

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.

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

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

1 “(III) the poverty level within
 2 Puerto Rico does not exceed 30 per-
 3 cent.”

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.—

10 (1) Subparagraph (A) of section 936(j)(2) of
 11 the Internal Revenue Code of 1986 is amended to
 12 read as follows:

13 “(A) ECONOMIC ACTIVITY CREDIT.—The
 14 credit determined under subsection (a)(1)(A)—

15 “(i) with respect to a possession other
 16 than Puerto Rico, and

17 “(ii) for a taxpayer to which sub-
 18 section (a)(4)(B) does not apply,

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”, and

6 (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.

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