

106TH CONGRESS
2D SESSION

S. 2445

To provide community-based economic development assistance for trade-affected communities.

IN THE SENATE OF THE UNITED STATES

APRIL 13, 2000

Mr. ROBB (for himself, Mr. EDWARDS, and Ms. LANDRIEU) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide community-based economic development assistance for trade-affected communities.

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 “Assistance in Develop-
5 ment for Communities Act” or the “AID for Communities
6 Act”.

7 **SEC. 2. PURPOSE.**

8 The purpose of this Act is to provide funds to com-
9 munities adversely affected by trade-related activities in

1 order to create jobs and assistance for long-term economic
2 development.

3 **SEC. 3. DEFINITIONS.**

4 In this Act:

5 (1) NAFTA.—The term “NAFTA” means the
6 North American Free Trade Agreement entered into
7 between the United States, Mexico, and Canada on
8 December 17, 1992.

9 (2) SECRETARY.—The term “Secretary” means
10 the Secretary of Commerce.

11 (3) TRADE-AFFECTED COMMUNITY.—The term
12 “trade-affected community” means a political sub-
13 division of a State that meets the trade adjustment
14 assistance requirements.

15 (4) TRADE ADJUSTMENT ASSISTANCE REQUIRE-
16 MENTS.—The term “trade adjustment assistance re-
17 quirements” means—

18 (A) in the case of a political subdivision
19 with a population of not more than 100,000, at
20 least 300 workers have been certified after No-
21 vember 1, 1999, as eligible for—

22 (i) trade adjustment assistance under
23 subchapter A of chapter II of the Trade
24 Act of 1974 (19 U.S.C. 2271 et seq.); or

1 (ii) NAFTA trade adjustment assist-
2 ance under subchapter D of chapter 2 of
3 title II of the Trade Act of 1974 (19
4 U.S.C. 2331); and

5 (B) in the case of a political subdivision
6 with a population of over 100,000, at least 500
7 workers have been certified after November 1,
8 1999, as eligible for—

9 (i) trade adjustment assistance under
10 subchapter A of chapter II of the Trade
11 Act of 1974 (19 U.S.C. 2271 et seq.); or

12 (ii) NAFTA trade adjustment assist-
13 ance under subchapter D of chapter 2 of
14 title II of the Trade Act of 1974.

15 **SEC. 4. PETITIONS AND DETERMINATIONS.**

16 (a) IN GENERAL.—A petition for certification for as-
17 sistance under this Act may be filed with the Secretary
18 by a political subdivision (in this Act referred to as a
19 “community”), by a group of such communities, or by the
20 Governor of a State on behalf of such communities.

21 (b) CERTIFICATION.—As soon as practicable after
22 the date on which a petition described in subsection (a)
23 is filed, the Secretary shall determine if the community
24 (or group of communities) filing the petition meets the re-
25 quirements of a trade-affected community and shall certify

1 the community as eligible for assistance under this Act
2 if the Secretary determines that the community is a trade-
3 affected community.

4 **SEC. 5. GRANTS FOR ECONOMIC DEVELOPMENT.**

5 (a) GRANTS TO DEVELOP ECONOMIC PLANS.—Each
6 community that is certified as a trade-affected community
7 under this Act shall receive a grant of not more than
8 \$100,000 to be used for planning and technical assistance
9 to develop economic plans for community adjustment as-
10 sistance and diversification of such community. The
11 amount of the grant shall be determined by the Secretary.

12 (b) GRANTS TO CARRY OUT ECONOMIC DEVELOP-
13 MENT ACTIVITIES.—Each community that is certified as
14 a trade-affected community under this Act shall be eligible
15 to file an application with the Secretary for adjustment
16 assistance to make the following improvements in the com-
17 munity based on the economic plan developed under sub-
18 section (a):

19 (1) Construct or expand the industrial and
20 commercial infrastructure.

21 (2) Improve educational opportunities.

22 (3) Construct advanced manufacturing centers,
23 industrial parks, and water and sewer facilities.

24 (4) Improve transportation.

25 (5) Establish small business incubators.

1 (6) Make technology infrastructure improve-
2 ments.

3 (7) Take such other action as necessary to cap-
4 italize on opportunities to diversify the economy and
5 develop new industrial and commercial ventures.

6 (c) REGULATIONS.—The Secretary shall prescribe
7 such regulations as are necessary to carry out the provi-
8 sions of this section.

9 **SEC. 6. PROVIDE INCENTIVES FOR NEW INVESTMENTS FOR**
10 **TRADE-AFFECTED COMMUNITIES.**

11 (a) EXPANSION OF WORK OPPORTUNITY CREDIT.—

12 (1) IN GENERAL.—Section 51(d)(1) of the In-
13 ternal Revenue Code of 1986 (relating to members
14 of targeted groups) is amended by striking “or” at
15 the end of subparagraph (G), by striking the period
16 at the end of subparagraph (H) and inserting “, or”,
17 and by adding at the end the following:

18 “(I) an adversely affected individual.”

19 (2) ADVERSELY AFFECTED INDIVIDUAL.—Sec-
20 tion 51(d) of the Internal Revenue Code of 1986 is
21 amended by redesignating paragraphs (10) through
22 (12) as paragraphs (11) through (13), respectively,
23 and by inserting after paragraph (9) the following:

24 “(10) ADVERSELY AFFECTED INDIVIDUAL.—

25 The term ‘adversely affected individual’ means any

1 individual who is certified by the designated local
 2 agency as being adversely affected by trade-related
 3 activities and as residing in a trade-affected commu-
 4 nity as defined in section 3(2) of the Assistance in
 5 Development for Communities Act.”

6 (3) EFFECTIVE DATE.—The amendments made
 7 by this subsection shall apply to individuals who
 8 begin work for the employer after the date of enact-
 9 ment of this Act.

10 (b) NEW MARKETS TAX CREDIT.—

11 (1) IN GENERAL.—Subpart D of part IV of
 12 subchapter A of chapter 1 of the Internal Revenue
 13 Code of 1986 (relating to business-related credits) is
 14 amended by adding at the end the following new sec-
 15 tion:

16 **“SEC. 45D. NEW MARKETS TAX CREDIT.**

17 **“(a) ALLOWANCE OF CREDIT.—**

18 **“(1) IN GENERAL.—**For purposes of section 38,
 19 in the case of a taxpayer who holds a qualified eq-
 20 uity investment on a credit allowance date of such
 21 investment which occurs during the taxable year, the
 22 new markets tax credit determined under this sec-
 23 tion for such taxable year is an amount equal to 6
 24 percent of the amount paid to the qualified commu-

1 nity development entity for such investment at its
2 original issue.

3 “(2) CREDIT ALLOWANCE DATE.—The term
4 ‘credit allowance date’ means, with respect to any
5 qualified equity investment—

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

8 “(B) each of the 4 anniversary dates of
9 such date thereafter.

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

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

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

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

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

1 Such term shall not include any equity investment
2 issued by a qualified community development entity
3 more than 5 years after the date that such entity re-
4 ceives an allocation under subsection (f). Any alloca-
5 tion not used within such 5-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 in a qualified community
7 development entity which is a corporation, and

8 “(B) any capital interest in a qualified
9 community development entity which is a part-
10 nership.

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 domestic cor-
15 poration 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, and

23 “(C) the entity is certified by the Secretary
24 for purposes of this section as being a qualified
25 community development entity.

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

4 “(A) any specialized small business invest-
5 ment company (as defined in section
6 1044(c)(3)), and

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

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

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

15 “(A) any equity investment in, or loan to,
16 any qualified active low-income community busi-
17 ness,

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

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

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

11 “(2) QUALIFIED ACTIVE LOW-INCOME COMMU-
12 NITY BUSINESS.—

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

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

22 “(ii) a substantial portion of the use
23 of the tangible property of such entity
24 (whether owned or leased) is within any
25 low-income community,

1 “(iii) a substantial portion of the serv-
2 ices performed for such entity by its em-
3 ployees are performed in any low-income
4 community,

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

12 “(v) less than 5 percent of the aver-
13 age of the aggregate unadjusted bases of
14 the property of such entity is attributable
15 to nonqualified financial property (as de-
16 fined in section 1397B(e)).

17 “(B) PROPRIETORSHIP.—Such term shall
18 include any business carried on by an individual
19 as a proprietor if such business would meet the
20 requirements of subparagraph (A) were it incor-
21 porated.

22 “(C) PORTIONS OF BUSINESS MAY BE
23 QUALIFIED ACTIVE LOW-INCOME COMMUNITY
24 BUSINESS.—The term ‘qualified active low-in-
25 come community business’ includes any trades

1 or businesses which would qualify as a qualified
 2 active low-income community business if such
 3 trades or businesses were separately incor-
 4 porated.

5 “(3) QUALIFIED BUSINESS.—For purposes of
 6 this subsection, the term ‘qualified business’ has the
 7 meaning given to such term by section 1397B(d);
 8 except that—

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

14 “(B) paragraph (3) thereof shall not apply,
 15 and

16 “(C) such term shall not include any busi-
 17 ness if a significant portion of the equity inter-
 18 ests in such business are held by any person
 19 who holds a significant portion of the equity in-
 20 vestments in the community development entity.

21 “(e) LOW-INCOME COMMUNITY.—For purposes of
 22 this section—

23 “(1) IN GENERAL.—The term ‘low-income com-
 24 munity’ means—

25 “(A) any population census tract if—

1 “(i) the poverty rate for such tract is
2 at least 20 percent, or

3 “(ii)(I) in the case of a tract not lo-
4 cated within a metropolitan area, the me-
5 dian family income for such tract does not
6 exceed 80 percent of statewide median
7 family income, or

8 “(II) in the case of a tract located
9 within a metropolitan area, the median
10 family income for such tract does not ex-
11 ceed 80 percent of the greater of statewide
12 median family income or the metropolitan
13 area median family income, or

14 “(B) any trade-affected community as de-
15 fined in section 3(2) of the Assistance in Devel-
16 opment for Communities Act.

17 “(2) AREAS NOT WITHIN CENSUS TRACTS.—In
18 the case of an area which is not tracted for popu-
19 lation census tracts, the equivalent county divisions
20 (as defined by the Bureau of the Census for pur-
21 poses of defining poverty areas) shall be used for
22 purposes of determining poverty rates and median
23 family income.

24 “(f) NATIONAL LIMITATION ON AMOUNT OF INVEST-
25 MENTS DESIGNATED.—

1 “(1) IN GENERAL.—There is a new markets tax
2 credit limitation of \$750,000,000 for each of cal-
3 endar years 2001 through 2005 and zero for any
4 succeeding calendar year.

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 entities with records of having
11 successfully provided capital or technical assistance
12 to disadvantaged businesses or communities.

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

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

20 “(1) IN GENERAL.—If, at any time during the
21 5-year period beginning on the date of the original
22 issue of a qualified equity investment in a qualified
23 community development entity, there is a recapture
24 event with respect to such investment, then the tax
25 imposed by this chapter for the taxable year in

1 which such event occurs shall be increased by the
2 credit recapture amount.

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

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

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

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

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

23 “(A) such entity ceases to be a qualified
24 community development entity,

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

4 “(C) such investment is redeemed by such
5 entity.

6 “(4) SPECIAL RULES.—

7 “(A) TAX BENEFIT RULE.—The tax for
8 the taxable year shall be increased under para-
9 graph (1) only with respect to credits allowed
10 by reason of this section which were used to re-
11 duce tax liability. In the case of credits not so
12 used to reduce tax liability, the carryforwards
13 and carrybacks under section 39 shall be appro-
14 priately adjusted.

15 “(B) NO CREDITS AGAINST TAX.—Any in-
16 crease in tax under this subsection shall not be
17 treated as a tax imposed by this chapter for
18 purposes of determining the amount of any
19 credit under this chapter or for purposes of sec-
20 tion 55.

21 “(h) BASIS REDUCTION.—The basis of any qualified
22 equity investment shall be reduced by the amount of any
23 credit determined under this section with respect to such
24 investment.

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

4 “(1) which limit the credit for investments
5 which are directly or indirectly subsidized by other
6 Federal benefits (including the credit under section
7 42 and the exclusion from gross income under sec-
8 tion 103),

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

11 “(3) which impose appropriate reporting re-
12 quirements, and

13 “(4) which apply the provisions of this section
14 to newly formed entities.”

15 (2) CREDIT MADE PART OF GENERAL BUSINESS
16 CREDIT.—

17 (A) IN GENERAL.—Subsection (b) of sec-
18 tion 38 of such Code is amended by striking
19 “plus” at the end of paragraph (12), by strik-
20 ing the period at the end of paragraph (13) and
21 inserting “, plus”, and by adding at the end the
22 following new paragraph:

23 “(14) the new markets tax credit determined
24 under section 45D(a).”

1 (B) LIMITATION ON CARRYBACK.—Sub-
2 section (d) of section 39 of such Code is amend-
3 ed by adding at the end the following new para-
4 graph:

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

11 (3) DEDUCTION FOR UNUSED CREDIT.—Sub-
12 section (c) of section 196 of such Code is amended
13 by striking “and” at the end of paragraph (7), by
14 striking the period at the end of paragraph (8) and
15 inserting “, and”, and by adding at the end the fol-
16 lowing new paragraph:

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

19 (4) CLERICAL AMENDMENT.—The table of sec-
20 tions for subpart D of part IV of subchapter A of
21 chapter 1 of such Code is amended by adding at the
22 end the following new item:

“Sec. 45D. New markets tax credit.”

23 (5) EFFECTIVE DATE.—The amendments made
24 by this subsection shall apply to investments made
25 after December 31, 2000.

1 **SEC. 7. CENTRAL CLEARINGHOUSE FOR ECONOMIC DEVEL-**
2 **OPMENT.**

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 3(4), the Secretary of Labor shall
15 notify the Secretary. The Secretary shall notify each such
16 political subdivision that the subdivision is eligible to re-
17 ceive a grant described in section 5 (a) and (b), that the
18 clearinghouse established pursuant to subsection (a) ex-
19 ists, and how to access clearinghouse information.

20 **SEC. 8. 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 5(a) and \$200,000,000 for the
24 grants described in section 5(b).

1 **SEC. 9. SUPPLEMENT NOT SUPPLANT.**

2 Funds appropriated pursuant to the authority of this
3 Act 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. 10. REGULATIONS.**

7 The Secretary may promulgate such regulations as
8 may be necessary to carry out the provisions of this Act.

○