

106TH CONGRESS
1ST SESSION

H. R. 1967

To amend the Internal Revenue Code of 1986 to provide tax incentives and job training grants for communities affected by the migration of businesses and jobs to Canada or Mexico as a result of the North American Free Trade Agreement.

IN THE HOUSE OF REPRESENTATIVES

MAY 26, 1999

Mr. SHOWS (for himself, Mr. THOMPSON of Mississippi, Mr. BARCIA, Mr. BISHOP, Mr. BONIOR, Mr. BOUCHER, Mr. BROWN of Ohio, Mr. BOYD, Mrs. CLAYTON, Ms. CARSON, Mr. CRAMER, Ms. DANNER, Mr. DUNCAN, Mr. EVANS, Mr. GONZALEZ, Mr. GOODE, Mr. GREEN of Texas, Mr. HALL of Texas, Mr. HAYES, Mr. HILLIARD, Mr. HINCHEY, Mr. HINOJOSA, Mr. HOLDEN, Mr. JOHN, Ms. KAPTUR, Mr. KLECZKA, Mr. KUCINICH, Mr. LATOURETTE, Ms. LEE, Mr. LEWIS of Kentucky, Mr. MCGOVERN, Mr. MCHUGH, Mr. MCINTYRE, Mrs. NAPOLITANO, Mr. NEY, Mr. NORWOOD, Mr. PICKERING, Mr. REYES, Mr. RILEY, Ms. ROYBAL-ALLARD, Ms. SANCHEZ, Mr. SANDLIN, Mr. TAYLOR of Mississippi, Mrs. THURMAN, Mr. WHITFIELD, Mr. WISE, and Mr. WU) 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 tax incentives and job training grants for communities affected by the migration of businesses and jobs to Canada or Mexico as a result of the North American Free Trade Agreement.

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 “NAFTA Impact Relief
 5 Act”.

6 **SEC. 2. DESIGNATION OF AND TAX INCENTIVES FOR**
 7 **NAFTA-IMPACTED COMMUNITIES.**

8 (a) IN GENERAL.—Chapter 1 of the Internal Rev-
 9 enue Code of 1986 is amended by adding at the end the
 10 following new subchapter:

11 **“Subchapter X—NAFTA-Impacted**
 12 **Communities**

“Sec. 1400E. Designation of NAFTA-impacted communities.
 “Sec. 1400F. NAFTA-impacted community employment credit.
 “Sec. 1400G. Increase in expensing under section 179.
 “Sec. 1400H. NAFTA-impacted community business defined.

13 **“SEC. 1400E. DESIGNATION OF NAFTA-IMPACTED COMMU-**
 14 **NITIES.**

15 **“(a) DESIGNATION.—**

16 **“(1) NAFTA-IMPACTED COMMUNITY.—**For
 17 purposes of this title, the term ‘NAFTA-impacted
 18 community’ means any area—

19 **“(A)** which is nominated by one or more
 20 local governments and the State or States in
 21 which it is located for designation as a commu-
 22 nity impacted by the North American Free

1 Trade Agreement (hereinafter in this section re-
2 ferred to as a ‘nominated area’), and

3 “(B) which the Secretary of Commerce
4 designates as a NAFTA-impacted community,
5 after consultation with—

6 “(i) in the case of an area in a rural
7 area, the Secretary of Agriculture;

8 “(ii) in the case of an area in an
9 urban area, the Secretary of Housing and
10 Urban Development; and

11 “(iii) in the case of an area on an In-
12 dian reservation, the Secretary of the Inte-
13 rior.

14 “(2) NUMBER OF DESIGNATIONS.—The Sec-
15 retary of Commerce may designate not more than
16 35 nominated areas as NAFTA-impacted commu-
17 nities.

18 “(3) AREAS DESIGNATED BASED ON DEGREE
19 OF LOSS OF JOBS RESULTING FROM NAFTA,
20 ETC.—Except as otherwise provided in this section,
21 the nominated areas designated as NAFTA-im-
22 pacted communities under this subsection shall be
23 those nominated areas with the highest average
24 ranking with respect to the criteria described in sub-
25 section (c)(3). For purposes of the preceding sen-

tence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

“(4) LIMITATION ON DESIGNATIONS.—

“(A) PUBLICATION OF REGULATIONS.—

The Secretary of Commerce shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

“(i) the procedures for nominating an area under paragraph (1)(A),

“(ii) the parameters relating to the size and population characteristics of a NAFTA-impacted community, and

“(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (c).

“(B) PROCEDURAL RULES.—The Secretary of Commerce shall not make any designation of a nominated area as a NAFTA-impacted community under paragraph (2) unless—

1 “(i) a nomination regarding such area
2 is submitted in such a manner and in such
3 form, and contains such information, as
4 the Secretary of Commerce shall by regula-
5 tion prescribe, and

6 “(ii) the Secretary of Commerce de-
7 termines that any information furnished is
8 reasonably accurate.

9 “(5) NOMINATION PROCESS FOR INDIAN RES-
10 ERVATIONS.—For purposes of this subchapter, in
11 the case of a nominated area on an Indian reserva-
12 tion, the reservation governing body (as determined
13 by the Secretary of the Interior) shall be treated as
14 being both the State and local governments with re-
15 spect to such area.

16 “(b) PERIOD FOR WHICH DESIGNATION IS IN EF-
17 FECT.—

18 “(1) IN GENERAL.—Any designation of an area
19 as a NAFTA-impacted community shall remain in
20 effect during the period beginning on the date of the
21 designation and ending on the earliest of—

22 “(A) December 31, 2006,

23 “(B) the termination date designated by
24 the State and local governments in their nomi-
25 nation, or

1 “(C) the date the Secretary of Commerce
2 revokes such designation.

3 “(2) REVOCATION OF DESIGNATION.—The Sec-
4 retary of Commerce may revoke the designation
5 under this section of an area if the Secretary deter-
6 mines that the loss of jobs and other affects of
7 NAFTA on the area have been substantially allevi-
8 ated. Such determination shall include, at a min-
9 imum, a finding that the unemployment rate in the
10 area is equal to or lower than the national unem-
11 ployment rate, and a finding that new businesses are
12 being attracted to the area.

13 “(c) AREA AND ELIGIBILITY REQUIREMENTS.—

14 “(1) IN GENERAL.—The Secretary of Com-
15 merce may designate a nominated area as a
16 NAFTA-impacted community under subsection (a)
17 only if the area meets the requirements of para-
18 graphs (2) and (3) of this subsection.

19 “(2) AREA REQUIREMENTS.—For purposes of
20 paragraph (1), a nominated area meets the require-
21 ments of this paragraph if—

22 “(A) the area is within the jurisdiction of
23 one or more local governments,

24 “(B) the boundary of the area is contin-
25 uous, and

“(C) the area does not include an empowerment zone (as defined in section 1393(b)) other than such a zone designated under section 1391(g).

“(3) ELIGIBILITY REQUIREMENTS.—

“(A) IN GENERAL.—For purposes of paragraph (1), a nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify (and the Secretary of Commerce, after such review of Department of Labor data and other appropriate supporting data as he deems appropriate, accepts such certification) that—

“(i) the unemployment rate in the area, as determined by the most recent available data, was at least 1 percentage point above the national unemployment rate for the period to which such data relate, and

“(ii) in the case of—

“(I) a rural area, at least 300 workers who live or work in the area have been certified as eligible to apply for NAFTA transitional adjustment assistance under subchapter D of

1 chapter 2 of title II of the Trade Act
2 of 1974 (19 U.S.C. 2341 et seq.), and

3 “(II) an urban area, at least 500
4 workers have been so certified.

5 “(B) RURAL AREA DEFINED.—For pur-
6 poses of this section, the term ‘rural area’
7 means an area—

8 “(i) which is within a local govern-
9 ment jurisdiction or jurisdictions with a
10 population of less than 10,000,

11 “(ii) which is outside of a metropoli-
12 tan statistical area (within the meaning of
13 section 143(k)(2)(B)), or

14 “(iii) which is determined by the Sec-
15 retary of Commerce, after consultation
16 with the Secretary of Agriculture, to be a
17 rural area.

18 “(C) URBAN AREA DEFINED.—For pur-
19 poses of this section, the term ‘urban area’
20 means any area that is not a rural area.

21 “(d) COORDINATION WITH TREATMENT OF ENTER-
22 PRISE COMMUNITIES.—For purposes of this title, if there
23 are in effect with respect to the same area both—

24 “(1) a designation as a NAFTA-impacted com-
25 munity, and

1 “(2) a designation as an enterprise community,
2 both of such designations shall be given full effect with
3 respect to such area.

4 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
5 poses of this subchapter, rules similar to the rules of para-
6 graphs (5) and (7) of section 1393 shall apply.

7 **“SEC. 1400F. NAFTA-IMPACTED COMMUNITY EMPLOYMENT**
8 **CREDIT.**

9 “(a) AMOUNT OF CREDIT.—For purposes of section
10 38, the amount of the NAFTA-impacted community em-
11 ployment credit determined under this section with respect
12 to any employer for any taxable year is 8.5 percent of the
13 qualified NAFTA-impacted community wages paid or in-
14 curred during the calendar year which ends with or within
15 such taxable year.

16 “(b) QUALIFIED NAFTA-IMPACTED COMMUNITY
17 WAGES.—

18 “(1) IN GENERAL.—For purposes of this sec-
19 tion, the term ‘qualified NAFTA-impacted commu-
20 nity wages’ means any wages paid or incurred by an
21 employer for services performed by an employee
22 while such employee is a qualified NAFTA-impacted
23 community employee.

24 “(2) ONLY FIRST \$15,000 OF WAGES PER YEAR
25 TAKEN INTO ACCOUNT.—With respect to each quali-

1 fied NAFTA-impacted community employee, the
 2 amount of qualified NAFTA-impacted community
 3 wages which may be taken into account for a cal-
 4 endar year shall not exceed \$15,000.

5 “(3) COORDINATION WITH WORK OPPORTUNITY
 6 CREDIT.—

7 “(A) IN GENERAL.—The term ‘qualified
 8 NAFTA-impacted community wages’ shall not
 9 include wages taken into account in deter-
 10 mining the credit under section 51.

11 “(B) COORDINATION WITH PARAGRAPH
 12 (2).—The \$15,000 amount in paragraph (2)
 13 shall be reduced for any calendar year by the
 14 amount of wages paid or incurred during such
 15 year which are taken into account in deter-
 16 mining the credit under section 51.

17 “(c) QUALIFIED NAFTA-IMPACTED COMMUNITY
 18 EMPLOYEE.—For purposes of this section—

19 “(1) IN GENERAL.—Except as otherwise pro-
 20 vided in this subsection, the term ‘qualified NAFTA-
 21 impacted community employee’ means, with respect
 22 to any period, any employee of an employer if—

23 “(A) substantially all of the services per-
 24 formed during such period by such employee for
 25 such employer are performed within a NAFTA-

1 impacted community in a trade or business of
2 the employer, and

3 “(B) the principal place of abode of such
4 employee while performing such services is
5 within such NAFTA-impacted community.

6 “(2) OTHER RULES.—Rules similar to the rules
7 of paragraphs (2) and (3) of section 1396(d) shall
8 apply.

9 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—
10 For purposes of this section, the rules of section 1397
11 shall apply.

12 **“SEC. 1400G. INCREASE IN EXPENSING UNDER SECTION 179.**

13 “(a) GENERAL RULE.—In the case of a NAFTA-im-
14 pacted community business (as defined in section 1400H),
15 for purposes of section 179—

16 “(1) the limitation under section 179(b)(1)
17 shall be increased by the lesser of—

18 “(A) \$10,000, or

19 “(B) the cost of section 179 property
20 which is qualified NAFTA-impacted property
21 placed in service during the taxable year, and

22 “(2) the amount taken into account under sec-
23 tion 179(b)(2) with respect to any section 179 prop-
24 erty which is qualified NAFTA-impacted property
25 shall be 50 percent of the cost thereof.

1 “(b) RECAPTURE.—Rules similar to the rules under
 2 section 179(d)(10) shall apply with respect to any quali-
 3 fied NAFTA-impacted property which ceases to be used
 4 in a NAFTA-impacted community by a NAFTA-impacted
 5 community business.

6 “(c) QUALIFIED NAFTA-IMPACTED PROPERTY.—
 7 For purposes of this section—

8 “(1) IN GENERAL.—The term ‘qualified
 9 NAFTA-impacted property’ means section 179 prop-
 10 erty (as defined in section 179(d)) if—

11 “(A) such property was acquired by the
 12 taxpayer after December 31, 1999, and before
 13 January 1, 2007, and

14 “(B) such property would be qualified zone
 15 property (as defined in section 1397C) if ref-
 16 erences to NAFTA-impacted communities were
 17 substituted for references to empowerment
 18 zones in section 1397C.

19 “(2) CERTAIN RULES TO APPLY.—The rules of
 20 subsections (a)(2) and (b) of section 1397C shall
 21 apply for purposes of this section.

22 **“SEC. 1400H. NAFTA-IMPACTED COMMUNITY BUSINESS**
 23 **DEFINED.**

24 “For purposes of this part, the term ‘NAFTA-im-
 25 pacted community business’ means any entity or propri-

1 etorship which would be a qualified business entity or
 2 qualified proprietorship under section 1397B if references
 3 to NAFTA-impacted communities were substituted for
 4 references to empowerment zones in such section.

5 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

6 (1) NAFTA-IMPACTED COMMUNITY EMPLOY-
 7 MENT CREDIT PART OF GENERAL BUSINESS CRED-
 8 IT.—

9 (A) Subsection (b) of section 38 of such
 10 Code (relating to current year business credit)
 11 is amended by striking “plus” at the end of
 12 paragraph (11), by striking the period at the
 13 end of paragraph (12) and inserting “, plus”,
 14 and by adding at the end the following new
 15 paragraph:

16 “(13) the NAFTA-impacted community employ-
 17 ment credit determined under section 1400F(a).”.

18 (B) Subsection (d) of section 39 of such
 19 Code (relating to carryback and carryforward of
 20 unused credits) is amended by adding at the
 21 end the following new paragraph:

22 “(9) NO CARRYBACK OF SECTION 1400F CREDIT
 23 BEFORE EFFECTIVE DATE.—No portion of the un-
 24 used business credit for any taxable year which is
 25 attributable to the credit determined under section

1 1400F (relating to NAFTA-impacted community
 2 employment credit) may be carried to any taxable
 3 year ending before January 1, 2000.”.

4 (2) DENIAL OF DEDUCTION FOR PORTION OF
 5 WAGES EQUAL TO NAFTA-IMPACTED COMMUNITY
 6 EMPLOYMENT CREDIT.—

7 (A) Subsection (a) of section 280C (relat-
 8 ing to rule for employment credits) is amended
 9 by striking “and 1396(a)” and inserting
 10 “1396(a), and 1400F(a)”.

11 (B) Subsection (c) of section 196 (relating
 12 to deduction for certain unused business cred-
 13 its) is amended by striking “and” at the end of
 14 paragraph (7), by striking the period at the end
 15 of paragraph (8) and inserting “, and”, and by
 16 adding at the end the following new paragraph:
 17 “(9) the NAFTA-impacted community employ-
 18 ment credit determined under section 1400F(a)”.

19 (3) CARRYOVERS.—Subsection (c) of section
 20 381 (relating to carryovers in certain corporate ac-
 21 quisitions) is amended by adding at the end the fol-
 22 lowing new paragraph:

23 “(27) NAFTA-IMPACTED COMMUNITY PROVI-
 24 SIONS.—The acquiring corporation shall take into
 25 account (to the extent proper to carry out the pur-

1 poses of this section and subchapter X, and under
 2 such regulations as may be prescribed by the Sec-
 3 retary) the items required to be taken into account
 4 for purposes of subchapter X in respect of the dis-
 5 tributor or transferor corporation.”.

6 (c) CLERICAL AMENDMENTS.—The table of sub-
 7 chapters for chapter 1 is amended by adding at the end
 8 the following new item:

“Subchapter X. NAFTA-Impacted Communities.”

9 **SEC. 3. GRANTS FOR JOB TRAINING ASSISTANCE FOR**
 10 **NAFTA-IMPACTED COMMUNITIES.**

11 (a) IN GENERAL.—The Secretary of Labor shall pro-
 12 vide grants to States that contain NAFTA-impacted com-
 13 munities, as designated under section 1400E of the Inter-
 14 nal Revenue Code of 1986 (as added by section 2(a) of
 15 this Act), for the purpose of providing sub-grants to non-
 16 profit organizations and community or junior colleges in
 17 order to provide short-term job training courses, courses
 18 in entrepreneurship and self-employment, and other related
 19 job training assistance that will promote the economic self-
 20 sufficiency of individuals located in NAFTA-impacted
 21 communities.

22 (b) MAXIMUM AMOUNT OF GRANT.—The total
 23 amount provided under a grant to a State under sub-
 24 section (a) for a fiscal year may not exceed the product
 25 of—

1 (1) \$1,000,000; and

2 (2) the number of NAFTA-impacted commu-
3 nities located in the State.

4 (c) AUTHORIZATION OF APPROPRIATIONS.—

5 (1) IN GENERAL.—There are authorized to be
6 appropriated to carry out this section \$35,000,000
7 for each of the fiscal years 2000 through 2006.

8 (2) AVAILABILITY.—Amounts appropriated pur-
9 suant to the authorization of appropriations under
10 paragraph (1) are authorized to remain available
11 until expended.

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