

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 3894

To amend the Internal Revenue Code of 1986 to alleviate poverty by encouraging the employment of residents by empowerment zone businesses through the employment of residents in designated areas of pervasive poverty, unemployment, and general distress.

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 14, 2006

Mr. BOND (for himself, Mr. TALENT, Mr. DURBIN, and Mr. OBAMA) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to alleviate poverty by encouraging the employment of residents by empowerment zone businesses through the employment of residents in designated areas of pervasive poverty, unemployment, and general distress.

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. SPECIAL RULE FOR EMPLOYMENT OF RESI-**  
4 **DENTS IN AN EMPOWERMENT ZONE.**

5       (a) IN GENERAL.—Section 1397C of the Internal  
6 Revenue Code of 1986 (defining enterprise zone business)

1 is amended by adding at the end the following new sub-  
2 section:

3 “(g) SPECIAL RULES RELATING TO RESIDENT EM-  
4 PLOYMENT REQUIREMENTS.—

5 “(1) IN GENERAL.—If a business entity or pro-  
6 prietorship uses all reasonable efforts during the  
7 first 6-month period of any taxable year to meet the  
8 35 percent employee requirement under subsection  
9 (b)(6) or (c)(5) or under any other provision of this  
10 subchapter, but is unable to do so because insuffi-  
11 cient applications of qualified candidates willing to  
12 accept and continue employment were received by  
13 such business entity or proprietorship during such  
14 period, then the business entity or proprietorship  
15 may file with the Secretary of Housing and Urban  
16 Development necessary information, including avail-  
17 able statistics concerning the labor pool and applica-  
18 tions received, documenting such reasonable efforts  
19 during such period and request that the Secretary of  
20 Housing and Urban Development determine whether  
21 such business entity or proprietorship used all rea-  
22 sonable efforts during such period to meet such re-  
23 quirement. If the Secretary of Housing and Urban  
24 Development determines that the business entity or  
25 proprietorship used such reasonable efforts, the Sec-

1       retary of Housing and Urban Development shall  
2       issue a finding stating such determination and such  
3       requirement shall be deemed to be met for all pur-  
4       poses of this subchapter for such taxable year if dur-  
5       ing the final 3 months of such taxable year at least  
6       35 percent of the employees of such business entity  
7       or proprietorship are residents of—

8               “(A) the empowerment zone, or

9               “(B) any area within a 15 mile radius of  
10              the qualified business of such business entity or  
11              proprietorship which has been designated by  
12              any Federal, State, city, or municipal govern-  
13              mental unit as an area of pervasive poverty, un-  
14              employment, and general distress.

15       Any employee taken into account for purposes of  
16       such requirement by reason of this paragraph for  
17       any taxable year may continue to be taken into ac-  
18       count for such requirement for any subsequent tax-  
19       able year during which such employee remains a  
20       resident of the area described in subparagraph (A)  
21       or (B).

22              “(2) DETERMINATION BY HUD.—The Secretary  
23       of Housing and Urban Development shall make any  
24       and all necessary inquiries (including requesting ad-  
25       ditional information of the business entity or propri-

1 etorship) in order to respond to the request made  
2 under paragraph (1) (by making such finding or  
3 providing notice of a failure to make such finding)  
4 within 30 days of the date of such request. Any find-  
5 ing under paragraph (1) shall also contain a state-  
6 ment by the Secretary of Housing and Urban Devel-  
7 opment verifying that the areas described in para-  
8 graph (1)(B) are areas of pervasive poverty, unem-  
9 ployment and general distress.

10 “(3) EMPLOYMENT BY MANAGEMENT COM-  
11 PANY.—For purposes of this subchapter, a business  
12 entity or proprietorship owner of a enterprise zone  
13 business shall be deemed the employer of any em-  
14 ployees that a management company hires to oper-  
15 ate such enterprise zone business.”.

16 (b) REPORTS TO CONGRESS.—

17 (1) IN GENERAL.—The Secretary of Housing  
18 and Urban Development shall submit to Congress,  
19 every 3 years, a report summarizing the information  
20 submitted to the Secretary by a business entity or  
21 proprietorship under section 1397C(g) of the Inter-  
22 nal Revenue Code of 1986 (as added by subsection  
23 (a)) and the actions taken by the Secretary in re-  
24 sponse.

1           (2) FINAL REPORT.—The Comptroller General  
2 of the United States shall use the reports submitted  
3 by the Secretary of Housing and Urban Develop-  
4 ment under paragraph (1), and such other informa-  
5 tion the Comptroller General deems relevant, to  
6 make an assessment of the impact of such section  
7 1397C(g), in the form of an update to the reports  
8 required by section 101(c) of the Community Re-  
9 newal Tax Relief Act of 2000.

10          (c) EFFECTIVE DATE.—The amendment made by  
11 this section shall apply to taxable years beginning on and  
12 after January 1, 2006, and shall apply to any bonds out-  
13 standing on that date.

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