

106TH CONGRESS
1ST SESSION

H. R. 2954

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.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 27, 1999

Mr. ENGLISH 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 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 1999”.

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

7 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-
8 ternal Revenue Code of 1986 (relating to investment cred-

1 it) is amended by striking “and” at the end of paragraph
 2 (2), by striking the period at the end of paragraph (3)
 3 and inserting “, and”, and by adding at the end the fol-
 4 lowing new paragraph:

5 “(4) the commercial revitalization credit.”

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

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

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

18 “(b) APPLICABLE PERCENTAGE.—For purposes of
 19 this section—

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

22 “(A) 20 percent, or

23 “(B) at the election of the taxpayer, 5 per-
 24 cent for each taxable year in the credit period.

1 The election under subparagraph (B), once made,
2 shall be irrevocable.

3 “(2) CREDIT PERIOD.—

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

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

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

14 “(1) QUALIFIED REVITALIZATION BUILDING.—

15 The term ‘qualified revitalization building’ means
16 any building (and its structural components) if—

17 “(A) such building is located in an eligible
18 commercial revitalization area,

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

22 “(C) depreciation (or amortization in lieu
23 of depreciation) is allowable with respect to the
24 building.

1 “(2) QUALIFIED REHABILITATION EXPENDI-
2 TURE.—

3 “(A) IN GENERAL.—The term ‘qualified
4 rehabilitation expenditure’ means any amount
5 properly chargeable to capital account—

6 “(i) for property for which deprecia-
7 tion is allowable under section 168 and
8 which is—

9 “(I) nonresidential real property,
10 or

11 “(II) an addition or improvement
12 to property described in subclause (I),

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

17 “(iii) for the acquisition of land in
18 connection with the qualified revitalization
19 building.

20 “(B) DOLLAR LIMITATION.—The aggre-
21 gate amount which may be treated as qualified
22 revitalization expenditures with respect to any
23 qualified revitalization building for any taxable
24 year shall not exceed \$10,000,000, reduced by
25 any such expenditures with respect to the build-

1 ing taken into account by the taxpayer or any
2 predecessor in determining the amount of the
3 credit under this section for all preceding tax-
4 able years.

5 “(C) CERTAIN EXPENDITURES NOT IN-
6 CLUDED.—The term ‘qualified revitalization ex-
7 penditure’ does not include—

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

20 “(ii) ACQUISITION COSTS.—The costs
21 of acquiring any building or interest there-
22 in and any land in connection with such
23 building to the extent that such costs ex-
24 ceed 30 percent of the qualified revitaliza-

tion 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)) and is not primarily a nonresidential central business district.

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

10 “(d) WHEN EXPENDITURES TAKEN INTO AC-
11 COUNT.—

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

20 “(2) PROGRESS EXPENDITURE PAYMENTS.—
21 Rules similar to the rules of subsections (b)(2) and
22 (d) of section 47 shall apply for purposes of this
23 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 2000, \$200,000,000 for
16 2001, and \$400,000,000 for each calendar
17 year after 2001 and before 2006.

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.—Notwith-
18 standing any other provision of this section, the
19 commercial revitalization credit dollar amount with
20 respect 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 stra-
18 tegic plan that is devised for an eligible
19 commercial revitalization area through a
20 citizen 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, 2005.”

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 fol-
12 lowing new paragraph:

13 “(9) 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 December 31, 1999.”

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

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

1 clause (iii) and inserting “, and”, and by adding at
2 the end the following new clause:

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

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

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

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

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

22 (7) Subparagraph (C) of section 50(b)(4) of
23 such Code is amended by inserting “or commercial
24 revitalization” after “rehabilitated” each place it ap-
25 pears in the text or heading thereof.

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

3 (A) by inserting “or section 48A” after
4 “section 42”, and

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

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to property placed in service after
10 December 31, 1999.

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