

114TH CONGRESS
2D SESSION

H. R. 4870

To amend the Internal Revenue Code of 1986 to provide for the establishment of Promise Zones.

IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 2016

Mr. LARSON of Connecticut (for himself, Mr. ROGERS of Kentucky, Mr. COHEN, and Mr. WILSON of South Carolina) 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 provide for the establishment of Promise Zones.

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 “Promise Zone Job Cre-
5 ation Act of 2016”.

6 **SEC. 2. PROMISE ZONES.**

7 (a) IN GENERAL.—Subchapter Y of chapter 1 of the
8 Internal Revenue Code of 1986 is amended by adding at
9 the end the following new part:

1 **“PART IV—PROMISE ZONES**

“Sec. 1400V-1. Designation of Promise Zones.

“Sec. 1400V-2. Promise Zone employment credit.

“Sec. 1400V-3. Expensing of Promise Zone property.

2 **“SEC. 1400V-1. DESIGNATION OF PROMISE ZONES.**

3 “(a) IN GENERAL.—For purposes of this part, the
4 term ‘Promise Zone’ means any area—

5 “(1) which is nominated by 1 or more local gov-
6 ernments or Indian Tribes (as defined in section
7 4(13) of the Native American Housing Assistance
8 and Self-Determination Act of 1996 (25 U.S.C.
9 4103(13))) for designation as a Promise Zone (here-
10 after in this section referred to as a ‘nominated
11 area’),

12 “(2) which has a continuous boundary,

13 “(3) the population of which does not exceed
14 200,000, and

15 “(4) which the Secretary of Housing and Urban
16 Development and the Secretary of Agriculture, act-
17 ing jointly, designate as a Promise Zone, after con-
18 sultation with the Secretary of Commerce, the Sec-
19 retary of Education, the Attorney General, the Sec-
20 retary of Health and Human Services, the Secretary
21 of Labor, the Secretary of the Treasury, the Sec-
22 retary of Transportation, and other agencies as ap-
23 propriate.

24 “(b) NUMBER OF DESIGNATIONS.—

1 “(1) IN GENERAL.—Not more than 20 nomi-
2 nated areas may be designated as Promise Zones.

3 “(2) NUMBER OF DESIGNATIONS IN RURAL
4 AREAS.—Of the areas designated under paragraph
5 (1), six of such areas shall be areas—

6 “(A) which are outside of a metropolitan
7 statistical area (within the meaning of section
8 143(k)(2)(B)), or

9 “(B) which are determined by the Sec-
10 retary of Agriculture to be rural areas.

11 “(c) PERIOD OF DESIGNATIONS.—

12 “(1) IN GENERAL.—The Secretary of Housing
13 and Urban Development and the Secretary of Agri-
14 culture shall, acting jointly, designate 20 areas as
15 Promise Zones before January 1, 2017.

16 “(2) EFFECTIVE DATES OF DESIGNATIONS.—
17 The designation of any Promise Zone shall take ef-
18 fect—

19 “(A) for purposes of priority consideration
20 in Federal grant programs and initiatives
21 (other than this part), upon execution of the
22 Promise Zone agreement, and

23 “(B) for purposes of this part, on January
24 1 of the first calendar year beginning after the

1 date of the execution of the Promise Zone
2 agreement.

3 “(3) TERMINATION OF DESIGNATIONS.—The
4 designation of any Promise Zone shall end on the
5 earlier of—

6 “(A) the end of the 10-year period begin-
7 ning on the date that such designation takes ef-
8 fect, or

9 “(B) the date of the revocation of such
10 designation.

11 “(4) APPLICATION TO CERTAIN ZONES AL-
12 READY DESIGNATED.—In the case of any area des-
13 igned as a Promise Zone by the Secretary of
14 Housing and Urban Development and the Secretary
15 of Agriculture before the date of the enactment of
16 this section, such area shall be taken into account as
17 a Promise Zone designated under this section and
18 shall reduce the number of Promise Zones remaining
19 to be designated under paragraph (1).

20 “(d) LIMITATIONS ON DESIGNATIONS.—No area may
21 be designated under this section unless—

22 “(1) the entities nominating the area have the
23 authority to nominate the area of designation under
24 this section,

1 “(2) such entities provide written assurances
2 satisfactory to the Secretary of Housing and Urban
3 Development and the Secretary of Agriculture that
4 the competitiveness plan described in the application
5 under subsection (e) for such area will be imple-
6 mented and that such entities will provide the Sec-
7 retary of Housing and Urban Development and the
8 Secretary of Agriculture with such data regarding
9 the economic conditions of the area (before, during,
10 and after the area’s period of designation as a
11 Promise Zone) as such Secretary may require, and

12 “(3) the Secretary of Housing and Urban De-
13 velopment and the Secretary of Agriculture deter-
14 mine that any information furnished is reasonably
15 accurate.

16 “(e) APPLICATION.—No area may be designated
17 under this section unless the application for such designa-
18 tion—

19 “(1) demonstrates that the nominated area sat-
20 isfies the eligibility criteria described in subsection
21 (a), and

22 “(2) includes a competitiveness plan which—

23 “(A) addresses the need of the nominated
24 area to attract investment and jobs and im-
25 prove educational opportunities,

1 “(B) leverages the nominated area’s eco-
2 nomic strengths and outlines targeted invest-
3 ments to develop competitive advantages,

4 “(C) demonstrates collaboration across a
5 wide range of stakeholders,

6 “(D) outlines a strategy which connects
7 the nominated area to drivers of regional eco-
8 nomic growth, and

9 “(E) proposes a strategy for focusing on
10 increased access to high-quality affordable
11 housing and improved public safety.

12 “(f) SELECTION CRITERIA.—From among the nomi-
13 nated areas eligible for designation under this section, the
14 Secretary of Housing and Urban Development and the
15 Secretary of Agriculture shall designate Promise Zones on
16 the basis of—

17 “(1) the effectiveness of the competitiveness
18 plan submitted under subsection (e) and the assur-
19 ances made under subsection (d),

20 “(2) unemployment rates, poverty rates, house-
21 hold income, home ownership, labor force participa-
22 tion, educational attainment, and such other factors
23 as the Secretary of Housing and Urban Develop-
24 ment and the Secretary of Agriculture may identify,
25 and

1 “(3) other criteria as determined by the Sec-
2 retary of Housing and Urban Development and the
3 Secretary of Agriculture.

4 The Secretary of Housing and Urban Development and
5 the Secretary of Agriculture may set minimal standards
6 for the levels of unemployment and poverty that must be
7 satisfied for designation as a Promise Zone.

8 **“SEC. 1400V-2. PROMISE ZONE EMPLOYMENT CREDIT.**

9 “(a) AMOUNT OF CREDIT.—For purposes of section
10 38, the amount of the Promise Zone employment credit
11 determined under this section with respect to any em-
12 ployer for any taxable year is the applicable percentage
13 of the qualified wages paid or incurred during the calendar
14 year which ends with or within such taxable year.

15 “(b) APPLICABLE PERCENTAGE.—For purposes of
16 this section, the term ‘applicable percentage’ means—

17 “(1) in the case of qualified wages described in
18 subsection (c)(1)(A), 20 percent, and

19 “(2) in the case of qualified wages described in
20 subsection (c)(1)(B), 10 percent.

21 “(c) QUALIFIED WAGES.—For purposes of this sec-
22 tion—

23 “(1) IN GENERAL.—The term ‘qualified wages’
24 means any wages paid or incurred by an employer

1 for services performed by an employee while such
2 employee is—

3 “(A) a qualified zone employee, or

4 “(B) a qualified resident employee.

5 “(2) ONLY FIRST \$15,000 OF WAGES PER YEAR
6 TAKEN INTO ACCOUNT.—With respect to each quali-
7 fied employee, the amount of qualified wages taken
8 into account for a calendar year shall not exceed
9 \$15,000.

10 “(3) COORDINATION WITH WORK OPPORTUNITY
11 CREDIT.—

12 “(A) IN GENERAL.—The term ‘qualified
13 wages’ shall not include wages taken into ac-
14 count in determining the credit under section
15 51.

16 “(B) COORDINATION WITH DOLLAR LIM-
17 TATION.—The \$15,000 amount in paragraph
18 (2) shall be reduced for any calendar year by
19 the amount of wages paid or incurred during
20 such year which are taken into account in de-
21 termining the credit under section 51.

22 “(4) WAGES.—The term ‘wages’ has the mean-
23 ing given such term by section 1397(a).

24 “(d) QUALIFIED EMPLOYEE.—For purposes of this
25 section—

1 “(1) QUALIFIED EMPLOYEE.—The term ‘quali-
2 fied employee’ means any employee who is a quali-
3 fied zone employee or a qualified resident employee.

4 “(2) QUALIFIED ZONE EMPLOYEE.—Except as
5 otherwise provided in this subsection, the term
6 ‘qualified zone employee’ means, with respect to any
7 period, any employee of an employer if—

8 “(A) substantially all of the services per-
9 formed during such period by such employee for
10 such employer are performed within a Promise
11 Zone in a trade or business of the employer,
12 and

13 “(B) the principal place of abode of such
14 employee while performing such services is
15 within a Promise Zone.

16 “(3) QUALIFIED RESIDENT EMPLOYEE.—Ex-
17 cept as otherwise provided in this subsection, the
18 term ‘qualified resident employee’ means, with re-
19 spect to any period, an employee of an employer if
20 the principal place of abode of such employee during
21 such period is within a Promise Zone, but substan-
22 tially all of the services performed during such pe-
23 riod by such employee for such employer are not
24 performed within a Promise Zone in a trade or busi-
25 ness of the employer.

1 “(4) CERTAIN INDIVIDUALS NOT ELIGIBLE.—
2 The terms ‘qualified zone employee’ and ‘qualified
3 resident employee’ shall not include any individual
4 described in paragraph (2) of section 1396(d)(2)
5 (determined after application of paragraph (3)
6 thereof).

7 “(e) SPECIAL RULES.—Rules similar to the rules of
8 section 1397 shall apply for purposes of this section.

9 “(f) TAXPAYER REPORTING.—No credit shall be de-
10 termined under this section with respect to any taxpayer
11 for any taxable year unless such taxpayer provides the
12 Secretary with such information as the Secretary may re-
13 quire to allow the Secretary to evaluate the effectiveness
14 of the program established under this part.

15 **“SEC. 1400V-3. EXPENSING OF PROMISE ZONE PROPERTY.**

16 “(a) IN GENERAL.—A taxpayer may elect to treat the
17 cost of any Promise Zone property as an expense which
18 is not chargeable to capital account. Any cost so treated
19 shall be allowed as a deduction for the taxable year in
20 which the Promise Zone property is placed in service.

21 “(b) PROMISE ZONE PROPERTY.—For purposes of
22 this section—

23 “(1) IN GENERAL.—Except as otherwise pro-
24 vided in this subsection, the term ‘Promise Zone
25 property’ means property—

1 “(A) which is—

2 “(i) tangible property (to which sec-
3 tion 168 applies) with an applicable recov-
4 ery period (within the meaning of section
5 168) of 20 years or less,

6 “(ii) water utility property described
7 in section 168(e)(5),

8 “(iii) computer software described in
9 section 179(d)(1)(A)(ii), or

10 “(iv) qualified leasehold improvement
11 property (as defined in section 168(e)),

12 “(B) which is acquired by purchase (as de-
13 fined in section 179(d)(2)) for use in the active
14 conduct of a trade or business, and

15 “(C) which is originally placed in service
16 by the taxpayer in a Promise Zone.

17 “(2) EXCEPTION FOR CERTAIN PROPERTY.—

18 Such term shall not include any property to which
19 section 168(g) applies.

20 “(c) ELECTION.—An election under this section shall
21 be made under rules similar to the rules of section 179(e).

22 “(d) COORDINATION WITH SECTION 179.—For pur-
23 poses of section 179, Promise Zone property shall not be
24 treated as section 179 property.

1 “(e) APPLICATION OF OTHER RULES.—Rules similar
2 to the rules of paragraphs (3), (4), (5), (7), (9), and (10)
3 of section 179(d) shall apply for purposes of this section.

4 “(f) TAXPAYER REPORTING.—This section shall not
5 apply with respect to any taxpayer for any taxable year
6 unless such taxpayer provides the Secretary with such in-
7 formation as the Secretary may require to allow the Sec-
8 retary to evaluate the effectiveness of the program estab-
9 lished under this part.”.

10 (b) CONFORMING AMENDMENTS.—

11 (1) Section 38(b) of such Code is amended by
12 striking “plus” at the end of paragraph (35), by
13 striking the period at the end of paragraph (36) and
14 inserting “, plus”, and by adding at the end the fol-
15 lowing new paragraph:

16 “(37) the Promise Zone employment credit de-
17 termined under section 1400V–2.”.

18 (2) The table of parts for subchapter Y of chap-
19 ter 1 of such Code is amended by adding at the end
20 the following new item:

“PART IV. PROMISE ZONES”.

21 (c) EFFECTIVE DATE.—

22 (1) IN GENERAL.—Except as otherwise pro-
23 vided in this subsection, the amendments made by
24 this section shall take effect on the date of the en-
25 actment of this Act.

1 (2) PROMISE ZONE EMPLOYMENT CREDIT.—
2 Section 1400V–2 of the Internal Revenue Code of
3 1986, as added by this section, shall apply to wages
4 paid after the date of the enactment of this Act, in
5 taxable years ending after such date.

6 (3) EXPENSING OF PROMISE ZONE PROP-
7 ERTY.—Section 1400V–3 of such Code, as so added,
8 shall apply to property placed in service after the
9 date of the enactment of this Act, in taxable years
10 ending after such date.

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