986, an agency is authorized, in order to further
9 the job creation, community development, or economic re-
10 vitalization objectives with respect to such zone or commu-
11 nity, to waive or modify all or part of any rule which such
12 agency has authority to promulgate, as such rule pertains
13 to the carrying out of projects, activities, or undertakings
14 within such zone or community.

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

21 “(c) A request under subsection (a) shall specify the
22 rule or rules to be waived or modified and the change pro-
23 posed, and shall briefly describe why the change would
24 promote the achievement of the job creation, community
25 development, or economic revitalization objectives of the
26 empowerment zone or enterprise community. If such a re-

1 quest is made to any agency other than the Department
2 of Housing and Urban Development or the Department
3 of Agriculture, the requesting government shall send a
4 copy of the request to the Secretary of Housing and Urban
5 Development or to the Secretary of Agriculture, whichever
6 is appropriate, at the time the request is made.

7 “(d) Any petition for a modification or waiver shall—

8 (i) identify the requirements for which the
9 modification or waiver is sought;

10 “(ii) identify the existing or proposed business
11 or type of business to which the modification or
12 waiver would pertain;

13 “(iii) demonstrate that the public interest which
14 the proposed change would serve in furthering such
15 job creation, community development, or economic
16 revitalization outweighs the public interest which
17 continuation of the rule unchanged would serve;

18 “(iv) demonstrate the extent to which the pro-
19 posed change is likely to further job creation, com-
20 munity development, or economic revitalization with-
21 in the empowerment zone or enterprise community
22 against the effect the change is likely to have on the
23 underlying purposes of applicable statutes in the ge-
24 ographic area which would be affected by the
25 change; and

1 “(v) demonstrate that the waiver or modifica-
2 tion is necessary because the existing rule impedes
3 the implementation of an existing or proposed busi-
4 ness or type of business that furthers job creation,
5 community development, or economic revitalization.

6 “(e) The agency may approve, in its discretion, a pe-
7 tition upon determining that the petition meets the above-
8 stated criteria. The agency shall not approve any request
9 to waive or modify a rule if that waiver or modification
10 would—

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

14 “(2) be likely to present a significant risk to the
15 public health, including environmental or occupa-
16 tional health or safety or of environmental pollution.

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

20 “(g) If a request is disapproved, the agency shall in-
21 form all the requesting governments, and the appropriate
22 Secretary (as defined in section 1393(a)(1) of the Internal
23 Revenue Code of 1986), in writing of the reasons therefor
24 and shall, to the maximum extent possible, work with such

1 governments to develop an alternative, consistent with the
2 standards contained in subsection (d).

3 “(h) No later than the date on which the petitioner
4 submits the petition to the agency, the petitioner shall in-
5 form the public of the submission of such petition (includ-
6 ing a brief description of the petition) through publication
7 of a notice in newspapers of general circulation in the area
8 in which the facility is located. The agency may authorize
9 or require petitioners to use additional or alternative
10 means of informing the public of the submission of such
11 petitions. If the agency proposes to grant the petitions,
12 the agency shall provide public notice and opportunity to
13 comment. The agency shall publish a notice in the Federal
14 Register stating any waiver or modification of a rule under
15 this section, the time such waiver or modification takes
16 effect and its duration, and the scope of the applicability
17 of such waiver or modification, consistent with the Admin-
18 istrative Procedure Act requirements.

19 “(i) In the event that an agency proposes to amend
20 a rule for which a waiver or modification under this sec-
21 tion is in effect, the agency shall not change the waiver
22 or modification to impose additional requirements unless
23 it determines, consistent with standards contained in sub-
24 section (d), that such action is necessary. Such determina-

1 tions shall be published with the proposal to amend such
2 rule.

3 “(j) No waiver or modification of a rule under this
4 section shall remain in effect with respect to an
5 empowerment zone or enterprise community after the zone
6 or community designation has expired or has been re-
7 voked.

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

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

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

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

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

19 (c) CONFORMING AMENDMENTS.—

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

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

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

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

6 **TITLE III—LOW-INCOME SCHOOL** 7 **CHOICE**

8 **SEC. 301. DEFINITIONS.**

9 As used in this title—

10 (1) the term “choice school” means any public
11 or private school, including a private sectarian
12 school or a public charter school, that is—

13 (A) involved in a project assisted under
14 this title; and

15 (B) located in the eligible zone served by
16 such project;

17 (2) the term “eligible child” means a child in
18 grades 1 through 12 who—

19 (A) is eligible for free or reduced price
20 lunches under the National School Lunch Act
21 (42 U.S.C. 1751 et seq.); and

22 (B) resides in an eligible zone;

23 (3) the term “eligible entity” means a public
24 agency, institution, or organization, such as a State,
25 a State educational agency, a local educational agen-

1 cy, a consortium of public agencies, or a consortium
2 of public and private nonprofit organizations, that
3 serve an eligible zone and can demonstrate, to the
4 satisfaction of the Secretary, its ability to—

5 (A) receive, disburse, and account for Fed-
6 eral funds; and

7 (B) carry out the activities described in its
8 application under this title;

9 (4) the term “eligible zone” means—

10 (A) an empowerment zone designated
11 under section 1391 of the Internal Revenue
12 Code of 1986;

13 (B) the city of Los Angeles, California;

14 (C) the city of Cleveland, Ohio; and

15 (D) the District of Columbia;

16 (5) the terms “local educational agency” and
17 “State educational agency” have the same meanings
18 given such terms in section 14101 of the Elementary
19 and Secondary Education Act of 1965 (20 U.S.C.
20 8801);

21 (6) the term “parent” includes a legal guardian
22 or other individual acting in loco parentis;

23 (7) the term “school” means a school that pro-
24 vides elementary education or secondary education

1 (through grade 12), as determined under State law;
2 and

3 (8) the term “Secretary” means the Secretary
4 of Education.

5 **SEC. 302. AUTHORIZATION OF APPROPRIATIONS.**

6 There are authorized to be appropriated \$12,000,000
7 for fiscal year 1996, and such sums as may be necessary
8 for each of the fiscal years 1997 and 1998, to carry out
9 this title.

10 **SEC. 303. GRANTS AUTHORIZED.**

11 (a) GRANTS.—

12 (1) IN GENERAL.—From the amount appro-
13 priated pursuant to the authority of section 302 for
14 any fiscal year, the Secretary shall award grants to
15 eligible entities to enable such entities to carry out
16 projects serving eligible zones under which low-in-
17 come parents receive education certificates for the
18 costs of enrolling their eligible children in a choice
19 school.

20 (2) AMOUNT.—The Secretary shall award each
21 grant under paragraph (1) in an amount that is not
22 more than \$1,000,000.

23 (3) CONTINUING ELIGIBILITY.—The Secretary
24 shall continue a project under this title by awarding
25 a grant under paragraph (1) to an eligible entity

1 that received such a grant for a fiscal year preceding
2 the fiscal year for which the determination is made,
3 if the Secretary determines that such eligible entity
4 was in compliance with this title for such preceding
5 fiscal year.

6 (b) USE OF GRANTS.—A grant awarded under sub-
7 section (a) shall be used to pay the costs of—

8 (1) providing education certificates to low-in-
9 come parents to enable such parents to pay the tui-
10 tion, the fees, the allowable costs of transportation,
11 if any, and the costs of complying with section
12 307(a)(1), if any, for their eligible children to attend
13 a choice school; and

14 (2) administration of the project, which shall
15 not exceed 15 percent of the funds received under
16 the grant in the first fiscal year for which the eligi-
17 ble entity provides education certificates under this
18 title or 10 percent of such funds in any subsequent
19 such fiscal year, including—

20 (A) seeking the involvement of choice
21 schools in the project;

22 (B) providing information about the
23 project, and the schools involved in the project,
24 to parents of eligible children;

1 (C) making determinations of eligibility for
2 participation in the project for eligible children;

3 (D) selecting students to participate in the
4 project;

5 (E) determining the amount of, and issu-
6 ing, education certificates;

7 (F) compiling and maintaining such finan-
8 cial and programmatic records as the Secretary
9 may prescribe; and

10 (G) collecting such information about the
11 effects of the project as the Secretary may re-
12 quire for a report described in section 309(a).

13 (c) SPECIAL RULE.—Any school participating in a
14 project under this title shall comply with title VI of the
15 Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and
16 not discriminate on the basis of race, color, or national
17 origin.

18 **SEC. 304. AUTHORIZED PROJECTS; PRIORITY.**

19 (a) AUTHORIZED PROJECTS.—The Secretary may
20 award a grant under this title only for a project that in-
21 volves at least one local educational agency.

22 (b) PRIORITY.—In awarding grants under this title,
23 the Secretary shall give priority to projects—

1 (1) in which choice schools offer an enrollment
2 opportunity to the broadest range of eligible chil-
3 dren;

4 (2) that involve diverse types of choice schools;
5 and

6 (3) that will contribute to the geographic diver-
7 sity of projects assisted under this title, including
8 awarding grants for projects in States that are pri-
9 marily rural and awarding grants for projects in
10 States that are primarily urban.

11 **SEC. 305. APPLICATIONS.**

12 (a) IN GENERAL.—Any eligible entity that wishes to
13 receive a grant under this title shall submit an application
14 to the Secretary at such time and in such manner as the
15 Secretary may prescribe.

16 (b) CONTENTS.—Each application described in sub-
17 section (a) shall contain—

18 (1) with respect to choice schools—

19 (A) a description of the types of potential
20 choice schools that will be involved in the
21 project;

22 (B)(i) a description of the procedures used
23 to encourage public and private schools to be
24 involved in the project; and

1 (ii) a description of how the eligible entity
2 will annually determine the number of spaces
3 available for eligible children in each choice
4 school;

5 (C) an assurance that each choice school
6 will not impose higher standards for admission
7 or participation in its programs and activities
8 for eligible children provided education certifi-
9 cates under this title than the choice school
10 does for other children;

11 (D) an assurance that each choice school
12 operated, for at least 1 year prior to accepting
13 education certificates under this title, an edu-
14 cational program similar to the educational pro-
15 gram for which such choice school will accept
16 such education certificates;

17 (E) an assurance that the eligible entity
18 will terminate the involvement of any choice
19 school that fails to comply with the conditions
20 of its involvement in the project; and

21 (F) a description of the extent to which
22 choice schools will accept education certificates
23 under this title as full or partial payment for
24 tuition and fees;

1 (2) with respect to the participation in the
2 project of eligible children—

3 (A) a description of the procedures to be
4 used to make a determination of eligibility for
5 participation in the project for an eligible child,
6 which shall include—

7 (i) the procedures used to determine
8 eligibility for free or reduced price lunches
9 under the National School Lunch Act (42
10 U.S.C. 1751 et seq.); or

11 (ii) any other procedure, subject to
12 the Secretary's approval, that accurately
13 establishes the eligibility for such partici-
14 pation for an eligible child;

15 (B) a description of the procedures to be
16 used to ensure that, in selecting eligible chil-
17 dren to participate in the project, the eligible
18 entity will—

19 (i) apply the same criteria to both
20 public and private school eligible children;
21 and

22 (ii) give priority to eligible children
23 from the lowest income families;

24 (C) a description of the procedures to be
25 used to ensure maximum choice of schools for

1 participating eligible children, including proce-
2 dures to be used when—

3 (i) the number of parents provided
4 education certificates under this title who
5 desire to enroll their eligible children in a
6 particular choice school exceeds the num-
7 ber of eligible children that the choice
8 school will accept; and

9 (ii) grant funds and funds from local
10 sources are insufficient to support the total
11 cost of choices made by parents with edu-
12 cation certificates under this title; and

13 (D) a description of the procedures to be
14 used to ensure compliance with section
15 307(a)(1), which may include—

16 (i) the direct provision of services by
17 a local educational agency; and

18 (ii) arrangements made by a local
19 educational agency with other service pro-
20 viders;

21 (3) with respect to the operation of the
22 project—

23 (A) a timetable for carrying out the
24 project;

1 (B) a description of the procedures to be
2 used for the issuance and redemption of edu-
3 cation certificates under this title;

4 (C) a description of the procedures by
5 which a choice school will make a pro rata re-
6 fund of the education certificate under this title
7 for any participating eligible child who with-
8 draws from the school for any reason, before
9 completing 75 percent of the school attendance
10 period for which the education certificate was
11 issued;

12 (D) a description of the procedures to be
13 used to provide the parental notification de-
14 scribed in section 308;

15 (E) an assurance that the eligible entity
16 will place all funds received under this title into
17 a separate account, and that no other funds will
18 be placed in such account;

19 (F) an assurance that the eligible entity
20 will provide the Secretary periodic reports on
21 the status of such funds; and

22 (G) an assurance that the eligible entity
23 will—

24 (i) maintain such records as the Sec-
25 retary may require; and

- 1 (ii) comply with reasonable requests
2 from the Secretary for information; and
3 (4) such other assurances and information as
4 the Secretary may require.

5 **SEC. 306. EDUCATION CERTIFICATES.**

6 (a) EDUCATION CERTIFICATES.—

7 (1) AMOUNT.—The amount of an eligible
8 child's education certificate under this title shall be
9 determined by the eligible entity, but shall be an
10 amount that provides to the recipient of the edu-
11 cation certificate the maximum degree of choice in
12 selecting the choice school the eligible child will at-
13 tend.

14 (2) CONSIDERATIONS.—

15 (A) IN GENERAL.—Subject to such regula-
16 tions as the Secretary shall prescribe, in deter-
17 mining the amount of an education certificate
18 under this title an eligible entity shall con-
19 sider—

20 (i) the additional reasonable costs of
21 transportation directly attributable to the
22 eligible child's participation in the project;
23 and

24 (ii) the cost of complying with section
25 307(a)(1).

1 (B) SCHOOLS CHARGING TUITION.—If an
2 eligible child participating in a project under
3 this title was attending a public or private
4 school that charged tuition for the year preced-
5 ing the first year of such participation, then in
6 determining the amount of an education certifi-
7 cate for such eligible child under this title the
8 eligible entity shall consider—

9 (i) the tuition charged by such school
10 for such eligible child in such preceding
11 year; and

12 (ii) the amount of the education cer-
13 tificates under this title that are provided
14 to other eligible children.

15 (3) SPECIAL RULE.—An eligible entity may pro-
16 vide an education certificate under this title to the
17 parent of an eligible child who chooses to attend a
18 school that does not charge tuition or fees, to pay
19 the additional reasonable costs of transportation di-
20 rectly attributable to the eligible child's participation
21 in the program or the cost of complying with section
22 307(a)(1).

23 (b) ADJUSTMENT.—The amount of the education cer-
24 tificate for a fiscal year may be adjusted in the second
25 and third years of an eligible child's participation in a

1 project under this title to reflect any increase or decrease
2 in the tuition, fees, or transportation costs directly attrib-
3 utable to that eligible child's continued attendance at a
4 choice school, but shall not be increased for this purpose
5 by more than 10 percent of the amount of the education
6 certificate for the fiscal year preceding the fiscal year for
7 which the determination is made. The amount of the edu-
8 cation certificate may also be adjusted in any fiscal year
9 to comply with section 307(a)(1).

10 (c) MAXIMUM AMOUNT.—Notwithstanding any other
11 provision of this section, the amount of an eligible child's
12 education certificate shall not exceed the per pupil expend-
13 iture for elementary or secondary education, as appro-
14 priate, by the local educational agency in which the public
15 school to which the eligible child would normally be as-
16 signed is located for the fiscal year preceding the fiscal
17 year for which the determination is made.

18 (d) INCOME.—An education certificate under this
19 title, and funds provided under the education certificate,
20 shall not be treated as income of the parents for purposes
21 of Federal tax laws or for determining eligibility for any
22 other Federal program.

23 **SEC. 307. EFFECT ON OTHER PROGRAMS; USE OF SCHOOL**
24 **LUNCH DATA.**

25 (a) EFFECT ON OTHER PROGRAMS.—

1 (1) IN GENERAL.—An eligible child participat-
2 ing in a project under this title, who, in the absence
3 of such a project, would have received services under
4 part A of title I of the Elementary and Secondary
5 Education Act of 1965 (20 U.S.C. 6311 et seq.)
6 shall be provided such services.

7 (2) PART B OF THE INDIVIDUALS WITH DIS-
8 ABILITIES EDUCATION ACT.—Nothing in this title
9 shall be construed to affect the requirements of part
10 B of the Individuals with Disabilities Education Act
11 (20 U.S.C. 1411 et seq.).

12 (b) COUNTING OF ELIGIBLE CHILDREN.—Notwith-
13 standing any other provision of law, any local educational
14 agency participating in a project under this title may
15 count eligible children who, in the absence of such a
16 project, would attend the schools of such agency, for pur-
17 poses of receiving funds under any program administered
18 by the Secretary.

19 (c) SPECIAL RULE.—Notwithstanding section 9 of
20 the National School Lunch Act (42 U.S.C. 1751 et seq.),
21 an eligible entity receiving a grant under this title may
22 use information collected for the purpose of determining
23 eligibility for free or reduced price lunches to determine
24 an eligible child's eligibility to participate in a project
25 under this title and, if needed, to rank families by income,

1 in accordance with section 305(b)(2)(B)(ii). All such infor-
2 mation shall otherwise remain confidential, and informa-
3 tion pertaining to income may be disclosed only to persons
4 who need that information for the purposes of a project
5 under this title.

6 (d) CONSTRUCTION.—

7 (1) SECTARIAN INSTITUTIONS.—Nothing in this
8 title shall be construed to supersede or modify any
9 provision of a State constitution or State law that
10 prohibits the expenditure of public funds in or by
11 sectarian institutions, except that no provision of a
12 State constitution or State law shall be construed to
13 prohibit the expenditure in or by sectarian institu-
14 tions of any Federal funds provided under this title.

15 (2) DESEGREGATION PLANS.—Nothing in this
16 title shall be construed to interfere with any desegre-
17 gation plans that involve school attendance areas af-
18 fected by this title.

19 **SEC. 308. PARENTAL NOTIFICATION.**

20 Each eligible entity receiving a grant under this title
21 shall provide timely notice of the project to parents of eli-
22 gible children residing in the eligible zone to be served by
23 the project. At a minimum, such notice shall—

24 (1) describe the project;

1 (2) describe the eligibility requirements for par-
2 ticipation in the project;

3 (3) describe the information needed to make a
4 determination of eligibility for participation in the
5 project for an eligible child;

6 (4) describe the selection procedures to be used
7 if the number of eligible children seeking to partici-
8 pate in the project exceeds the number that can be
9 accommodated in the project;

10 (5) provide information about each choice
11 school, including information about any admission
12 requirements or criteria for each choice school par-
13 ticipating in the project; and

14 (6) include the schedule for parents to apply for
15 their eligible children to participate in the project.

16 **SEC. 309. REPORTS.**

17 (a) **REPORT BY GRANT RECIPIENT.**—Each eligible
18 entity receiving a grant under this title shall submit to
19 the Secretary an annual report regarding the project as-
20 sisted under this title. Each such report shall be submitted
21 at such time, in such manner, and accompanied by such
22 information, as the Secretary may require.

23 (b) **ANNUAL REPORTS.**—The Secretary shall report
24 annually to the Congress on the findings of the annual
25 reports submitted in accordance with subsection (a). Each

1 such report shall contain a copy of each report received
2 under subsection (a) for the applicable year.

3 **TITLE IV—RESIDENT MANAGE-**
4 **MENT AND HOMEOWNERSHIP**
5 **INCENTIVES**

6 **SEC. 401. ENTERPRISE ZONE OPPORTUNITY GRANTS.**

7 (a) IN GENERAL.—Section 186 of the Housing and
8 Community Development Act of 1992 (42 U.S.C. 12898a)
9 is amended by striking the section designation and the sec-
10 tion heading and inserting the following:

11 **“SEC. 186. ENTERPRISE ZONE GRANTS.”**

12 (b) STATEMENT OF PURPOSE.—Section 186(a) of the
13 Housing and Community Development Act of 1992 (42
14 U.S.C. 12898a(a)) is amended—

15 (1) in paragraph (2), by striking “and” at the
16 end;

17 (2) in paragraph (3)—

18 (A) by striking “federally approved and
19 equivalent State-approved”; and

20 (B) by striking the period at the end and
21 inserting “; and”; and

22 (3) by adding at the end the following new
23 paragraph:

1 “(4) to encourage the development of resident
2 management corporations and resident councils in
3 enterprise zones.”

4 (c) DEFINITIONS.—Section 186(b) of the Housing
5 and Community Development Act of 1992 (42 U.S.C.
6 12898a(b)) is amended by adding at the end the following
7 new paragraphs:

8 “(7) ENTERPRISE ZONE.—The term ‘enterprise
9 zone’ means an area designated as an enterprise
10 community or an empowerment zone under section
11 1391 of the Internal Revenue Code of 1986.

12 “(8) RESIDENT MANAGEMENT CORPORATION.—
13 The term ‘resident management corporation’ has the
14 same meaning as in section 24(h) of the United
15 States Housing Act of 1937.”

16 (d) ASSISTANCE TO NONPROFIT ORGANIZATIONS.—
17 Section 186(c)(1) of the Housing and Community Devel-
18 opment Act of 1992 (42 U.S.C. 12898a(c)(1)) is amended
19 to read as follows:

20 “(1) IN GENERAL.—In carrying out this sec-
21 tion, the Secretary may make grants to nonprofit or-
22 ganizations—

23 “(A) to carry out enterprise zone home-
24 ownership opportunity programs to promote

1 homeownership in enterprise zones in accord-
2 ance with this section; and

3 “(B) to promote the development of resi-
4 dent management corporations in enterprise
5 zones.”

6 (e) ELIGIBLE USES OF ASSISTANCE.—Section 186(d)
7 of the Housing and Community Development Act of 1992
8 (42 U.S.C. 12898a(d)) is amended—

9 (1) in paragraph (1)—

10 (A) by striking “assistance to provide” and
11 inserting the following: “assistance to—

12 “(A) provide”;

13 (B) by striking the period at the end and
14 inserting “; and”; and

15 (C) by adding at the end the following:

16 “(B) to promote the development of resi-
17 dent management corporations in enterprise
18 zones.”; and

19 (2) in paragraph (2), by striking “under this
20 subsection” and inserting “under paragraph
21 (1)(A)”.

22 (f) PROGRAM REQUIREMENTS.—Section 186(e) of
23 the Housing and Community Development Act of 1992
24 (42 U.S.C. 12898a(e)) is amended—

1 (1) in paragraph (2), by striking “under this
2 section” and inserting “under subsection (d)(1)(A)”;
3 and

4 (2) in paragraph (3), by striking “federally ap-
5 proved or State-approved”.

6 (g) TERMS AND CONDITIONS OF ASSISTANCE.—Sec-
7 tion 186(f)(2) of the Housing and Community Develop-
8 ment Act of 1992 (42 U.S.C. 12898a(f)(2)) is amended
9 by striking “under this section” and inserting “under sub-
10 section (c)(1)(A)”.

11 (h) PROGRAM SELECTION CRITERIA.—Section
12 186(g)(1) of the Housing and Community Development
13 Act of 1992 (42 U.S.C. 12898a(g)(1)) is amended by
14 striking “under this section” and inserting “under sub-
15 section (d)(1)(A)”.

16 (i) AUTHORIZATION OF APPROPRIATIONS.—Section
17 186(i) of the Housing and Community Development Act
18 of 1992 (42 U.S.C. 12898a(i)) is amended to read as fol-
19 lows:

20 “(i) AUTHORIZATION OF APPROPRIATIONS.—There
21 are authorized to be appropriated to carry out this sec-
22 tion—

23 “(1) \$100,000,000 for fiscal year 1997; and

1 “(2) such sums as may be necessary for each
2 of fiscal years 1998, 1999, and 2000.”

○

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