

105TH CONGRESS  
1ST SESSION

# H. R. 465

To amend the Internal Revenue Code of 1986 to provide a tax credit for investment necessary to revitalize communities within the United States, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 1997

Mr. ENGLISH of Pennsylvania (for himself, Mr. SAXTON, Mr. RAHALL, Mr. GRAHAM, Mr. FROST, Mr. SERRANO, Mr. HINOJOSA, and Ms. WOOLSEY) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a tax credit for investment necessary to revitalize communities within the United States, 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 “Commercial Revitaliza-  
5       tion Tax Act of 1997”.

1 **SEC. 2. COMMERCIAL REVITALIZATION TAX CREDIT.**

2 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-  
 3 ternal Revenue Code of 1986 (relating to investment cred-  
 4 it) is amended by striking “and” at the end of paragraph  
 5 (2), by striking the period at the end of paragraph (3)  
 6 and inserting “, and”, and by adding at the end the follow-  
 7 ing new paragraph:

8 “(4) the commercial revitalization credit.”

9 (b) COMMERCIAL REVITALIZATION CREDIT.—Sub-  
 10 part E of part IV of subchapter A of chapter 1 of the  
 11 Internal Revenue Code of 1986 (relating to rules for com-  
 12 puting investment credit) is amended by inserting after  
 13 section 48 the following new section:

14 **“SEC. 48A. COMMERCIAL REVITALIZATION CREDIT.**

15 “(a) GENERAL RULE.—For purposes of section 46,  
 16 except as provided in subsection (e), the commercial revi-  
 17 talization credit for any taxable year is an amount equal  
 18 to the applicable percentage of the qualified revitalization  
 19 expenditures with respect to any qualified revitalization  
 20 building.

21 “(b) APPLICABLE PERCENTAGE.—For purposes of  
 22 this section—

23 “(1) IN GENERAL.—The term ‘applicable per-  
 24 centage’ means—

25 “(A) 20 percent, or

1           “(B) at the election of the taxpayer, 5 per-  
2           cent for each taxable year in the credit period.  
3       The election under subparagraph (B), once made,  
4       shall be irrevocable.

5           “(2) CREDIT PERIOD.—

6           “(A) IN GENERAL.—The term ‘credit pe-  
7           riod’ means, with respect to any building, the  
8           period of 10 taxable years beginning with the  
9           taxable year in which the building is placed in  
10          service.

11          “(B) APPLICABLE RULES.—Rules similar  
12          to the rules under paragraphs (2) and (4) of  
13          section 42(f) shall apply.

14          “(c) QUALIFIED REVITALIZATION BUILDINGS AND  
15       EXPENDITURES.—For purposes of this section—

16          “(1) QUALIFIED REVITALIZATION BUILDING.—  
17       The term ‘qualified revitalization building’ means  
18       any building (and its structural components) if—

19               “(A) such building is located in an eligible  
20               commercial revitalization area,

21               “(B) a commercial revitalization credit  
22               amount is allocated to the building under sub-  
23               section (e), and

1           “(C) depreciation (or amortization in lieu  
2           of depreciation) is allowable with respect to the  
3           building.

4           “(2) QUALIFIED REHABILITATION EXPENDI-  
5           TURE.—

6           “(A) IN GENERAL.—The term ‘qualified  
7           rehabilitation expenditure’ means any amount  
8           properly chargeable to capital account—

9                   “(i) for property for which deprecia-  
10                  tion is allowable under section 168 and  
11                  which is—

12                           “(I) nonresidential real property,  
13                           or

14                           “(II) an addition or improvement  
15                           to property described in subclause (I),

16                           “(ii) in connection with the construc-  
17                           tion or substantial rehabilitation or recon-  
18                           struction of a qualified revitalization build-  
19                           ing, and

20                           “(iii) for the acquisition of land in  
21                           connection with the qualified revitalization  
22                           building.

23           “(B) DOLLAR LIMITATION.—The aggre-  
24           gate amount which may be treated as qualified  
25           revitalization expenditures with respect to any

1 qualified revitalization building for any taxable  
2 year shall not exceed \$10,000,000, reduced by  
3 any such expenditures with respect to the build-  
4 ing taken into account by the taxpayer or any  
5 predecessor in determining the amount of the  
6 credit under this section for all preceding tax-  
7 able years.

8 “(C) CERTAIN EXPENDITURES NOT IN-  
9 CLUDED.—The term ‘qualified revitalization ex-  
10 penditure’ does not include—

11 “(i) STRAIGHT LINE DEPRECIATION  
12 MUST BE USED.—Any expenditure (other  
13 than with respect to land acquisitions) with  
14 respect to which the taxpayer does not use  
15 the straight line method over a recovery  
16 period determined under subsection (c) or  
17 (g) of section 168. The preceding sentence  
18 shall not apply to any expenditure to the  
19 extent the alternative depreciation system  
20 of section 168(g) applies to such expendi-  
21 ture by reason of subparagraph (B) or (C)  
22 of section 168(g)(1).

23 “(ii) ACQUISITION COSTS.—The costs  
24 of acquiring any building or interest there-  
25 in and any land in connection with such

building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause.

“(iii) OTHER CREDITS.—Any expenditure which the taxpayer may take into account in computing any other credit allowable under this part unless the taxpayer elects to take the expenditure into account only for purposes of this section.

“(3) ELIGIBLE COMMERCIAL REVITALIZATION AREA.—The term ‘eligible commercial revitalization area’ means—

“(A) an empowerment zone or enterprise community designated under subchapter U,

“(B) any area established pursuant to any consolidated planning process for the use of Federal housing and community development funds, and

“(C) any other specially designated commercial revitalization district established by any State or local government, which is a low-income census tract or low-income nonmetropolitan area (as defined in subsection (e)(2)(C))

1           and is not primarily a nonresidential central  
2           business district.

3           “(4) SUBSTANTIAL REHABILITATION OR RE-  
4           CONSTRUCTION.—For purposes of this subsection, a  
5           rehabilitation or reconstruction shall be treated as a  
6           substantial rehabilitation or reconstruction only if  
7           the qualified revitalization expenditures in connec-  
8           tion with the rehabilitation or reconstruction exceed  
9           25 percent of the fair market value of the building  
10          (and its structural components) immediately before  
11          the rehabilitation or reconstruction.

12          “(d) WHEN EXPENDITURES TAKEN INTO AC-  
13          COUNT.—

14               “(1) IN GENERAL.—Qualified revitalization ex-  
15               penditures with respect to any qualified revitaliza-  
16               tion building shall be taken into account for the tax-  
17               able year in which the qualified rehabilitated build-  
18               ing is placed in service. For purposes of the preced-  
19               ing sentence, a substantial rehabilitation or recon-  
20               struction of a building shall be treated as a separate  
21               building.

22               “(2) PROGRESS EXPENDITURE PAYMENTS.—  
23               Rules similar to the rules of subsections (b)(2) and  
24               (d) of section 47 shall apply for purposes of this  
25               section.

1       “(e) LIMITATION ON AGGREGATE CREDITS ALLOW-  
2 ABLE WITH RESPECT TO BUILDINGS LOCATED IN A  
3 STATE.—

4           “(1) IN GENERAL.—The amount of the credit  
5 determined under this section for any taxable year  
6 with respect to any building shall not exceed the  
7 commercial revitalization credit amount (in the case  
8 of an amount determined under subsection  
9 (b)(1)(B), the present value of such amount as de-  
10 termined under the rules of section 42(b)(2)(C)) al-  
11 located to such building under this subsection by the  
12 commercial revitalization credit agency. Such alloca-  
13 tion shall be made at the same time and in the same  
14 manner as under paragraphs (1) and (7) of section  
15 42(h).

16           “(2) COMMERCIAL REVITALIZATION CREDIT  
17 AMOUNT FOR AGENCIES.—

18           “(A) IN GENERAL.—The aggregate com-  
19 mercial revitalization credit amount which a  
20 commercial revitalization credit agency may al-  
21 locate for any calendar year is the portion of  
22 the State commercial revitalization credit ceil-  
23 ing allocated under this paragraph for such cal-  
24 endar year for such agency.



1                   “(B) STATE COMMERCIAL REVITALIZATION  
2 CREDIT CEILING.—

3                   “(i) IN GENERAL.—The State com-  
4 mercial revitalization credit ceiling applica-  
5 ble to any State for any calendar year is  
6 an amount which bears the same ratio to  
7 the national ceiling for the calendar year  
8 as the population of low-income census  
9 tracts and low-income nonmetropolitan  
10 areas within the State bears to the popu-  
11 lation of such tracts and areas within all  
12 States.

13                   “(ii) NATIONAL CEILING.—For pur-  
14 poses of clause (i), the national ceiling is  
15 \$100,000,000 for 1997, \$200,000,000 for  
16 1998, and \$400,000,000 for calendar years  
17 after 1998.

18                   “(iii) OTHER SPECIAL RULES.—Rules  
19 similar to the rules of subparagraphs (D),  
20 (E), (F), and (G) of section 42(h)(3) shall  
21 apply for purposes of this subsection.

22                   “(C) LOW-INCOME AREAS.—For purposes  
23 of subparagraph (B), the terms ‘low-income  
24 census tract’ and ‘low-income nonmetropolitan  
25 area’ mean a tract or area in which, according

1 to the most recent census data available, at  
2 least 50 percent of residents earned no more  
3 than 60 percent of the median household in-  
4 come for the applicable Metropolitan Standard  
5 Area, Consolidated Metropolitan Standard  
6 Area, or all nonmetropolitan areas in the State.

7 “(D) COMMERCIAL REVITALIZATION CRED-  
8 IT AGENCY.—For purposes of this section, the  
9 term ‘commercial revitalization credit agency’  
10 means any agency authorized by a State to  
11 carry out this section.

12 “(E) STATE.—For purposes of this sec-  
13 tion, the term ‘State’ includes a possession of  
14 the United States.

15 “(f) RESPONSIBILITIES OF COMMERCIAL REVITAL-  
16 IZATION CREDIT AGENCIES.—

17 “(1) PLANS FOR ALLOCATION.—Notwithstand-  
18 ing any other provision of this section, the commer-  
19 cial revitalization credit dollar amount with respect  
20 to any building shall be zero unless—

21 “(A) such amount was allocated pursuant  
22 to a qualified allocation plan of the commercial  
23 revitalization credit agency which is approved  
24 by the governmental unit (in accordance with  
25 rules similar to the rules of section 147(f)(2)

1 (other than subparagraph (B)(ii) thereof)) of  
2 which such agency is a part, and

3 “(B) such agency notifies the chief execu-  
4 tive officer (or its equivalent) of the local juris-  
5 diction within which the building is located of  
6 such project and provides such individual a rea-  
7 sonable opportunity to comment on the project.

8 “(2) QUALIFIED ALLOCATION PLAN.—For pur-  
9 poses of this subsection, the term ‘qualified alloca-  
10 tion plan’ means any plan—

11 “(A) which sets forth selection criteria to  
12 be used to determine priorities of the commer-  
13 cial revitalization credit agency which are ap-  
14 propriate to local conditions,

15 “(B) which considers—

16 “(i) the degree to which a project con-  
17 tributes to the implementation of a strate-  
18 gic plan that is devised for an eligible com-  
19 mercial revitalization area through a citi-  
20 zen participation process,

21 “(ii) the amount of any increase in  
22 permanent, full-time employment by reason  
23 of any project, and

1 “(iii) the active involvement of resi-  
2 dents and nonprofit groups within the eli-  
3 gible commercial revitalization area, and

4 “(C) which provides a procedure that the  
5 agency (or its agent) will follow in monitoring  
6 for compliance with this section.

7 “(g) TERMINATION.—This section shall not apply to  
8 any building placed in service after December 31, 2001.”

9 (b) CONFORMING AMENDMENTS.—

10 (1) Section 39(d) of the Internal Revenue Code  
11 of 1986 is amended by adding at the end the follow-  
12 ing new paragraph:

13 “(7) NO CARRYBACK OF SECTION 48A CREDIT  
14 BEFORE ENACTMENT.—No portion of the unused  
15 business credit for any taxable year which is attrib-  
16 utable to any commercial revitalization credit deter-  
17 mined under section 48A may be carried back to a  
18 taxable year ending before the date of the enactment  
19 of section 48A.”

20 (2) Subparagraph (B) of section 48(a)(2) of  
21 such Code is amended by inserting “or commercial  
22 revitalization” after “rehabilitation” each place it  
23 appears in the text and heading thereof.

24 (3) Subparagraph (C) of section 49(a)(1) of  
25 such Code is amended by striking “and” at the end

1 of clause (ii), by striking the period at the end of  
2 clause (iii) and inserting “, and”, and by adding at  
3 the end the following new clause:

4 “(iv) the basis of any qualified revital-  
5 ization building attributable to qualified re-  
6 vitalization expenditures.”

7 (4) Paragraph (2) of section 50(a) of such Code  
8 is amended by inserting “or 48A(d)(2)” after “sec-  
9 tion 47(d)” each place it appears.

10 (5) Subparagraph (B) of section 50(a)(2) of  
11 such Code is amended by adding at the end the fol-  
12 lowing new sentence: “A similar rule shall apply for  
13 purposes of section 48A.”

14 (6) Paragraph (2) of section 50(b) of such Code  
15 is amended by striking “and” at the end of subpara-  
16 graph (C), by striking the period at the end of sub-  
17 paragraph (D) and inserting “, and”, and by adding  
18 at the end the following new subparagraph:

19 “(E) a qualified revitalization building to  
20 the extent of the portion of the basis which is  
21 attributable to qualified revitalization expendi-  
22 tures.”

23 (7) Subparagraph (C) of section 50(b)(4) of  
24 such Code is amended by inserting “or commercial

1       revitalization” after “rehabilitated” each place it ap-  
2       pears in the text or heading thereof.

3               (8) Subparagraph (C) of section 469(i)(3) of  
4       such Code is amended—

5                       (A) by inserting “or section 48A” after  
6               “section 42”, and

7                       (B) by striking “CREDIT” in the heading  
8               and inserting “AND COMMERCIAL REVITALIZA-  
9               TION CREDITS”.

10       (c) EFFECTIVE DATE.—The amendments made by  
11       this section shall apply to property placed in service after  
12       December 31, 1996.

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