

106TH CONGRESS  
1ST SESSION

# H. R. 2138

To amend the Internal Revenue Code of 1986 to extend and modify the credits for businesses operating in Puerto Rico and other possessions of the United States.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 10, 1999

Mr. CRANE (for himself, Mr. RANGEL, Mr. ROMERO-BARCELÓ, and Mr. WELLER) 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 extend and modify the credits for businesses operating in Puerto Rico and other possessions of the United States.

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 “Puerto Rico Economic  
5       Activity Credit Improvement Act of 1999”.

6       **SEC. 2. MODIFICATIONS OF PUERTO RICO ECONOMIC AC-  
7       TIVITY CREDIT.**

8       (a) CREDIT NOT LIMITED TO EXISTING CLAIM-  
9       ANTS.—Subsection (a) of section 30A of the Internal Rev-

1 enue Code of 1986 is amended by striking paragraphs (2)  
2 and (3) and inserting the following new paragraphs:

3       “(2) QUALIFIED DOMESTIC CORPORATION.—  
4       For purposes of paragraph (1), the term ‘qualified  
5       domestic corporation’ means a domestic corporation  
6       with respect to which section 936(a)(4)(B) does not  
7       apply for the taxable year.

8       “(3) SEPARATE APPLICATION.—For purposes of  
9       determining the amount of the credit allowed under  
10       this section, this section (and so much of section 936  
11       as relates to this section) shall be applied separately  
12       with respect to Puerto Rico.”

13       (b) REPEAL OF BASE PERIOD CAP.—Section  
14       30A(a)(1) of such Code is amended by striking the last  
15       sentence.

16       (c) APPLICATION OF CREDIT.—Section 30A(g) of  
17       such Code is amended to read as follows:

18       “(g) APPLICATION OF SECTION.—

19       “(1) IN GENERAL.—This section shall apply to  
20       taxable years beginning after December 31, 1995,  
21       and before the termination date.

22       “(2) TERMINATION DATE.—For purposes of  
23       paragraph (1)—

24           “(A) IN GENERAL.—The termination date  
25       is the first day of the 4th calendar year fol-

1 lowing the close of the first period for which a  
2 certification is issued by the Secretary under  
3 subparagraph (B).

4 “(B) CERTIFICATION.—

5 “(i) IN GENERAL.—The Secretary  
6 shall issue a certification under this sub-  
7 paragraph for the first 3-consecutive cal-  
8 endar year period beginning after Decem-  
9 ber 31, 1999, for which the Secretary de-  
10 termines that Puerto Rico has met the re-  
11 quirements of clause (ii) for each calendar  
12 year within the period.

13 “(ii) REQUIREMENTS.—The require-  
14 ments of this clause are met with respect  
15 to Puerto Rico for any calendar year if—

16 “(I) the average monthly rate of  
17 unemployment in Puerto Rico does  
18 not exceed 150 percent of the average  
19 monthly rate of unemployment for the  
20 United States for such year,

21 “(II) the per capita income of  
22 Puerto Rico is at least 66 percent of  
23 the per capita income of the United  
24 States, and

4 (d) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years beginning after  
6 December 31, 1999.

## 7 SEC. 3. COMPARABLE TREATMENT FOR OTHER CREDITS.

8 (a) CREDIT NOT LIMITED TO EXISTING CLAIM-  
9 ANTS.—

19 shall be allowed for taxable years beginning  
20 after December 31, 1995, and before January  
21 1, 2002.”

22 (2) Paragraphs (2)(B)(i) and (8)(A) of section  
23 936(j) of such Code are each amended by striking  
24 “an existing claimant” and inserting “a taxpayer”.

1       (b) ADDITIONAL RESTRICTED CREDIT NOT LIMITED  
2 TO EXISTING CLAIMANTS; REPEAL OF BASE PERIOD  
3 CAP.—

4               (1) IN GENERAL.—Subparagraph (A) of section  
5 936(j)(3) of such Code is amended to read as fol-  
6 lows:

7               “(A) IN GENERAL.—The credit under sub-  
8 section (a)(1)(A) shall be allowed for the period  
9 beginning with the first taxable year after the  
10 last taxable year to which subparagraph (A) or  
11 (B) of paragraph (2), whichever is appropriate,  
12 applied and ending with the last taxable year  
13 beginning before January 1, 2006.”

14               (2) CONFORMING AMENDMENTS.—

15               (A) Subsection (j) of section 936 of such  
16 Code is amended by striking paragraphs (4),  
17 (5), (6), (7), and (9) and by redesignating  
18 paragraphs (8) and (10) as paragraphs (4) and  
19 (5), respectively.

20               (B) Paragraph (5) of section 936(j) of  
21 such Code (as redesignated by subparagraph  
22 (A)) is amended to read as follows:

23               “(5) SEPARATE APPLICATION TO EACH POSSES-  
24 SION.—For purposes of determining the amount of  
25 the credit allowed under this section, this subsection

1 (and so much of this section as relates to this sub-  
2 section) shall be applied separately with respect to  
3 each possession.”

4 (c) APPLICATION OF CREDIT.—

5 (1) IN GENERAL.—Section 936(j)(3)(A) of such  
6 Code (as amended by subsection (b)) is amended by  
7 striking “January 1, 2006” and inserting “the ter-  
8 mination date (as defined in paragraph (6))”.

9 (2) CERTAIN OTHER POSSESSIONS.—Section  
10 936(j)(4)(A) of such Code (as redesignated by sub-  
11 section (b)) is amended by striking “January 1,  
12 2006” and inserting “the termination date (as de-  
13 fined in paragraph (6))”.

14 (3) TERMINATION DATE.—Section 936(j) of  
15 such Code (as amended by subsection (b)) is amend-  
16 ed by adding at the end the following new para-  
17 graph.

18 “(6) TERMINATION DATE.—For purposes of  
19 paragraphs (3)(A) and (4)(A)—

20 “(A) IN GENERAL.—The termination date  
21 for any possession is the first day of the 4th  
22 calendar year following the close of the first pe-  
23 riod for which a certification is issued by the  
24 Secretary under subparagraph (B).

25 “(B) CERTIFICATION.—

1                             “(i) IN GENERAL.—The Secretary  
2                             shall issue a certification for a possession  
3                             under this subparagraph for the first 3-  
4                             consecutive calendar year period beginning  
5                             after December 31, 1999, for which the  
6                             Secretary determines that the possession  
7                             has met the requirements of clause (ii) for  
8                             each calendar year within the period.

9                             “(ii) REQUIREMENTS.—The require-  
10                             ments of this clause are met with respect  
11                             to a possession for any calendar year if—

12                             “(I) the average monthly rate of  
13                             unemployment in the possession does  
14                             not exceed 150 percent of the average  
15                             monthly rate of unemployment for the  
16                             United States for such year,

17                             “(II) the per capita income of the  
18                             possession is at least 66 percent of  
19                             the per capita income of the United  
20                             States, and

21                             “(III) the poverty level within the  
22                             possession does not exceed 30 per-  
23                             cent.”

## 1       (d) ELECTION NOT TO CLAIM REDUCED CREDIT.—

2   Clause (ii) of section 936(j)(2)(B) of such Code is  
3   amended—4               (1) by striking “1997” in the heading and in-  
5               serting “2005”, and6               (2) by striking “unless” in the text and all that  
7               follows and inserting “unless it is revoked for a tax-  
8               able year before the taxpayer’s first taxable year be-  
9               ginning in 2006 and applies to the taxable year for  
10               which revoked and all subsequent taxable years.”11       (e) EFFECTIVE DATE.—The amendments made by  
12   this section shall apply to taxable years beginning after  
13   December 31, 1999.