

110TH CONGRESS
2D SESSION

H. R. 7096

To amend the Internal Revenue Code of 1986 to allow a deduction for income attributable to business activities conducted in high job-loss areas.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 25, 2008

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

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for income attributable to business activities conducted in high job-loss areas.

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 “Tax Incentives for
5 Growth, Expansion and Revitalization Act of 2008”.

6 **SEC. 2. DEDUCTION FOR INCOME FROM BUSINESS ACTIVI-**
7 **TIES CONDUCTED IN HIGH JOB-LOSS AREAS.**

8 (a) IN GENERAL.—Part VI of subchapter B of chap-
9 ter 1 of the Internal Revenue Code of 1986 (relating to

1 itemized deductions for individuals and corporations) is
2 amended by adding at the end the following new section:

3 **“SEC. 200. INCOME ATTRIBUTABLE TO BUSINESS ACTIVI-**
4 **TIES CONDUCTED IN HIGH-JOB LOSS AREAS.**

5 “(a) IN GENERAL.—In the case of an eligible tax-
6 payer, there shall be allowed as a deduction an amount
7 equal to 50 percent of the lesser of—

8 “(1) the qualified high job-loss zone business
9 income of the taxpayer for the taxable year, or

10 “(2) taxable income (determined without regard
11 to this section) for the taxable year.

12 “(b) ELIGIBLE TAXPAYER.—For purposes of this
13 section—

14 “(1) IN GENERAL.—The term ‘eligible taxpayer’
15 means any taxpayer if not less than 5 percent of the
16 gross receipts of the taxpayer are high job-loss zone
17 business gross receipts attributable to a single met-
18 ropolitan statistical area high job-loss zone.

19 “(2) RELATED PERSONS.—All persons treated
20 as a single employer under subsection (a) or (b) of
21 section 52 or subsection (m) or (o) of section 414
22 (except that determinations under subsections (a)
23 and (b) of section 52 shall be made without regard
24 to section 1563(b)) shall be treated as 1 person for
25 purposes of paragraph (1).

1 “(c) QUALIFIED HIGH JOB-LOSS ZONE BUSINESS
2 INCOME.—

3 “(1) IN GENERAL.—The term ‘qualified high
4 job-loss zone business income’ for any taxable year
5 means an amount equal to the excess (if any) of—

6 “(A) the taxpayer’s high job-loss zone busi-
7 ness gross receipts for such taxable year, over

8 “(B) the sum of—

9 “(i) the cost of goods sold that are al-
10 locable to such receipts, and

11 “(ii) other expenses, losses, or deduc-
12 tions (other than the deduction allowed
13 under this section), which are properly al-
14 locable to such receipts.

15 “(2) ALLOCATION METHOD.—The Secretary
16 shall prescribe rules for the proper allocation of
17 items described in paragraph (1) for purposes of de-
18 termining qualified high job-loss zone business in-
19 come. Such rules shall provide for the proper alloca-
20 tion of items whether or not such items are directly
21 allocable to high job-loss zone business gross re-
22 ceipts.

23 “(3) COSTS.—Rules similar to the rules of sec-
24 tion 199(c)(3) shall apply for purposes of paragraph
25 (1).

1 “(4) HIGH JOB-LOSS ZONE BUSINESS GROSS
2 RECEIPTS.—

3 “(A) IN GENERAL.—The term ‘high job-
4 loss zone business gross receipts’ means gross
5 receipts of the taxpayer which are derived from
6 the active conduct of a trade or business in a
7 metropolitan statistical area high job-loss zone.

8 “(B) RELATED PERSON.—

9 “(i) IN GENERAL.—The term ‘high
10 job-loss zone business gross receipts’ shall
11 not include any gross receipts of the tax-
12 payer derived from property leased, li-
13 censed, or rented by the taxpayer for use
14 by any related person.

15 “(ii) RELATED PERSON.—For pur-
16 poses of clause (i), a person shall be treat-
17 ed as related to another person if such per-
18 sons are treated as a single employer
19 under subsection (a) or (b) of section 52 or
20 subsection (m) or (o) of section 414, ex-
21 cept that determinations under subsections
22 (a) and (b) of section 52 shall be made
23 without regard to section 1563(b).

24 “(d) METROPOLITAN STATISTICAL AREA HIGH JOB-
25 LOSS ZONE.—For purposes of this section—

1 “(1) IN GENERAL.—The term ‘metropolitan
2 statistical area high job-loss zone’ means any stand-
3 ard metropolitan statistical area designated by the
4 Secretary for purposes of this section. Designations
5 under the preceding sentence shall be made not later
6 than January 1, 2009.

7 “(2) STANDARDS FOR DESIGNATIONS.—An area
8 may be designated by the Secretary under para-
9 graph (1) if the Secretary determines that—

10 “(A) any eligible city in such area is
11 among of the lowest $\frac{1}{3}$ of all eligible cities
12 ranked on the basis of—

13 “(i) the economic conditions referred
14 to in paragraph (4), and

15 “(ii) the residential economic well-
16 being factors referred to in paragraph (5),
17 and

18 “(B) the area is among the lowest $\frac{1}{3}$ of all
19 standard metropolitan statistical areas ranked
20 on the basis of comparing changes in—

21 “(i) employment,

22 “(ii) wages,

23 “(iii) gross metropolitan product, and

24 “(iv) gross metropolitan product per
25 job,

1 between the 1990 and 2000 censuses.

2 “(3) ELIGIBLE CITIES.—For purposes of para-
3 graph (1), the term ‘eligible city’ means, with re-
4 spect to a standard metropolitan statistical area, any
5 city in such area if—

6 “(A) has a population of at least 50,000
7 and is the most populous city in such area,

8 “(B) has a population of—

9 “(i) at least 50,000, and

10 “(ii) at least 50 percent of the popu-
11 lation of the most populous city in such
12 area, or

13 “(C) has a population of at least 150,000.

14 Population shall be determined using the 2000 cen-
15 sus.

16 “(4) ECONOMIC CONDITIONS.—The economic
17 conditions referred to in this paragraph are growth
18 in—

19 “(A) employment,

20 “(B) annual payroll, and

21 “(C) business establishments.

22 “(5) RESIDENTIAL ECONOMIC WELL-BEING
23 FACTORS.—The residential economic well-being fac-
24 tors referred to in the paragraph are—

25 “(A) per capita income,

1 “(B) median household income,

2 “(C) poverty rate,

3 “(D) unemployment rate, and

4 “(E) labor force participation rate.

5 “(e) MICROPOLITAN STATISTICAL AREA HIGH JOB-
6 LOSS ZONE.—For purposes of this section—

7 “(1) IN GENERAL.—The term ‘micropolitan sta-
8 tistical area high job-loss zone’ means any standard
9 micropolitan statistical area designated by the Sec-
10 retary for purposes of this section. Designations
11 under the preceding sentence shall be made not later
12 than January 1, 2009.

13 “(2) STANDARDS FOR DESIGNATIONS.—An area
14 may be designated by the Secretary under para-
15 graph (1) if the Secretary determines that—

16 “(A) any eligible city in such area is
17 among of the lowest $\frac{1}{3}$ of all eligible cities
18 ranked on the basis of—

19 “(i) the economic conditions referred
20 to in paragraph (4), and

21 “(ii) the residential economic well-
22 being factors referred to in paragraph (5),
23 and

1 “(B) the area is among the lowest $\frac{1}{3}$ of all
2 standard metropolitan statistical areas ranked
3 on the basis of comparing changes in—

4 “(i) employment,

5 “(ii) wages,

6 “(iii) gross metropolitan product, and

7 “(iv) gross metropolitan product per
8 job,

9 between the 1990 and 2000 censuses.

10 “(3) ELIGIBLE CITIES.—For purposes of para-
11 graph (1), the term ‘eligible city’ means, with re-
12 spect to a standard metropolitan statistical area, any
13 city in such area which has a population of at least
14 10,000 but less than 50,000 (determined using the
15 2000 census).

16 “(4) ECONOMIC CONDITIONS.—The economic
17 conditions referred to in this paragraph are growth
18 in—

19 “(A) employment,

20 “(B) annual payroll, and

21 “(C) business establishments.

22 “(5) RESIDENTIAL ECONOMIC WELL-BEING
23 FACTORS.—The residential economic well-being fac-
24 tors referred to in the paragraph are—

25 “(A) per capita income,

1 “(B) median household income,
2 “(C) poverty rate,
3 “(D) unemployment rate,
4 “(E) average age of housing stock, and
5 “(F) labor force participation rate.

6 “(f) SPECIAL RULES.—Rules similar to the rules of
7 paragraphs (1) through (7) of section 199(d) shall apply
8 for purposes of this section.

9 “(g) REGULATIONS.—The Secretary shall prescribe
10 such regulations as are appropriate to carry out this sec-
11 tion.

12 “(h) APPLICATION OF SECTION.—The section shall
13 apply to taxable years beginning after December 31, 2008,
14 and before January 1, 2014.”.

15 (b) MINIMUM TAX.—Section 56(g)(4)(C) of such
16 Code (relating to disallowance of items not deductible in
17 computing earnings and profits) is amended by adding at
18 the end the following new clause:

19 “(vii) DEDUCTION FOR HIGH JOB-
20 LOSS ZONE INCOME.—Clause (i) shall not
21 apply to any amount allowable as a deduc-
22 tion under section 199.”.

23 (c) TECHNICAL AMENDMENTS.—

24 (1) Sections 86(b)(2)(A), 135(c)(4)(A),
25 137(b)(3)(A), 219(g)(3)(A)(ii), 221(b)(2)(C)(i),

1 222(b)(2)(C)(i), 246(b)(1), and 469(i)(3)(F)(iii) of
2 such Code are each amended by inserting “200,”
3 after “199,”.

4 (2) Subsection (a) of section 613 of such Code
5 is amended by inserting “or 200” after “199”.

6 (3) Subsection (a) of section 1402 of such Code
7 is amended by striking “and” at the end of para-
8 graph (16), by striking the period at the end of
9 paragraph (17) and inserting “, and”, and by insert-
10 ing after paragraph (17) the following new para-
11 graph:

12 “(18) the deduction provided by section 200
13 shall not be allowed.”.

14 (4) The table of sections for part VI of sub-
15 chapter B of chapter 1 of such Code is amended by
16 adding at the end the following new item:

“Sec. 200. Income attributable to business activities conducted in high-job loss
areas.”.

17 (d) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2008.

20 (e) REPORTING.—The Secretary of the Treasury
21 shall submit reports to the Committee on Ways and Means
22 of the House of Representatives and the Committee on
23 Finance of the Senate detailing the impact of section 200
24 of the Internal Revenue Code of 1986 (as added by this

1 section) on retaining and attracting new businesses to
2 high job-loss zones. Such reports shall be submitted annu-
3 ally for each calendar year included in the period specified
4 in section 200(g) of such Code.

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