

108TH CONGRESS
1ST SESSION

H. R. 2972

To amend the Internal Revenue Code of 1986 to provide incentives for rural development, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2003

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

A BILL

To amend the Internal Revenue Code of 1986 to provide incentives for rural development, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Rural Economic
5 Growth Act of 2003”.

1 **TITLE I—RURAL INVESTMENT**
2 **TAX CREDIT**

3 **SEC. 101. RURAL INVESTMENT TAX CREDIT.**

4 (a) IN GENERAL.—Subpart D of part IV of sub-
5 chapter A of chapter 1 of the Internal Revenue Code of
6 1986 (relating to business related credits) is amended by
7 adding at the end the following:

8 **“SEC. 42A. RURAL INVESTMENT CREDIT.**

9 “(a) IN GENERAL.—For purposes of section 38, the
10 amount of the rural investment credit determined under
11 this section for any taxable year in the credit period shall
12 be an amount equal to the applicable percentage of the
13 eligible basis of each qualified rural investment building.

14 “(b) APPLICABLE PERCENTAGE; 50 PERCENT
15 PRESENT VALUE CREDIT FOR NEW BUILDINGS; 50 PER-
16 CENT PRESENT VALUE CREDIT FOR EXISTING BUILD-
17 INGS.—For purposes of this section—

18 “(1) IN GENERAL.—The term ‘applicable per-
19 centage’ means the appropriate percentage pre-
20 scribed by the Secretary for the earlier of—

21 “(A) the first month of the credit period
22 with respect to a rural investment building, or

23 “(B) at the election of the taxpayer, the
24 month in which the taxpayer and the rural in-
25 vestment credit agency enter into an agreement

1 with respect to such building (which is binding
2 on such agency, the taxpayer, and all successors
3 in interest) as to the rural investment credit
4 dollar amount to be allocated to such building.

5 A month may be elected under subparagraph (B)
6 only if the election is made not later than the 5th
7 day after the close of such month. Such an election,
8 once made, shall be irrevocable.

9 “(2) METHOD OF PRESCRIBING PERCENT-
10 AGES.—The percentages prescribed by the Secretary
11 for any month shall be percentages which will yield
12 over a 10-year period amounts of credit under sub-
13 section (a) which have a present value equal to—

14 “(A) 50 percent of the eligible basis of a
15 new building, and

16 “(B) 50 percent of the eligible basis of an
17 existing building.

18 “(3) METHOD OF DISCOUNTING.—The present
19 value under paragraph (2) shall be determined—

20 “(A) as of the last day of the 1st year of
21 the 10-year period referred to in paragraph (2),

22 “(B) by using a discount rate equal to 72
23 percent of the average of the annual Federal
24 mid-term rate and the annual Federal long-
25 term rate applicable under section 1274(d)(1)

1 to the month applicable under subparagraph
2 (A) or (B) of paragraph (1) and compounded
3 annually, and

4 “(C) by assuming that the credit allowable
5 under this section for any year is received on
6 the last day of such year.

7 “(c) ELIGIBLE BASIS; QUALIFIED RURAL INVEST-
8 MENT BUILDING.—For purposes of this section—

9 “(1) ELIGIBLE BASIS.—

10 “(A) IN GENERAL.—The eligible basis of
11 any qualified rural investment building for any
12 taxable year shall be determined under rules
13 similar to the rules under section 42(d), except
14 that—

15 “(i) the determination of the adjusted
16 basis of any building shall be made as of
17 the beginning of the credit period, and

18 “(ii) such basis shall include develop-
19 ment costs properly attributable to such
20 building.

21 “(B) DEVELOPMENT COSTS.—For pur-
22 poses of subparagraph (A)(ii), the term ‘devel-
23 opment costs’ includes—

24 “(i) site preparation costs,

25 “(ii) State and local impact fees,

- 1 “(iii) reasonable development costs,
2 “(iv) professional fees related to basis
3 items,
4 “(v) construction financing costs re-
5 lated to basis items other than land, and
6 “(vi) on-site and adjacent improve-
7 ments required by State and local govern-
8 ments.

9 “(2) QUALIFIED RURAL INVESTMENT BUILD-
10 ING.—The term ‘qualified rural investment building’
11 means any building which is part of a qualified rural
12 investment project at all times during the period—

13 “(A) beginning on the 1st day in the com-
14 pliance period on which such building is part of
15 such an investment project, and

16 “(B) ending on the last day of the compli-
17 ance period with respect to such building.

18 “(d) REHABILITATION EXPENDITURES TREATED AS
19 SEPARATE NEW BUILDING.—Rehabilitation expenditures
20 paid or incurred by the taxpayer with respect to any build-
21 ing shall be treated for purposes of this section as a sepa-
22 rate new building under the rules of section 42(e).

23 “(e) DEFINITION AND SPECIAL RULES RELATING TO
24 CREDIT PERIOD.—

1 “(1) CREDIT PERIOD DEFINED.—For purposes
2 of this section, the term ‘credit period’ means, with
3 respect to any building, the period of 10 taxable
4 years beginning with the taxable year in which the
5 building is first placed in service.

6 “(2) SPECIAL RULE FOR 1ST YEAR OF CREDIT
7 PERIOD.—

8 “(A) IN GENERAL.—The credit allowable
9 under subsection (a) with respect to any build-
10 ing for the 1st taxable year of the credit period
11 shall be determined by multiplying such credit
12 by the fraction—

13 “(i) the numerator of which is the
14 number of full months of such year during
15 which such building was in service, and

16 “(ii) the denominator of which is 12.

17 “(B) DISALLOWED 1ST YEAR CREDIT AL-
18 LOWED IN 11TH YEAR.—Any reduction by rea-
19 son of subparagraph (A) in the credit allowable
20 (without regard to subparagraph (A)) for the
21 1st taxable year of the credit period shall be al-
22 lowable under subsection (a) for the 1st taxable
23 year following the credit period.

24 “(3) CREDIT PERIOD FOR EXISTING BUILDINGS
25 NOT TO BEGIN BEFORE REHABILITATION CREDIT

1 ALLOWED.—The credit period for an existing build-
2 ing shall not begin before the 1st taxable year of the
3 credit period for rehabilitation expenditures with re-
4 spect to the building.

5 “(f) QUALIFIED RURAL INVESTMENT PROJECT;
6 QUALIFYING COUNTY.—For purposes of this section—

7 “(1) QUALIFIED RURAL INVESTMENT
8 PROJECT.—The term ‘qualified rural investment
9 project’ means any investment project of 1 or more
10 qualified rural investment buildings located in a
11 qualifying county (and, if necessary to the project,
12 any contiguous county) and selected by the State ac-
13 cording to its qualified rural investment plan.

14 “(2) QUALIFYING COUNTY.—The term ‘quali-
15 fying county’ means any county which—

16 “(A) is outside a metropolitan statistical
17 area (defined as such by the Office of Manage-
18 ment and Budget), and

19 “(B) during the 20-year period ending
20 with the calendar year preceding the date of the
21 enactment of this section, has a net out-migra-
22 tion of inhabitants from the county of at least
23 10 percent of the population of the county at
24 the beginning of such period.

1 “(g) LIMITATION ON AGGREGATE CREDIT ALLOW-
2 ABLE WITH RESPECT TO INVESTMENT PROJECTS LO-
3 CATED IN A STATE.—

4 “(1) CREDIT MAY NOT EXCEED CREDIT
5 AMOUNT ALLOCATED TO BUILDING.—The amount of
6 the credit determined under this section for any tax-
7 able year with respect to any building shall not ex-
8 ceed the rural investment credit dollar amount allo-
9 cated to such building under rules similar to the
10 rules of section 42(h)(1).

11 “(2) ALLOCATED CREDIT AMOUNT TO APPLY
12 TO ALL TAXABLE YEARS ENDING DURING OR AFTER
13 CREDIT ALLOCATION YEAR.—Any rural investment
14 credit dollar amount allocated to any building for
15 any calendar year—

16 “(A) shall apply to such building for all
17 taxable years in the credit period ending during
18 or after such calendar year, and

19 “(B) shall reduce the aggregate rural in-
20 vestment credit dollar amount of the allocating
21 agency only for such calendar year.

22 “(3) RURAL INVESTMENT CREDIT DOLLAR
23 AMOUNT FOR AGENCIES.—

24 “(A) IN GENERAL.—The aggregate rural
25 investment credit dollar amount which a rural

1 investment credit agency may allocate for any
2 calendar year is the portion of the State rural
3 investment credit ceiling allocated under this
4 paragraph for such calendar year to such agen-
5 cy.

6 “(B) STATE CEILING INITIALLY ALLO-
7 CATED TO STATE RURAL INVESTMENT CREDIT
8 AGENCIES.—Except as provided in subpara-
9 graphs (D) and (E), the State rural investment
10 credit ceiling for each calendar year shall be al-
11 located to the rural investment credit agency of
12 such State. If there is more than 1 rural invest-
13 ment credit agency of a State, all such agencies
14 shall be treated as a single agency.

15 “(C) STATE RURAL INVESTMENT CREDIT
16 CEILING.—The State rural investment credit
17 ceiling applicable to any State and any calendar
18 year shall be an amount equal to the sum of—

19 “(i) the unused State rural investment
20 credit ceiling (if any) of such State for the
21 preceding calendar year,

22 “(ii) \$1,000,000 for each qualifying
23 county in the State,

1 “(iii) the amount of State rural in-
2 vestment credit ceiling returned in the cal-
3 endar year, plus

4 “(iv) the amount (if any) allocated
5 under subparagraph (D) to such State by
6 the Secretary.

7 For purposes of clause (i), the unused State
8 rural investment credit ceiling for any calendar
9 year is the excess (if any) of the sum of the
10 amounts described in clauses (ii) through (iv)
11 over the aggregate rural investment credit dol-
12 lar amount allocated for such year. For pur-
13 poses of clause (iii), the amount of State rural
14 investment credit ceiling returned in the cal-
15 endar year equals the rural investment credit
16 dollar amount previously allocated within the
17 State to any investment project which fails to
18 meet the 10 percent test under section
19 42(h)(1)(E)(ii) on a date after the close of the
20 calendar year in which the allocation was made
21 or which does not become a qualified rural in-
22 vestment project within the period required by
23 this section or the terms of the allocation or to
24 any investment project with respect to which an
25 allocation is canceled by mutual consent of the

1 rural investment credit agency and the alloca-
2 tion recipient.

3 “(D) UNUSED RURAL INVESTMENT CREDIT
4 CARRYOVERS ALLOCATED AMONG CERTAIN
5 STATES.—

6 “(i) IN GENERAL.—The unused rural
7 investment credit carryover of a State for
8 any calendar year shall be assigned to the
9 Secretary for allocation among qualified
10 States for the succeeding calendar year.

11 “(ii) UNUSED RURAL INVESTMENT
12 CREDIT CARRYOVER.—For purposes of this
13 subparagraph, the unused rural investment
14 credit carryover of a State for any calendar
15 year is the excess (if any) of the unused
16 State rural investment credit ceiling for
17 such year (as defined in subparagraph
18 (C)(i)) over the excess (if any) of—

19 “(I) the unused State rural in-
20 vestment credit ceiling for the year
21 preceding such year, over

22 “(II) the aggregate rural invest-
23 ment credit dollar amount allocated
24 for such year.

1 “(iii) FORMULA FOR ALLOCATION OF
2 UNUSED RURAL INVESTMENT CREDIT
3 CARRYOVERS AMONG QUALIFIED
4 STATES.—The amount allocated under this
5 subparagraph to a qualified State for any
6 calendar year shall be the amount deter-
7 mined by the Secretary to bear the same
8 ratio to the aggregate unused rural invest-
9 ment credit carryovers of all States for the
10 preceding calendar year as such State’s
11 population for the calendar year bears to
12 the population of all qualified States for
13 the calendar year. For purposes of the pre-
14 ceding sentence, population shall be deter-
15 mined in accordance with section 146(j).

16 “(iv) QUALIFIED STATE.—For pur-
17 poses of this subparagraph, the term
18 ‘qualified State’ means, with respect to a
19 calendar year, any State—

20 “(I) which allocated its entire
21 State rural investment credit ceiling
22 for the preceding calendar year, and

23 “(II) for which a request is made
24 (not later than May 1 of the calendar

1 year) to receive an allocation under
2 clause (iii).

3 “(E) STATE MAY PROVIDE FOR DIF-
4 FERENT ALLOCATION.—Rules similar to the
5 rules of section 146(e) (other than paragraph
6 (2)(B) thereof) shall apply for purposes of this
7 paragraph.

8 “(F) POPULATION.—For purposes of this
9 paragraph, population shall be determined in
10 accordance with section 146(j).

11 “(G) COST-OF-LIVING ADJUSTMENT.—

12 “(i) IN GENERAL.—In the case of a
13 calendar year after 2003, the \$1,000,000
14 amount in subparagraph (C) shall be in-
15 creased by an amount equal to—

16 “(I) such dollar amount, multi-
17 plied by

18 “(II) the cost-of-living adjust-
19 ment determined under section 1(f)(3)
20 for such calendar year by substituting
21 ‘calendar year 2002’ for ‘calendar
22 year 1992’ in subparagraph (B) there-
23 of.

24 “(ii) ROUNDING.—Any increase under
25 clause (i) which is not a multiple of \$5,000

1 shall be rounded to the next lowest mul-
2 tiple of \$5,000.

3 “(4) PORTION OF STATE CEILING SET-ASIDE
4 FOR CERTAIN INVESTMENT PROJECTS INVOLVING
5 QUALIFIED NONPROFIT ORGANIZATIONS.—

6 “(A) IN GENERAL.—At least 10 percent of
7 the State rural investment credit ceiling for any
8 State for any calendar year shall be allocated to
9 qualified rural investment projects described in
10 subparagraph (B).

11 “(B) INVESTMENT PROJECTS INVOLVING
12 QUALIFIED NONPROFIT ORGANIZATIONS.—For
13 purposes of subparagraph (A), a qualified rural
14 investment project is described in this subpara-
15 graph if a qualified nonprofit organization is to
16 materially participate (within the meaning of
17 section 469(h)) in the development and oper-
18 ation of the investment project throughout the
19 compliance period.

20 “(C) QUALIFIED NONPROFIT ORGANIZA-
21 TION.—For purposes of this paragraph, the
22 term ‘qualified nonprofit organization’ means
23 any organization if—

1 “(i) such organization is described in
2 any paragraph of section 501(c) and is ex-
3 empt from tax under section 501(a),

4 “(ii) such organization is determined
5 by the State rural investment credit agency
6 not to be affiliated with or controlled by a
7 for-profit organization; and

8 “(iii) 1 of the exempt purposes of
9 such organization includes the fostering of
10 rural investment.

11 “(D) TREATMENT OF CERTAIN SUBSIDI-
12 ARIES.—

13 “(i) IN GENERAL.—For purposes of
14 this paragraph, a qualified nonprofit orga-
15 nization shall be treated as satisfying the
16 ownership and material participation test
17 of subparagraph (B) if any qualified cor-
18 poration in which such organization holds
19 stock satisfies such test.

20 “(ii) QUALIFIED CORPORATION.—For
21 purposes of clause (i), the term ‘qualified
22 corporation’ means any corporation if 100
23 percent of the stock of such corporation is
24 held by 1 or more qualified nonprofit orga-

1 nizations at all times during the period
2 such corporation is in existence.

3 “(E) STATE MAY NOT OVERRIDE SET-
4 ASIDE.—Nothing in subparagraph (F) of para-
5 graph (3) shall be construed to permit a State
6 not to comply with subparagraph (A) of this
7 paragraph.

8 “(F) CREDITS FOR QUALIFIED NONPROFIT
9 ORGANIZATIONS.—

10 “(i) ALLOWANCE OF CREDIT.—Any
11 credit which would be allowable under sub-
12 section (a) with respect to a qualified rural
13 investment building of a qualified nonprofit
14 organization if such organization were not
15 exempt from tax under this chapter shall
16 be treated as a credit allowable under sub-
17 part C to such organization.

18 “(ii) USE OF CREDIT.—A qualified
19 nonprofit organization may assign, trade,
20 sell, or otherwise transfer any credit allow-
21 able to such organization under clause (i)
22 to any taxpayer.

23 “(iii) CREDIT NOT INCOME.—A trans-
24 fer under clause (ii) of any credit allowable

1 under clause (i) shall not result in income
2 for purposes of section 511.

3 “(5) SPECIAL RULES.—

4 “(A) BUILDING MUST BE LOCATED WITH-
5 IN JURISDICTION OF CREDIT AGENCY.—A rural
6 investment credit agency may allocate its aggre-
7 gate rural investment credit dollar amount only
8 to buildings located in the jurisdiction of the
9 governmental unit of which such agency is a
10 part.

11 “(B) AGENCY ALLOCATIONS IN EXCESS OF
12 LIMIT.—If the aggregate rural investment cred-
13 it dollar amounts allocated by a rural invest-
14 ment credit agency for any calendar year exceed
15 the portion of the State rural investment credit
16 ceiling allocated to such agency for such cal-
17 endar year, the rural investment credit dollar
18 amounts so allocated shall be reduced (to the
19 extent of such excess) for buildings in the re-
20 verse of the order in which the allocations of
21 such amounts were made.

22 “(C) Credit reduced if allocated credit dol-
23 lar amount is less than credit which would be
24 allowable without regard to sales convention,
25 etc.—

1 “(i) IN GENERAL.—The amount of
2 the credit determined under this section
3 with respect to any building shall not ex-
4 ceed the clause (ii) percentage of the
5 amount of the credit which would (but for
6 this subparagraph) be determined under
7 this section with respect to such building.

8 “(ii) DETERMINATION OF PERCENT-
9 AGE.—For purposes of clause (i), the
10 clause (ii) percentage with respect to any
11 building is the percentage which—

12 “(I) the rural investment credit
13 dollar amount allocated to such build-
14 ing bears to

15 “(II) the credit amount deter-
16 mined in accordance with clause (iii).

17 “(iii) DETERMINATION OF CREDIT
18 AMOUNT.—The credit amount determined
19 in accordance with this clause is the
20 amount of the credit which would (but for
21 this subparagraph) be determined under
22 this section with respect to the building if
23 this section were applied without regard to
24 paragraph (2)(A) of subsection (e).

1 “(D) RURAL INVESTMENT CREDIT AGENCY
2 TO SPECIFY APPLICABLE PERCENTAGE AND
3 MAXIMUM ELIGIBLE BASIS.—In allocating a
4 rural investment credit dollar amount to any
5 building, the rural investment credit agency
6 shall specify the applicable percentage and the
7 maximum eligible basis which may be taken
8 into account under this section with respect to
9 such building. The applicable percentage and
10 maximum eligible basis so specified shall not ex-
11 ceed the applicable percentage and eligible basis
12 determined under this section without regard to
13 this subsection.

14 “(6) OTHER DEFINITIONS.—For purposes of
15 this subsection—

16 “(A) RURAL INVESTMENT CREDIT AGEN-
17 CY.—The term ‘rural investment credit agency’
18 means any agency authorized to carry out this
19 subsection.

20 “(B) POSSESSIONS TREATED AS STATES.—
21 The term ‘State’ includes a possession of the
22 United States.

23 “(7) PORTION OF STATE CEILING SET-ASIDE
24 FOR QUALIFIED RURAL SMALL BUSINESS INVEST-
25 MENT CREDITS.—Not more than 20 percent of the

1 State rural investment credit ceiling for any State
2 for any calendar year may be allocated to qualified
3 rural small business investment credits under section
4 42B.

5 “(h) DEFINITIONS AND SPECIAL RULES.—For pur-
6 poses of this section—

7 “(1) COMPLIANCE PERIOD.—The term ‘compli-
8 ance period’ means, with respect to any building, the
9 period of 10 taxable years beginning with the 1st
10 taxable year of the credit period with respect there-
11 to.

12 “(2) NEW BUILDING.—The term ‘new building’
13 means a building the original use of which begins
14 with the taxpayer.

15 “(3) EXISTING BUILDING.—The term ‘existing
16 building’ means any building which is not a new
17 building.

18 “(4) APPLICATION TO ESTATES AND TRUSTS.—
19 In the case of an estate or trust, the amount of the
20 credit determined under subsection (a) and any in-
21 crease in tax under subsection (i) shall be appor-
22 tioned between the estate or trust and the bene-
23 ficiaries on the basis of the income of the estate or
24 trust allocable to each.

25 “(i) RECAPTURE OF CREDIT.—If—

1 “(1) as of the close of any taxable year in the
2 compliance period, the amount of the eligible basis
3 of any building with respect to the taxpayer is less
4 than

5 “(2) the amount of such basis as of the close
6 of the preceding taxable year,
7 then the taxpayer’s tax under this chapter for the
8 taxable year shall be increased by the credit recap-
9 ture amount determined under rules similar to the
10 rules of section 42(j).

11 “(j) CERTIFICATIONS AND OTHER REPORTS TO SEC-
12 RETARY.—

13 “(1) CERTIFICATION WITH RESPECT TO 1ST
14 YEAR OF CREDIT PERIOD.—Following the close of
15 the 1st taxable year in the credit period with respect
16 to any qualified rural investment building, the tax-
17 payer shall certify to the Secretary (at such time
18 and in such form and in such manner as the Sec-
19 retary prescribes)—

20 “(A) the taxable year, and calendar year,
21 in which such building was first placed in serv-
22 ice,

23 “(B) the eligible basis of such building as
24 of the beginning of the credit period,

1 “(C) the maximum applicable percentage
2 and eligible basis permitted to be taken into ac-
3 count by the appropriate rural investment cred-
4 it agency under subsection (g),

5 “(D) the election made under subsection
6 (f) with respect to the qualified rural invest-
7 ment project of which such building is a part,
8 and

9 “(E) such other information as the Sec-
10 retary may require.

11 In the case of a failure to make the certification re-
12 quired by the preceding sentence on the date pre-
13 scribed therefor, unless it is shown that such failure
14 is due to reasonable cause and not to willful neglect,
15 no credit shall be allowable by reason of subsection
16 (a) with respect to such building for any taxable
17 year ending before such certification is made.

18 “(2) ANNUAL REPORTS TO THE SECRETARY.—
19 The Secretary may require taxpayers to submit an
20 information return (at such time and in such form
21 and manner as the Secretary prescribes) for each
22 taxable year setting forth—

23 “(A) the eligible basis for the taxable year
24 of each qualified rural investment building of
25 the taxpayer,

1 “(B) the information described in para-
2 graph (1)(C) for the taxable year, and

3 “(C) such other information as the Sec-
4 retary may require.

5 The penalty under section 6652(j) shall apply to any
6 failure to submit the return required by the Sec-
7 retary under the preceding sentence on the date pre-
8 scribed therefor.

9 “(3) ANNUAL REPORTS FROM RURAL INVEST-
10 MENT CREDIT AGENCIES.—Each agency which allo-
11 cates any rural investment credit amount to any
12 building for any calendar year shall submit to the
13 Secretary (at such time and in such manner as the
14 Secretary shall prescribe) an annual report speci-
15 fying—

16 “(A) the amount of rural investment credit
17 amount allocated to each building for such year,

18 “(B) sufficient information to identify each
19 such building and the taxpayer with respect
20 thereto, and

21 “(C) such other information as the Sec-
22 retary may require.

23 The penalty under section 6652(j) shall apply to any
24 failure to submit the report required by the pre-
25 ceding sentence on the date prescribed therefor.

1 “(k) RESPONSIBILITIES OF RURAL INVESTMENT
2 CREDIT AGENCIES.—

3 “(1) PLANS FOR ALLOCATION OF CREDIT
4 AMONG INVESTMENT PROJECTS.—

5 “(A) IN GENERAL.—Notwithstanding any
6 other provision of this section, the rural invest-
7 ment credit dollar amount with respect to any
8 building shall be zero unless—

9 “(i) such amount was allocated pursu-
10 ant to a qualified rural investment plan of
11 the agency which is approved by the gov-
12 ernmental unit (in accordance with rules
13 similar to the rules of section 147(f)(2)
14 (other than subparagraph (B)(ii) thereof))
15 of which such agency is a part,

16 “(ii) such agency notifies the chief ex-
17 ecutive officer (or the equivalent) of the
18 local jurisdiction within which the building
19 is located of such investment project and
20 provides such individual a reasonable op-
21 portunity to comment on the investment
22 project,

23 “(iii) a comprehensive market study
24 of the development needs of individuals in
25 the qualifying county to be served by the

1 investment project is conducted before the
2 credit allocation is made and at the devel-
3 oper's expense by a disinterested party who
4 is approved by such agency, and

5 “(iv) a written explanation is available
6 to the general public for any allocation of
7 a rural investment credit dollar amount
8 which is not made in accordance with es-
9 tablished priorities and selection criteria of
10 the rural investment credit agency.

11 “(B) QUALIFIED RURAL INVESTMENT
12 PLAN.—For purposes of this section, the term
13 ‘qualified rural investment plan’ means any
14 plan—

15 “(i) which sets forth selection criteria
16 to be used to determine priorities of the
17 rural investment credit agency which are
18 appropriate to qualifying counties,

19 “(ii) which also gives preference in al-
20 locating rural investment credit dollar
21 amounts among selected investment
22 projects to—

23 “(I) investment projects that tar-
24 get those small rural counties with

1 consistently high rates of net out-mi-
2 gration,

3 “(II) investment projects that
4 link the economic development and job
5 creation efforts of 2 or more small
6 rural counties with high rates of net
7 out-migration, and

8 “(III) investment projects that
9 link the economic development and job
10 creation efforts of 1 or more small
11 rural counties in the State with high
12 rates of net out-migration to related
13 efforts in regions of such State experi-
14 encing economic growth, and

15 “(iii) which provides a procedure that
16 the agency (or an agent or other private
17 contractor of such agency) will follow in
18 monitoring for noncompliance with the
19 provisions of this section and in notifying
20 the Internal Revenue Service of such non-
21 compliance which such agency becomes
22 aware of and in monitoring for noncompli-
23 ance through regular site visits.

1 “(C) CERTAIN SELECTION CRITERIA MUST
2 BE USED.—The selection criteria set forth in a
3 qualified rural investment plan must include—

4 “(i) investment project location,

5 “(ii) technology and transportation in-
6 frastructure needs, and

7 “(iii) private development trends.

8 “(2) CREDIT ALLOCATED TO BUILDING NOT TO
9 EXCEED AMOUNT NECESSARY TO ASSURE INVEST-
10 MENT PROJECT FEASIBILITY.—

11 “(A) IN GENERAL.—The rural investment
12 credit dollar amount allocated to an investment
13 project shall not exceed the amount the rural
14 investment credit agency determines is nec-
15 essary for the financial feasibility of the invest-
16 ment project and its viability as a qualified
17 rural investment project throughout the compli-
18 ance period.

19 “(B) AGENCY EVALUATION.—In making
20 the determination under subparagraph (A), the
21 rural investment credit agency shall consider—

22 “(i) the sources and uses of funds and
23 the total financing planned for the invest-
24 ment project,

1 “(ii) any proceeds or receipts expected
2 to be generated by reason of tax benefits,

3 “(iii) the percentage of the rural in-
4 vestment credit dollar amount used for in-
5 vestment project costs other than the cost
6 of intermediaries, and

7 “(iv) the reasonableness of the devel-
8 opmental and operational costs of the in-
9 vestment project.

10 Clause (iii) shall not be applied so as to impede
11 the development of investment projects in hard-
12 to-develop areas.

13 “(C) DETERMINATION MADE WHEN CRED-
14 IT AMOUNT APPLIED FOR AND WHEN BUILDING
15 PLACED IN SERVICE.—

16 “(i) IN GENERAL.—A determination
17 under subparagraph (A) shall be made as
18 of each of the following times:

19 “(I) The application for the rural
20 investment credit dollar amount.

21 “(II) The allocation of the rural
22 investment credit dollar amount.

23 “(III) The date the building is
24 first placed in service.

1 “(ii) CERTIFICATION AS TO AMOUNT
2 OF OTHER SUBSIDIES.—Prior to each de-
3 termination under clause (i), the taxpayer
4 shall certify to the rural investment credit
5 agency the full extent of all Federal, State,
6 and local subsidies which apply (or which
7 the taxpayer expects to apply) with respect
8 to the building.

9 “(l) REGULATIONS.—The Secretary shall prescribe
10 such regulations as may be necessary or appropriate to
11 carry out the purposes of this section, including regula-
12 tions—

13 “(1) dealing with—

14 “(A) investment projects which include
15 more than 1 building or only a portion of a
16 building,

17 “(B) buildings which are sold in portions,

18 “(2) providing for the application of this section
19 to short taxable years,

20 “(3) preventing the avoidance of the rules of
21 this section, and

22 “(4) providing the opportunity for rural invest-
23 ment credit agencies to correct administrative errors
24 and omissions with respect to allocations and record
25 keeping within a reasonable period after their dis-

1 covery, taking into account the availability of regula-
2 tions and other administrative guidance from the
3 Secretary.”.

4 (b) CURRENT YEAR BUSINESS CREDIT CALCULA-
5 TION.—Section 38(b) (relating to current year business
6 credit) is amended by striking “plus” at the end of para-
7 graph (14), by striking the period at the end of paragraph
8 (15) and inserting “, plus”, and by adding at the end the
9 following:

10 “(16) the rural investment credit determined
11 under section 42A(a).”.

12 (c) LIMITATION ON CARRYBACK.—Subsection (d) of
13 section 39 (relating to carryback and carryforward of un-
14 used credits) is amended by adding at the end the fol-
15 lowing:

16 “(11) NO CARRYBACK OF RURAL INVESTMENT
17 CREDIT BEFORE EFFECTIVE DATE.—No portion of
18 the unused business credit for any taxable year
19 which is attributable to the rural investment credit
20 determined under section 42A may be carried back
21 to a taxable year beginning before the date of the
22 enactment of the New HomesteadRural Economic
23 Growth Act of 2003.”.

24 (d) CONFORMING AMENDMENTS.—

1 (1) Section 55(c)(1) is amended by inserting
2 “or subsection (i) or (j) of section 42A” after “sec-
3 tion 42”.

4 (2) Subsections (i)(c)(3), (i)(c)(6)(B)(i), and
5 (k)(1) of section 469 are each amended by inserting
6 “or 42A” after “section 42”.

7 (3) Section 772(a) is amended by striking
8 “and” at the end of paragraph (10), by redesignig-
9 nating paragraph (11) as paragraph (12), and by in-
10 serting after paragraph (10) the following:

11 “(11) the rural investment credit determined
12 under section 42A, and”.

13 (4) Section 774(b)(4) is amended by inserting
14 “, 42A(i),” after “section 42(j)”.

15 (e) CLERICAL AMENDMENT.—The table of sections
16 for subpart D of part IV of subchapter A of chapter 1
17 is amended by inserting after the item relating to section
18 42 the following:

 “Sec. 42A. Rural investment credit.”.

19 (f) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to expenditures made in taxable
21 years beginning after the date of the enactment of this
22 Act.

1 **TITLE II—EMPLOYER TAX CRED-**
2 **IT FOR HIRING RURAL EM-**
3 **PLOYEES**

4 **§ 201. Employer tax credit to apply to new employees**
5 **who are residents of rural areas**

6 (a) IN GENERAL.—Paragraph (1) of section 51(d) of
7 the Internal Revenue Code of 1986 (relating to members
8 of targeted groups) is amended by striking “or” at the
9 end of subparagraph (G), by striking the period at the
10 end of subparagraph (H), and by adding at the end the
11 following new subparagraph:

12 “(I) a qualified rural employee.”.

13 (b) QUALIFIED RURAL EMPLOYEE.—Subsection (d)
14 of section 51 of such Code is amended by redesignating
15 paragraphs (10), (11), and (12) as paragraphs (11), (12),
16 and (13), respectively, and by inserting after paragraph
17 (9) the following new paragraph:

18 “(10) QUALIFIED RURAL EMPLOYEE.—The
19 term ‘qualified rural employee’ means, with respect
20 to any period, any employee of an employer if—

21 “(A) substantially all of the services per-
22 formed during such period by such employee for
23 such employer are performed within an area de-
24 termined by the Secretary of Agriculture to be
25 a rural area, and

1 “(B) the principal place of abode of such
2 employee while performing such services is
3 within such area.”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to individuals who begin work for
6 the employer after the date of the enactment of this Act.

7 **TITLE III—GRANTS FOR JOB**
8 **TRAINING IN RURAL AREAS**

9 **§ 301. Grants for job training in rural areas**

10 (a) AUTHORIZATION.—

11 (1) IN GENERAL.—The Secretary of Labor, in
12 consultation with the Secretary of Commerce, shall
13 award grants to eligible entities described in para-
14 graph (2) to assist such entities to improve the job
15 skills necessary for employment in specific indus-
16 tries.

17 (2) ELIGIBLE ENTITIES.—

18 (A) IN GENERAL.—For the purposes of
19 this section, eligible entities shall include busi-
20 nesses, job training centers, and educational in-
21 stitutions that offer career training to residents
22 of rural areas.

23 (B) RURAL AREA DEFINED.—For purposes
24 of this section, the term “rural area” means an

1 area that has a population density of less than
2 500 people per square mile.

3 (3) PRIORITY FOR SMALL BUSINESSES.—In
4 providing grants under paragraph (1), the Secretary
5 of Labor shall give priority to small-business con-
6 cerns (as defined in section 3(a) of the Small Busi-
7 ness Act (15 U.S.C. 632(a))).

8 (4) MAXIMUM AMOUNT OF GRANT.—The
9 amount of a grant awarded to an eligible entity
10 under paragraph (1) may not exceed \$250,000 for
11 any fiscal year.

12 (b) USE OF AMOUNTS.—

13 (1) IN GENERAL.—The Secretary of Labor may
14 not award a grant under subsection (a) to an eligible
15 entity unless such entity agrees to use amounts re-
16 ceived from such grant to improve the job skills nec-
17 essary for employment in the rural area in which
18 such entity is located.

19 (2) CONDUCT OF PROGRAM.—

20 (A) IN GENERAL.—In carrying out the
21 program described in paragraph (1), the eligible
22 entity may provide for—

23 (i) an assessment of training and job
24 skill needs for the industry;

1 (ii) the development of a sequence of
2 skill standards that are benchmarked to
3 advanced industry practices;

4 (iii) the development of curriculum
5 and training methods, including, where ap-
6 propriate, e-learning or technology-based
7 training;

8 (iv) the purchase, lease, or receipt of
9 donations of training equipment;

10 (v) the identification of training pro-
11 viders and the development of partnerships
12 between the industry and educational insti-
13 tutions, including community colleges;

14 (vi) the development of apprenticeship
15 programs;

16 (vii) the development of training pro-
17 grams for workers, including dislocated
18 workers;

19 (viii) the development of training
20 plans for businesses; and

21 (ix) the development of the member-
22 ship of the entity.

23 (B) ADDITIONAL REQUIREMENT.—In car-
24 rying out the program described in paragraph
25 (1), the eligible entity shall provide for the de-

1 velopment and tracking of performance outcome
2 measures for the program and the training pro-
3 viders involved in the program.

4 (3) ADMINISTRATIVE COSTS.—The eligible enti-
5 ty may use not more than 10 percent of the amount
6 of a grant to pay for administrative costs associated
7 with the program described in paragraph (1).

8 (c) REQUIREMENT OF MATCHING FUNDS.—

9 (1) IN GENERAL.—The Secretary of Labor may
10 not award a grant under subsection (a) to an eligible
11 entity unless such entity agrees that the entity will
12 make available non-Federal contributions toward the
13 costs of carrying out activities under the grant in an
14 amount that is not less than \$1 for each \$5 of Fed-
15 eral funds provided under the grant.

16 (2) OTHER CONTRIBUTIONS.—

17 (A) EQUIPMENT.—Equipment donations to
18 facilities that are not owned or operated by the
19 eligible entity involved may be included in de-
20 termining compliance with paragraph (1).

21 (B) LIMITATION.—An eligible entity may
22 not include in-kind contributions in complying
23 with the requirement of paragraph (1). The
24 Secretary of Labor may consider such dona-
25 tions in ranking applications.

1 (d) LIMIT ON ADMINISTRATIVE EXPENSES.—The
2 Secretary of Labor may use not more than 5 percent of
3 the amounts made available to carry out this section to
4 pay the Federal administrative costs associated with
5 awarding grants under this section.

6 (e) AUTHORIZATION OF APPROPRIATIONS.—There
7 are authorized to be appropriated to carry out this section
8 \$10,000,000 for each of fiscal years 2004 through 2008.

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