

106TH CONGRESS
1ST SESSION

H. R. 815

To amend the Internal Revenue Code of 1986 to provide for the designation of renewal communities, to provide tax incentives relating to such communities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 24, 1999

Mr. WATTS of Oklahoma (for himself, Mr. DAVIS of Illinois, Mr. TALENT, Mr. CLYBURN, Mr. ARMEY, Mr. FROST, Mrs. FOWLER, Mr. ENGLISH, Mr. FORD, Ms. PRYCE of Ohio, Mr. KING, Mr. LIPINSKI, Mrs. BONO, Mr. KOLBE, Mr. DELAY, Mrs. CHRISTIAN-CHRISTENSEN, Mrs. EMERSON, Mr. KNOLLENBERG, Mr. HAYWORTH, Mrs. CUBIN, Mr. HORN, Mr. HILL of Montana, Mr. WELDON of Florida, Mr. TERRY, Mr. SOUDER, Mr. BALLENGER, Mr. CHABOT, Mr. CHAMBLISS, Mr. WELLER, Mr. TANCREDO, Mr. SENSENBRENNER, Mr. NORWOOD, Mr. METCALF, Mr. DICKEY, Mr. GILLMOR, Mr. GREEN of Wisconsin, Mr. HULSHOF, Mr. LARGENT, Mr. SCARBOROUGH, Mr. PITTS, Mr. ROHRABACHER, Mr. BURR of North Carolina, Mr. EHLERS, Mr. BUYER, Mr. LATHAM, Mr. SIMPSON, Mr. MCCOLLUM, Mr. LATOURETTE, Mr. CUNNINGHAM, Mr. COOK, Mr. LEWIS of Kentucky, Mr. BLUNT, Mr. NEY, Mr. GARY MILLER of California, Mr. PICKERING, Mr. NETHERCUTT, Mr. MCHUGH, Ms. GRANGER, Mr. FORBES, Mrs. MYRICK, Mr. SHOWS, Mrs. KELLY, Mr. OWENS, Mr. THOMPSON of Mississippi, and Mr. COBURN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Banking and Financial Services, Commerce, and the Budget, for a period to be 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 for the designation of renewal communities, to provide

tax incentives relating to such communities, 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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
 5 “American Community Renewal Act of 1999”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
 7 wise expressly provided, whenever in this Act an amend-
 8 ment or repeal is expressed in terms of an amendment
 9 to, or repeal of, a section or other provision, the reference
 10 shall be considered to be made to a section or other provi-
 11 sion of the Internal Revenue Code of 1986.

12 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

TITLE I—DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL
COMMUNITIES

Sec. 101. Designation of and tax incentives for renewal communities.

Sec. 102. Extension of expensing of environmental remediation costs to renewal
communities.

Sec. 103. Extension of work opportunity tax credit for renewal communities.

Sec. 104. Conforming and clerical amendments.

Sec. 105. Evaluation and reporting requirements.

Sec. 106. Exclusion of effects of this Act from Paygo scorecard.

TITLE II—ADDITIONAL PROVISIONS

Sec. 201. Transfer of unoccupied and substandard HUD-held housing in re-
newal communities to local governments.

Sec. 202. Prevention and treatment of substance abuse; services provided
through religious organizations.

Sec. 203. CRA credit for investments in community development organizations
located in renewal communities.

1 **TITLE I—DESIGNATION OF AND**
 2 **TAX INCENTIVES FOR RE-**
 3 **NEWAL COMMUNITIES**

4 **SEC. 101. DESIGNATION OF AND TAX INCENTIVES FOR RE-**
 5 **NEWAL COMMUNITIES.**

6 (a) IN GENERAL.—Chapter 1 is amended by adding
 7 at the end the following new subchapter:

8 **“Subchapter X—Renewal Communities**

“Part I. Designation.

“Part II. Renewal community capital gain; renewal community
 business.

“Part III. Family development accounts.

“Part IV. Additional incentives.

9 **“PART I—DESIGNATION**

“Sec. 1400E. Designation of renewal communities.

10 **“SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.**

11 “(a) DESIGNATION.—

12 “(1) DEFINITIONS.—For purposes of this title,
 13 the term ‘renewal community’ means any area—

14 “(A) which is nominated by one or more
 15 local governments and the State or States in
 16 which it is located for designation as a renewal
 17 community (hereinafter in this section referred
 18 to as a ‘nominated area’); and

19 “(B) which the Secretary of Housing and
 20 Urban Development designates as a renewal
 21 community, after consultation with—

1 “(i) the Secretaries of Agriculture,
2 Commerce, Labor, and the Treasury; the
3 Director of the Office of Management and
4 Budget; and the Administrator of the
5 Small Business Administration; and

6 “(ii) in the case of an area on an In-
7 dian reservation, the Secretary of the Inte-
8 rior.

9 “(2) NUMBER OF DESIGNATIONS.—

10 “(A) IN GENERAL.—The Secretary of
11 Housing and Urban Development may des-
12 ignate not more than 100 nominated areas as
13 renewal communities.

14 “(B) MINIMUM DESIGNATION IN RURAL
15 AREAS.—Of the areas designated under para-
16 graph (1), at least 20 percent must be areas—

17 “(i) which are within a local govern-
18 ment jurisdiction or jurisdictions with a
19 population of less than 50,000,

20 “(ii) which are outside of a metropoli-
21 tan statistical area (within the meaning of
22 section 143(k)(2)(B)), or

23 “(iii) which are determined by the
24 Secretary of Housing and Urban Develop-

1 ment, after consultation with the Secretary
2 of Commerce, to be rural areas.

3 “(3) AREAS DESIGNATED BASED ON DEGREE
4 OF POVERTY, ETC.—

5 “(A) IN GENERAL.—Except as otherwise
6 provided in this section, the nominated areas
7 designated as renewal communities under this
8 subsection shall be those nominated areas with
9 the highest average ranking with respect to the
10 criteria described in subparagraphs (B), (C),
11 and (D) of subsection (c)(3). For purposes of
12 the preceding sentence, an area shall be ranked
13 within each such criterion on the basis of the
14 amount by which the area exceeds such cri-
15 terion, with the area which exceeds such cri-
16 terion by the greatest amount given the highest
17 ranking.

18 “(B) EXCEPTION WHERE INADEQUATE
19 COURSE OF ACTION, ETC.—An area shall not be
20 designated under subparagraph (A) if the Sec-
21 retary of Housing and Urban Development de-
22 termines that the course of action described in
23 subsection (d)(2) with respect to such area is
24 inadequate.

1 “(C) PRIORITY FOR EMPOWERMENT ZONES
2 AND ENTERPRISE COMMUNITIES WITH RESPECT
3 TO FIRST HALF OF DESIGNATIONS.—With re-
4 spect to the first 50 percent of the designations
5 made under this section—

6 “(i) half shall be chosen from nomi-
7 nated areas which are empowerment zones
8 or enterprise communities (and are other-
9 wise eligible for designation under this sec-
10 tion); and

11 “(ii) 20 percent shall be areas de-
12 scribed in paragraph (2)(B).

13 “(4) LIMITATION ON DESIGNATIONS.—

14 “(A) PUBLICATION OF REGULATIONS.—
15 The Secretary of Housing and Urban Develop-
16 ment shall prescribe by regulation no later than
17 4 months after the date of the enactment of
18 this section, after consultation with the officials
19 described in paragraph (1)(B)—

20 “(i) the procedures for nominating an
21 area under paragraph (1)(A);

22 “(ii) the parameters relating to the
23 size and population characteristics of a re-
24 newal community; and

1 “(iii) the manner in which nominated
2 areas will be evaluated based on the cri-
3 teria specified in subsection (d).

4 “(B) TIME LIMITATIONS.—The Secretary
5 of Housing and Urban Development may des-
6 ignate nominated areas as renewal communities
7 only during the 24-month period beginning on
8 the first day of the first month following the
9 month in which the regulations described in
10 subparagraph (A) are prescribed.

11 “(C) PROCEDURAL RULES.—The Secretary
12 of Housing and Urban Development shall not
13 make any designation of a nominated area as a
14 renewal community under paragraph (2)
15 unless—

16 “(i) the local governments and the
17 States in which the nominated area is lo-
18 cated have the authority—

19 “(I) to nominate such area for
20 designation as a renewal community;

21 “(II) to make the State and local
22 commitments described in subsection
23 (d); and

24 “(III) to provide assurances sat-
25 isfactory to the Secretary of Housing

1 and Urban Development that such
2 commitments will be fulfilled,

3 “(ii) a nomination regarding such
4 area is submitted in such a manner and in
5 such form, and contains such information,
6 as the Secretary of Housing and Urban
7 Development shall by regulation prescribe;
8 and

9 “(iii) the Secretary of Housing and
10 Urban Development determines that any
11 information furnished is reasonably accu-
12 rate.

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

20 “(b) PERIOD FOR WHICH DESIGNATION IS IN EF-
21 FECT.—

22 “(1) IN GENERAL.—Any designation of an area
23 as a renewal community shall remain in effect dur-
24 ing the period beginning on the date of the designa-
25 tion and ending on the earliest of—

1 “(A) December 31, 2007,

2 “(B) the termination date designated by
3 the State and local governments in their nomi-
4 nation, or

5 “(C) the date the Secretary of Housing
6 and Urban Development revokes such designa-
7 tion.

8 “(2) REVOCATION OF DESIGNATION.—The Sec-
9 retary of Housing and Urban Development may re-
10 voke the designation under this section of an area if
11 such Secretary determines that the local government
12 or the State in which the area is located—

13 “(A) has modified the boundaries of the
14 area, or

15 “(B) is not complying substantially with,
16 or fails to make progress in achieving, the State
17 or local commitments, respectively, described in
18 subsection (d).

19 “(c) AREA AND ELIGIBILITY REQUIREMENTS.—

20 “(1) IN GENERAL.—The Secretary of Housing
21 and Urban Development may designate a nominated
22 area as a renewal community under subsection (a)
23 only if the area meets the requirements of para-
24 graphs (2) and (3) of this subsection.

1 “(2) AREA REQUIREMENTS.—A nominated area
2 meets the requirements of this paragraph if—

3 “(A) the area is within the jurisdiction of
4 one or more local governments;

5 “(B) the boundary of the area is continu-
6 ous; and

7 “(C) the area—

8 “(i) has a population, of at least—

9 “(I) 4,000 if any portion of such
10 area (other than a rural area de-
11 scribed in subsection (a)(2)(B)(i)) is
12 located within a metropolitan statis-
13 tical area (within the meaning of sec-
14 tion 143(k)(2)(B)) which has a popu-
15 lation of 50,000 or greater; or

16 “(II) 1,000 in any other case; or

17 “(ii) is entirely within an Indian res-
18 ervation (as determined by the Secretary of
19 the Interior).

20 “(3) ELIGIBILITY REQUIREMENTS.—A nomi-
21 nated area meets the requirements of this paragraph
22 if the State and the local governments in which it
23 is located certify (and the Secretary of Housing and
24 Urban Development, after such review of supporting

1 data as he deems appropriate, accepts such certifi-
2 cation) that—

3 “(A) the area is one of pervasive poverty,
4 unemployment, and general distress;

5 “(B) the unemployment rate in the area,
6 as determined by the most recent available
7 data, was at least 1½ times the national unem-
8 ployment rate for the period to which such data
9 relate;

10 “(C) the poverty rate for each population
11 census tract within the nominated area is at
12 least 20 percent; and

13 “(D) in the case of an urban area, at least
14 70 percent of the households living in the area
15 have incomes below 80 percent of the median
16 income of households within the jurisdiction of
17 the local government (determined in the same
18 manner as under section 119(b)(2) of the
19 Housing and Community Development Act of
20 1974).

21 “(4) CONSIDERATION OF HIGH INCIDENCE OF
22 CRIME.—The Secretary of Housing and Urban De-
23 velopment shall take into account, in selecting nomi-
24 nated areas for designation as renewal communities

1 under this section, the extent to which such areas
2 have a high incidence of crime.

3 “(5) CONSIDERATION OF COMMUNITIES IDENTI-
4 FIED IN GAO STUDY.—The Secretary of Housing
5 and Urban Development shall take into account, in
6 selecting nominated areas for designation as renewal
7 communities under this section, if the area has cen-
8 sus tracts identified in the May 12, 1998, report of
9 the Government Accounting Office regarding the
10 identification of economically distressed areas.

11 “(d) REQUIRED STATE AND LOCAL COMMIT-
12 MENTS.—

13 “(1) IN GENERAL.—The Secretary of Housing
14 and Urban Development may designate any nomi-
15 nated area as a renewal community under subsection
16 (a) only if—

17 “(A) the local government and the State in
18 which the area is located agree in writing that,
19 during any period during which the area is a
20 renewal community, such governments will fol-
21 low a specified course of action which meets the
22 requirements of paragraph (2) and is designed
23 to reduce the various burdens borne by employ-
24 ers or employees in such area; and

1 “(B) the economic growth promotion re-
2 quirements of paragraph (3) are met.

3 “(2) COURSE OF ACTION.—

4 “(A) IN GENERAL.—A course of action
5 meets the requirements of this paragraph if
6 such course of action is a written document,
7 signed by a State (or local government) and
8 neighborhood organizations, which evidences a
9 partnership between such State or government
10 and community-based organizations and which
11 commits each signatory to specific and measur-
12 able goals, actions, and timetables. Such course
13 of action shall include at least five of the follow-
14 ing:

15 “(i) A reduction of tax rates or fees
16 applying within the renewal community.

17 “(ii) An increase in the level of effi-
18 ciency of local services within the renewal
19 community.

20 “(iii) Crime reduction strategies, such
21 as crime prevention (including the provi-
22 sion of such services by nongovernmental
23 entities).

24 “(iv) Actions to reduce, remove, sim-
25 plify, or streamline governmental require-

1 ments applying within the renewal commu-
2 nity.

3 “(v) Involvement in the program by
4 private entities, organizations, neighbor-
5 hood organizations, and community
6 groups, particularly those in the renewal
7 community, including a commitment from
8 such private entities to provide jobs and
9 job training for, and technical, financial, or
10 other assistance to, employers, employees,
11 and residents from the renewal community.

12 “(vi) State or local income tax bene-
13 fits for fees paid for services performed by
14 a nongovernmental entity which were for-
15 merly performed by a governmental entity.

16 “(vii) The gift (or sale at below fair
17 market value) of surplus real property
18 (such as land, homes, and commercial or
19 industrial structures) in the renewal com-
20 munity to neighborhood organizations,
21 community development corporations, or
22 private companies.

23 “(B) RECOGNITION OF PAST EFFORTS.—

24 For purposes of this section, in evaluating the
25 course of action agreed to by any State or local

1 government, the Secretary of Housing and
2 Urban Development shall take into account the
3 past efforts of such State or local government
4 in reducing the various burdens borne by em-
5 ployers and employees in the area involved.

6 “(3) ECONOMIC GROWTH PROMOTION REQUIRE-
7 MENTS.—The economic growth promotion require-
8 ments of this paragraph are met with respect to a
9 nominated area if the local government and the
10 State in which such area is located certify in writing
11 that such government and State, respectively, have
12 repealed or otherwise will not enforce within the
13 area, if such area is designated as a renewal
14 community—

15 “(A) licensing requirements for occupa-
16 tions that do not ordinarily require a profes-
17 sional degree;

18 “(B) zoning restrictions on home-based
19 businesses which do not create a public nui-
20 sance;

21 “(C) permit requirements for street ven-
22 dors who do not create a public nuisance;

23 “(D) zoning or other restrictions that im-
24 pede the formation of schools or child care cen-
25 ters; and

1 “(E) franchises or other restrictions on
 2 competition for businesses providing public
 3 services, including but not limited to taxicabs,
 4 jitneys, cable television, or trash hauling,
 5 except to the extent that such regulation of busi-
 6 nesses and occupations is necessary for and well-tai-
 7 lored to the protection of health and safety.

8 “(e) COORDINATION WITH TREATMENT OF EM-
 9 POWERMENT ZONES AND ENTERPRISE COMMUNITIES.—
 10 For purposes of this title, if there are in effect with respect
 11 to the same area both—

12 “(1) a designation as a renewal community; and
 13 “(2) a designation as an empowerment zone or
 14 enterprise community,
 15 both of such designations shall be given full effect with
 16 respect to such area.

17 “(f) DEFINITIONS AND SPECIAL RULES.—For pur-
 18 poses of this subchapter—

19 “(1) GOVERNMENTS.—If more than one govern-
 20 ment seeks to nominate an area as a renewal com-
 21 munity, any reference to, or requirement of, this sec-
 22 tion shall apply to all such governments.

23 “(2) STATE.—The term ‘State’ includes Puerto
 24 Rico, the Virgin Islands of the United States, Guam,

1 American Samoa, the Northern Mariana Islands,
2 and any other possession of the United States.

3 “(3) LOCAL GOVERNMENT.—The term ‘local
4 government’ means—

5 “(A) any county, city, town, township, par-
6 ish, village, or other general purpose political
7 subdivision of a State;

8 “(B) any combination of political subdivi-
9 sions described in subparagraph (A) recognized
10 by the Secretary of Housing and Urban Devel-
11 opment; and

12 “(C) the District of Columbia.

13 “(4) APPLICATION OF RULES RELATING TO
14 CENSUS TRACTS AND CENSUS DATA.—The rules of
15 sections 1392(b)(4) and 1393(a)(9) shall apply.

16 **“PART II—RENEWAL COMMUNITY CAPITAL GAIN;**
17 **RENEWAL COMMUNITY BUSINESS**

“Sec. 1400F. Renewal community capital gain.

“Sec. 1400G. Renewal community business defined.

18 **“SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.**

19 “(a) GENERAL RULE.—Gross income does not in-
20 clude any qualified capital gain recognized on the sale or
21 exchange of a qualified community asset held for more
22 than 5 years.

23 “(b) QUALIFIED COMMUNITY ASSET.—For purposes
24 of this section—

1 “(1) IN GENERAL.—The term ‘qualified com-
2 munity asset’ means—

3 “(A) any qualified community stock;

4 “(B) any qualified community partnership
5 interest; and

6 “(C) any qualified community business
7 property.

8 “(2) QUALIFIED COMMUNITY STOCK.—

9 “(A) IN GENERAL.—Except as provided in
10 subparagraph (B), the term ‘qualified commu-
11 nity stock’ means any stock in a domestic cor-
12 poration if—

13 “(i) such stock is acquired by the tax-
14 payer after December 31, 2000, and before
15 January 1, 2008, at its original issue (di-
16 rectly or through an underwriter) from the
17 corporation solely in exchange for cash;

18 “(ii) as of the time such stock was
19 issued, such corporation was a renewal
20 community business (or, in the case of a
21 new corporation, such corporation was
22 being organized for purposes of being a re-
23 newal community business); and

24 “(iii) during substantially all of the
25 taxpayer’s holding period for such stock,

1 such corporation qualified as a renewal
2 community business.

3 “(B) REDEMPTIONS.—A rule similar to
4 the rule of section 1202(c)(3) shall apply for
5 purposes of this paragraph.

6 “(3) QUALIFIED COMMUNITY PARTNERSHIP IN-
7 TEREST.—The term ‘qualified community partner-
8 ship interest’ means any interest in a partnership
9 if—

10 “(A) such interest is acquired by the tax-
11 payer after December 31, 2000, and before
12 January 1, 2008;

13 “(B) as of the time such interest was ac-
14 quired, such partnership was a renewal commu-
15 nity business (or, in the case of a new partner-
16 ship, such partnership was being organized for
17 purposes of being a renewal community busi-
18 ness); and

19 “(C) during substantially all of the tax-
20 payer’s holding period for such interest, such
21 partnership qualified as a renewal community
22 business.

23 A rule similar to the rule of paragraph (2)(B) shall
24 apply for purposes of this paragraph.

1 “(4) QUALIFIED COMMUNITY BUSINESS PROP-
2 ERTY.—

3 “(A) IN GENERAL.—The term ‘qualified
4 community business property’ means tangible
5 property if—

6 “(i) such property was acquired by
7 the taxpayer by purchase (as defined in
8 section 179(d)(2)) after December 31,
9 2000, and before January 1, 2008;

10 “(ii) the original use of such property
11 in the renewal community commences with
12 the taxpayer; and

13 “(iii) during substantially all of the
14 taxpayer’s holding period for such prop-
15 erty, substantially all of the use of such
16 property was in a renewal community busi-
17 ness of the taxpayer.

18 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
19 PROVEMENTS.—The requirements of clauses (i)
20 and (ii) of subparagraph (A) shall be treated as
21 satisfied with respect to—

22 “(i) property which is substantially
23 improved (within the meaning of section
24 1400B(b)(4)(B)(ii)) by the taxpayer before
25 January 1, 2008; and

1 “(ii) any land on which such property
2 is located.

3 “(c) CERTAIN RULES TO APPLY.—Rules similar to
4 the rules of paragraphs (5), (6), and (7) of subsection (b),
5 and subsections (e), (f), and (g), of section 1400B shall
6 apply for purposes of this section.

7 **“SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.**

8 “For purposes of this part, the term ‘renewal commu-
9 nity business’ means any entity or proprietorship which
10 would be a qualified business entity or qualified propri-
11 etorship under section 1397B if—

12 “(1) references to renewal communities were
13 substituted for references to empowerment zones in
14 such section; and

15 “(2) ‘80 percent’ were substituted for ‘50 per-
16 cent’ in subsections (b)(2) and (c)(1) of such sec-
17 tion.

18 **“PART III—FAMILY DEVELOPMENT ACCOUNTS**

“Sec. 1400H. Family development accounts for renewal commu-
nity EITC recipients.

“Sec. 1400I. Demonstration program to provide matching con-
tributions to family development accounts in certain
renewal communities.

“Sec. 1400J. Designation of earned income tax credit payments
for deposit to family development account.

19 **“SEC. 1400H. FAMILY DEVELOPMENT ACCOUNTS FOR RE-
20 NEWAL COMMUNITY EITC RECIPIENTS.**

21 “(a) ALLOWANCE OF DEDUCTION.—

1 “(1) IN GENERAL.—There shall be allowed as a
2 deduction—

3 “(A) in the case of a qualified individual,
4 the amount paid in cash for the taxable year by
5 such individual to any family development ac-
6 count for such individual’s benefit; and

7 “(B) in the case of any person other than
8 a qualified individual, the amount paid in cash
9 for the taxable year by such person to any fam-
10 ily development account for the benefit of a
11 qualified individual but only if the amount so
12 paid is designated for purposes of this section
13 by such individual.

14 No deduction shall be allowed under this paragraph
15 for any amount deposited in a family development
16 account under section 1400I (relating to demonstra-
17 tion program to provide matching amounts in re-
18 newal communities).

19 “(2) LIMITATION.—

20 “(A) IN GENERAL.—The amount allowable
21 as a deduction to any individual for any taxable
22 year by reason of paragraph (1)(A) shall not
23 exceed the lesser of—

24 “(i) \$2,000, or

1 “(ii) an amount equal to the com-
 2 pensation includible in the individual’s
 3 gross income for such taxable year.

4 “(B) PERSONS DONATING TO FAMILY DE-
 5 VELOPMENT ACCOUNTS OF OTHERS.—The
 6 amount which may be designated under para-
 7 graph (1)(B) by any qualified individual for any
 8 taxable year of such individual shall not exceed
 9 \$1,000.

10 “(3) SPECIAL RULES FOR CERTAIN MARRIED
 11 INDIVIDUALS.—Rules similar to rules of section
 12 219(c) shall apply to the limitation in paragraph
 13 (2)(A).

14 “(4) COORDINATION WITH IRA’S.—No deduc-
 15 tion shall be allowed under this section to any per-
 16 son by reason of a payment to an account for the
 17 benefit of a qualified individual if any amount is
 18 paid into an individual retirement account (including
 19 a Roth IRA) for the benefit of such individual.

20 “(5) ROLLOVERS.—No deduction shall be al-
 21 lowed under this section with respect to any rollover
 22 contribution.

23 “(b) TAX TREATMENT OF DISTRIBUTIONS.—

24 “(1) INCLUSION OF AMOUNTS IN GROSS IN-
 25 COME.—Except as otherwise provided in this sub-

1 section, any amount paid or distributed out of a
2 family development account shall be included in
3 gross income by the payee or distributee, as the case
4 may be.

5 “(2) EXCLUSION OF QUALIFIED FAMILY DEVEL-
6 OPMENT DISTRIBUTIONS.—Paragraph (1) shall not
7 apply to any qualified family development distribu-
8 tion.

9 “(c) QUALIFIED FAMILY DEVELOPMENT DISTRIBU-
10 TION.—For purposes of this section—

11 “(1) IN GENERAL.—The term ‘qualified family
12 development distribution’ means any amount paid or
13 distributed out of a family development account
14 which would otherwise be includible in gross income,
15 to the extent that such payment or distribution is
16 used exclusively to pay qualified family development
17 expenses for the holder of the account or the spouse
18 or dependent (as defined in section 152) of such
19 holder.

20 “(2) QUALIFIED FAMILY DEVELOPMENT EX-
21 PENSES.—The term ‘qualified family development
22 expenses’ means any of the following:

23 “(A) Qualified higher education expenses.

24 “(B) Qualified first-time homebuyer costs.

1 “(C) Qualified business capitalization
2 costs.

3 “(D) Qualified medical expenses.

4 “(E) Qualified rollovers.

5 “(3) QUALIFIED HIGHER EDUCATION EX-
6 PENSES.—

7 “(A) IN GENERAL.—The term ‘qualified
8 higher education expenses’ has the meaning
9 given such term by section 72(t)(7), determined
10 by treating postsecondary vocational edu-
11 cational schools as eligible educational institu-
12 tions.

13 “(B) POSTSECONDARY VOCATIONAL EDU-
14 CATION SCHOOL.—The term ‘postsecondary vo-
15 cational educational school’ means an area vo-
16 cational education school (as defined in sub-
17 paragraph (C) or (D) of section 521(4) of the
18 Carl D. Perkins Vocational and Applied Tech-
19 nology Education Act (20 U.S.C. 2471(4)))
20 which is in any State (as defined in section
21 521(33) of such Act), as such sections are in
22 effect on the date of the enactment of this sec-
23 tion.

24 “(C) COORDINATION WITH OTHER BENE-
25 FITS.—The amount of qualified higher edu-

1 cation expenses for any taxable year shall be re-
2 duced as provided in section 25A(g)(2).

3 “(4) QUALIFIED FIRST-TIME HOMEBUYER
4 COSTS.—The term ‘qualified first-time homebuyer
5 costs’ means qualified acquisition costs (as defined
6 in section 72(t)(8) without regard to subparagraph
7 (B) thereof) with respect to a principal residence
8 (within the meaning of section 121) for a qualified
9 first-time homebuyer (as defined in such section).

10 “(5) QUALIFIED BUSINESS CAPITALIZATION
11 COSTS.—

12 “(A) IN GENERAL.—The term ‘qualified
13 business capitalization costs’ means qualified
14 expenditures for the capitalization of a qualified
15 business pursuant to a qualified plan.

16 “(B) QUALIFIED EXPENDITURES.—The
17 term ‘qualified expenditures’ means expendi-
18 tures included in a qualified plan, including
19 capital, plant, equipment, working capital, and
20 inventory expenses.

21 “(C) QUALIFIED BUSINESS.—The term
22 ‘qualified business’ means any business that
23 does not contravene any law.

1 “(D) QUALIFIED PLAN.—The term ‘quali-
 2 fied plan’ means a business plan which meets
 3 such requirements as the Secretary may specify.

4 “(6) QUALIFIED MEDICAL EXPENSES.—The
 5 term ‘qualified medical expenses’ means any amount
 6 paid during the taxable year, not compensated for by
 7 insurance or otherwise, for medical care (as defined
 8 in section 213(d)) of the taxpayer, his spouse, or his
 9 dependent (as defined in section 152).

10 “(7) QUALIFIED ROLLOVERS.—The term ‘quali-
 11 fied rollover’ means any amount paid from a family
 12 development account of a taxpayer into another such
 13 account established for the benefit of—

14 “(A) such taxpayer, or

15 “(B) any qualified individual who is—

16 “(i) the spouse of such taxpayer, or

17 “(ii) any dependent (as defined in sec-
 18 tion 152) of the taxpayer.

19 Rules similar to the rules of section 408(d)(3) shall
 20 apply for purposes of this paragraph.

21 “(d) TAX TREATMENT OF ACCOUNTS.—

22 “(1) IN GENERAL.—Any family development ac-
 23 count is exempt from taxation under this subtitle
 24 unless such account has ceased to be a family devel-
 25 opment account by reason of paragraph (2). Not-

1 withstanding the preceding sentence, any such ac-
2 count is subject to the taxes imposed by section 511
3 (relating to imposition of tax on unrelated business
4 income of charitable, etc., organizations). Notwith-
5 standing any other provision of this title (including
6 chapters 11 and 12), the basis of any person in such
7 an account is zero.

8 “(2) LOSS OF EXEMPTION IN CASE OF PROHIB-
9 ITED TRANSACTIONS.—For purposes of this section,
10 rules similar to the rules of section 408(e) shall
11 apply.

12 “(3) OTHER RULES TO APPLY.—Rules similar
13 to the rules of paragraphs (4), (5), and (6) of sec-
14 tion 408(d) shall apply for purposes of this section.

15 “(e) FAMILY DEVELOPMENT ACCOUNT.—For pur-
16 poses of this title, the term ‘family development account’
17 means a trust created or organized in the United States
18 for the exclusive benefit of a qualified individual or his
19 beneficiaries, but only if the written governing instrument
20 creating the trust meets the following requirements:

21 “(1) Except in the case of a qualified rollover
22 (as defined in subsection (c)(7))—

23 “(A) no contribution will be accepted un-
24 less it is in cash; and

1 “(B) contributions will not be accepted for
2 the taxable year in excess of \$3,000 (deter-
3 mined without regard to any contribution made
4 under section 1400I (relating to demonstration
5 program to provide matching amounts in re-
6 newal communities)).

7 “(2) The requirements of paragraphs (2)
8 through (6) of section 408(a) are met.

9 “(f) QUALIFIED INDIVIDUAL.—For purposes of this
10 section, the term ‘qualified individual’ means, for any tax-
11 able year, an individual—

12 “(1) who is a bona fide resident of a renewal
13 community throughout the taxable year; and

14 “(2) to whom a credit was allowed under sec-
15 tion 32 for the preceding taxable year.

16 “(g) OTHER DEFINITIONS AND SPECIAL RULES.—

17 “(1) COMPENSATION.—The term ‘compensa-
18 tion’ has the meaning given such term by section
19 219(f)(1).

20 “(2) MARRIED INDIVIDUALS.—The maximum
21 deduction under subsection (a) shall be computed
22 separately for each individual, and this section shall
23 be applied without regard to any community prop-
24 erty laws.

1 “(3) TIME WHEN CONTRIBUTIONS DEEMED
2 MADE.—For purposes of this section, a taxpayer
3 shall be deemed to have made a contribution to a
4 family development account on the last day of the
5 preceding taxable year if the contribution is made on
6 account of such taxable year and is made not later
7 than the time prescribed by law for filing the return
8 for such taxable year (not including extensions
9 thereof).

10 “(4) EMPLOYER PAYMENTS; CUSTODIAL AC-
11 COUNTS.—Rules similar to the rules of sections
12 219(f)(5) and 408(h) shall apply for purposes of this
13 section.

14 “(5) REPORTS.—The trustee of a family devel-
15 opment account shall make such reports regarding
16 such account to the Secretary and to the individual
17 for whom the account is maintained with respect to
18 contributions (and the years to which they relate),
19 distributions, and such other matters as the Sec-
20 retary may require under regulations. The reports
21 required by this paragraph—

22 “(A) shall be filed at such time and in
23 such manner as the Secretary prescribes in
24 such regulations; and

25 “(B) shall be furnished to individuals—

1 “(i) not later than January 31 of the
 2 calendar year following the calendar year
 3 to which such reports relate; and

4 “(ii) in such manner as the Secretary
 5 prescribes in such regulations.

6 “(6) INVESTMENT IN COLLECTIBLES TREATED
 7 AS DISTRIBUTIONS.—Rules similar to the rules of
 8 section 408(m) shall apply for purposes of this sec-
 9 tion.

10 “(h) PENALTY FOR DISTRIBUTIONS NOT USED FOR
 11 QUALIFIED FAMILY DEVELOPMENT EXPENSES.—

12 “(1) IN GENERAL.—If any amount is distrib-
 13 uted from a family development account and is not
 14 used exclusively to pay qualified family development
 15 expenses for the holder of the account or the spouse
 16 or dependent (as defined in section 152) of such
 17 holder, the tax imposed by this chapter for the tax-
 18 able year of such distribution shall be increased by
 19 the sum of—

20 “(A) 100 percent of the portion of such
 21 amount which is includible in gross income and
 22 is attributable to amounts contributed under
 23 section 1400I (relating to demonstration pro-
 24 gram to provide matching amounts in renewal
 25 communities); and

1 “(B) 10 percent of the portion of such
2 amount which is includible in gross income and
3 is not described in subparagraph (A).

4 For purposes of this subsection, distributions which
5 are includable in gross income shall be treated as at-
6 tributable to amounts contributed under section
7 1400I to the extent thereof. For purposes of the pre-
8 ceding sentence, all family development accounts of
9 an individual shall be treated as one account.

10 “(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS.—Paragraph (1) shall not apply to distribu-
11 tions which are—
12

13 “(A) made on or after the date on which
14 the account holder attains age 59½,

15 “(B) made to a beneficiary (or the estate
16 of the account holder) on or after the death of
17 the account holder, or

18 “(C) attributable to the account holder’s
19 being disabled within the meaning of section
20 72(m)(7).

21 “(i) TERMINATION.—No deduction shall be allowed
22 under this section for any amount paid to a family devel-
23 opment account for any taxable year beginning after De-
24 cember 31, 2007.

1 **“SEC. 1400I. DEMONSTRATION PROGRAM TO PROVIDE**
2 **MATCHING CONTRIBUTIONS TO FAMILY DE-**
3 **VELOPMENT ACCOUNTS IN CERTAIN RE-**
4 **NEWAL COMMUNITIES.**

5 “(a) DESIGNATION.—

6 “(1) DEFINITIONS.—For purposes of this sec-
7 tion, the term ‘FDA matching demonstration area’
8 means any renewal community—

9 “(A) which is nominated under this section
10 by each of the local governments and States
11 which nominated such community for designa-
12 tion as a renewal community under section
13 1400E(a)(1)(A); and

14 “(B) which the Secretary of Housing and
15 Urban Development designates as an FDA
16 matching demonstration area after consultation
17 with—

18 “(i) the Secretaries of Agriculture,
19 Commerce, Labor, and the Treasury, the
20 Director of the Office of Management and
21 Budget, and the Administrator of the
22 Small Business Administration; and

23 “(ii) in the case of a community on an
24 Indian reservation, the Secretary of the In-
25 terior.

26 “(2) NUMBER OF DESIGNATIONS.—

1 “(A) IN GENERAL.—The Secretary of
2 Housing and Urban Development may des-
3 ignate not more than 5 communities as FDA
4 matching demonstration areas.

5 “(B) MINIMUM DESIGNATION IN RURAL
6 AREAS.—Of the areas designated under sub-
7 paragraph (A), at least 2 must be areas de-
8 scribed in section 1400E(a)(2)(B).

9 “(3) LIMITATIONS ON DESIGNATIONS.—

10 “(A) PUBLICATION OF REGULATIONS.—
11 The Secretary of Housing and Urban Develop-
12 ment shall prescribe by regulation no later than
13 4 months after the date of the enactment of
14 this section, after consultation with the officials
15 described in paragraph (1)(B)—

16 “(i) the procedures for nominating a
17 renewal community under paragraph
18 (1)(A) (including procedures for coordinat-
19 ing such nomination with the nomination
20 of an area for designation as a renewal
21 community under section 1400E); and

22 “(ii) the manner in which nominated
23 renewal communities will be evaluated for
24 purposes of this section.

1 “(B) TIME LIMITATIONS.—The Secretary
2 of Housing and Urban Development may des-
3 ignate renewal communities as FDA matching
4 demonstration areas only during the 24-month
5 period beginning on the first day of the first
6 month following the month in which the regula-
7 tions described in subparagraph (A) are pre-
8 scribed.

9 “(4) DESIGNATION BASED ON DEGREE OF POV-
10 ERTY, ETC.—The rules of section 1400E(a)(3) shall
11 apply for purposes of designations of FDA matching
12 demonstration areas under this section.

13 “(b) PERIOD FOR WHICH DESIGNATION IS IN EF-
14 FECT.—Any designation of a renewal community as an
15 FDA matching demonstration area shall remain in effect
16 during the period beginning on the date of such designa-
17 tion and ending on the date on which such area ceases
18 to be a renewal community.

19 “(c) MATCHING CONTRIBUTIONS TO FAMILY DEVEL-
20 OPMENT ACCOUNTS.—

21 “(1) IN GENERAL.—Not less than once each
22 taxable year, the Secretary shall deposit (to the ex-
23 tent provided in appropriation Acts) into a family
24 development account of each qualified individual (as
25 defined in section 1400H(f))—

1 “(A) who is a resident throughout the tax-
2 able year of an FDA matching demonstration
3 area; and

4 “(B) who requests (in such form and man-
5 ner as the Secretary prescribes) such deposit
6 for the taxable year,
7 an amount equal to the sum of the amounts depos-
8 ited into all of the family development accounts of
9 such individual during such taxable year (determined
10 without regard to any amount contributed under this
11 section).

12 “(2) LIMITATIONS.—

13 “(A) ANNUAL LIMIT.—The Secretary shall
14 not deposit more than \$1000 under paragraph
15 (1) with respect to any individual for any tax-
16 able year.

17 “(B) AGGREGATE LIMIT.—The Secretary
18 shall not deposit more than \$2000 under para-
19 graph (1) with respect to any individual for all
20 taxable years.

21 “(3) EXCLUSION FROM INCOME.—Except as
22 provided in section 1400H, gross income shall not
23 include any amount deposited into a family develop-
24 ment account under paragraph (1).

1 “(d) NOTICE OF PROGRAM.—The Secretary shall
 2 provide appropriate notice to residents of FDA matching
 3 demonstration areas of the availability of the benefits
 4 under this section.

5 “(e) TERMINATION.—No amount may be deposited
 6 under this section for any taxable year beginning after De-
 7 cember 31, 2007.

8 **“SEC. 1400J. DESIGNATION OF EARNED INCOME TAX CRED-
 9 IT PAYMENTS FOR DEPOSIT TO FAMILY DE-
 10 VELOPMENT ACCOUNT.**

11 “(a) IN GENERAL.—With respect to the return of any
 12 qualified individual (as defined in section 1400H(f)) for
 13 the taxable year of the tax imposed by this chapter, such
 14 individual may designate that a specified portion (not less
 15 than \$1) of any overpayment of tax for such taxable year
 16 which is attributable to the earned income tax credit shall
 17 be deposited by the Secretary into a family development
 18 account of such individual. The Secretary shall so deposit
 19 such portion designated under this subsection.

20 “(b) MANNER AND TIME OF DESIGNATION.—A des-
 21 ignation under subsection (a) may be made with respect
 22 to any taxable year—

23 “(1) at the time of filing the return of the tax
 24 imposed by this chapter for such taxable year, or

1 “(2) at any other time (after the time of filing
 2 the return of the tax imposed by this chapter for
 3 such taxable year) specified in regulations prescribed
 4 by the Secretary.

5 Such designation shall be made in such manner as the
 6 Secretary prescribes by regulations.

7 “(c) PORTION ATTRIBUTABLE TO EARNED INCOME
 8 TAX CREDIT.—For purposes of subsection (a), an over-
 9 payment for any taxable year shall be treated as attrib-
 10 utable to the earned income tax credit to the extent that
 11 such overpayment does not exceed the credit allowed to
 12 the taxpayer under section 32 for such taxable year.

13 “(d) OVERPAYMENTS TREATED AS REFUNDED.—
 14 For purposes of this title, any portion of an overpayment
 15 of tax designated under subsection (a) shall be treated as
 16 being refunded to the taxpayer as of the last date pre-
 17 scribed for filing the return of tax imposed by this chapter
 18 (determined without regard to extensions) or, if later, the
 19 date the return is filed.

20 “(e) TERMINATION.—This section shall not apply to
 21 any taxable year beginning after December 31, 2007.

22 **“PART IV—ADDITIONAL INCENTIVES**

“Sec. 1400K. Commercial revitalization credit.

“Sec. 1400L. Increase in expensing under section 179.

1 **“SEC. 1400K. COMMERCIAL REVITALIZATION CREDIT.**

2 “(a) GENERAL RULE.—For purposes of section 46,
3 except as provided in subsection (e), the commercial re-
4 vitalization credit for any taxable year is an amount equal
5 to the applicable percentage of the qualified revitalization
6 expenditures with respect to any qualified revitalization
7 building.

8 “(b) APPLICABLE PERCENTAGE.—For purposes of
9 this section—

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

12 “(A) 20 percent for the taxable year in
13 which a qualified revitalization building is
14 placed in service, or

15 “(B) at the election of the taxpayer, 5 per-
16 cent for each taxable year in the credit period.
17 The election under subparagraph (B), once made,
18 shall be irrevocable.

19 “(2) CREDIT PERIOD.—

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

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

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

6 “(1) QUALIFIED REVITALIZATION BUILDING.—
7 The term ‘qualified revitalization building’ means
8 any building (and its structural components) if—

9 “(A) such building is located in a renewal
10 community and is placed in service after De-
11 cember 31, 2000;

12 “(B) a commercial revitalization credit
13 amount is allocated to the building under sub-
14 section (e); and

15 “(C) depreciation (or amortization in lieu
16 of depreciation) is allowable with respect to the
17 building.

18 “(2) QUALIFIED REVITALIZATION EXPENDI-
19 TURE.—

20 “(A) IN GENERAL.—The term ‘qualified
21 revitalization expenditure’ means any amount
22 properly chargeable to capital account—

23 “(i) for property for which deprecia-
24 tion is allowable under section 168 and
25 which is—

1 “(I) nonresidential real property;

2 or

3 “(II) an addition or improvement
4 to property described in subclause (I);
5 and

6 “(ii) in connection with the construc-
7 tion of any qualified revitalization building
8 which was not previously placed in service
9 or in connection with the substantial reha-
10 bilitation (within the meaning of section
11 47(c)(1)(C)) of a building which was
12 placed in service before the beginning of
13 such rehabilitation.

14 “(B) DOLLAR LIMITATION.—The aggre-
15 gate amount which may be treated as qualified
16 revitalization expenditures with respect to any
17 qualified revitalization building for any taxable
18 year shall not exceed the excess of—

19 “(i) \$10,000,000, reduced by

20 “(ii) any such expenditures with re-
21 spect to the building taken into account by
22 the taxpayer or any predecessor in deter-
23 mining the amount of the credit under this
24 section for all preceding taxable years.

1 “(C) CERTAIN EXPENDITURES NOT IN-
2 CLUDED.—The term ‘qualified revitalization ex-
3 penditure’ does not include—

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

16 “(ii) ACQUISITION COSTS.—The costs
17 of acquiring any building or interest there-
18 in and any land in connection with such
19 building to the extent that such costs ex-
20 ceed 30 percent of the qualified revitaliza-
21 tion expenditures determined without re-
22 gard to this clause.

23 “(iii) OTHER CREDITS.—Any expendi-
24 ture which the taxpayer may take into ac-
25 count in computing any other credit allow-

1 able under this title unless the taxpayer
2 elects to take the expenditure into account
3 only for purposes of this section.

4 “(d) WHEN EXPENDITURES TAKEN INTO AC-
5 COUNT.—

6 “(1) IN GENERAL.—Qualified revitalization ex-
7 penditures with respect to any qualified revitaliza-
8 tion building shall be taken into account for the tax-
9 able year in which the qualified revitalization build-
10 ing is placed in service. For purposes of the preced-
11 ing sentence, a substantial rehabilitation of a build-
12 ing shall be treated as a separate building.

13 “(2) PROGRESS EXPENDITURE PAYMENTS.—
14 Rules similar to the rules of subsections (b)(2) and
15 (d) of section 47 shall apply for purposes of this sec-
16 tion.

17 “(e) LIMITATION ON AGGREGATE CREDITS ALLOW-
18 ABLE WITH RESPECT TO BUILDINGS LOCATED IN A
19 STATE.—

20 “(1) IN GENERAL.—The amount of the credit
21 determined under this section for any taxable year
22 with respect to any building shall not exceed the
23 commercial revitalization credit amount (in the case
24 of an amount determined under subsection
25 (b)(1)(B), the present value of such amount as de-

1 terminated under the rules of section 42(b)(2)(C)) al-
 2 located to such building under this subsection by the
 3 commercial revitalization credit agency. Such alloca-
 4 tion shall be made at the same time and in the same
 5 manner as under paragraphs (1) and (7) of section
 6 42(h).

7 “(2) COMMERCIAL REVITALIZATION CREDIT
 8 AMOUNT FOR AGENCIES.—

9 “(A) IN GENERAL.—The aggregate com-
 10 mercial revitalization credit amount which a
 11 commercial revitalization credit agency may al-
 12 locate for any calendar year is the amount of
 13 the State commercial revitalization credit ceil-
 14 ing determined under this paragraph for such
 15 calendar year for such agency.

16 “(B) STATE COMMERCIAL REVITALIZATION
 17 CREDIT CEILING.—The State commercial revi-
 18 talization credit ceiling applicable to any
 19 State—

20 “(i) for each calendar year after 2000
 21 and before 2008 is \$2,000,000 for each re-
 22 newal community in the State; and

23 “(ii) zero for each calendar year
 24 thereafter.

1 “(C) COMMERCIAL REVITALIZATION CRED-
2 IT AGENCY.—For purposes of this section, the
3 term ‘commercial revitalization credit agency’
4 means any agency authorized by a State to
5 carry out this section.

6 “(f) RESPONSIBILITIES OF COMMERCIAL REVITAL-
7 IZATION CREDIT AGENCIES.—

8 “(1) PLANS FOR ALLOCATION.—Notwithstand-
9 ing any other provision of this section, the commer-
10 cial revitalization credit amount with respect to any
11 building shall be zero unless—

12 “(A) such amount was allocated pursuant
13 to a qualified allocation plan of the commercial
14 revitalization credit agency which is approved
15 (in accordance with rules similar to the rules of
16 section 147(f)(2) (other than subparagraph
17 (B)(ii) thereof)) by the governmental unit of
18 which such agency is a part; and

19 “(B) such agency notifies the chief execu-
20 tive officer (or its equivalent) of the local juris-
21 diction within which the building is located of
22 such allocation and provides such individual a
23 reasonable opportunity to comment on the allo-
24 cation.

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

4 “(A) which sets forth selection criteria to
5 be used to determine priorities of the commer-
6 cial revitalization credit agency which are ap-
7 propriate to local conditions;

8 “(B) which considers—

9 “(i) the degree to which a project con-
10 tributes to the implementation of a strate-
11 gic plan that is devised for a renewal com-
12 munity through a citizen participation
13 process;

14 “(ii) the amount of any increase in
15 permanent, full-time employment by reason
16 of any project; and

17 “(iii) the active involvement of resi-
18 dents and nonprofit groups within the re-
19 newal community; and

20 “(C) which provides a procedure that the
21 agency (or its agent) will follow in monitoring
22 compliance with this section.

23 “(g) TERMINATION.—This section shall not apply to
24 any building placed in service after December 31, 2007.

1 **“SEC. 1400L. INCREASE IN EXPENSING UNDER SECTION 179.**

2 “(a) GENERAL RULE.—In the case of a renewal com-
3 munity business (as defined in section 1400G), for pur-
4 poses of section 179—

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

7 “(A) \$35,000; or

8 “(B) the cost of section 179 property
9 which is qualified renewal property placed in
10 service during the taxable year; and

11 “(2) the amount taken into account under sec-
12 tion 179(b)(2) with respect to any section 179 prop-
13 erty which is qualified renewal property shall be 50
14 percent of the cost thereof.

15 “(b) RECAPTURE.—Rules similar to the rules under
16 section 179(d)(10) shall apply with respect to any quali-
17 fied renewal property which ceases to be used in a renewal
18 community by a renewal community business.

19 “(c) QUALIFIED RENEWAL PROPERTY.—For pur-
20 poses of this section—

21 “(1) IN GENERAL.—The term ‘qualified renewal
22 property’ means any property to which section 168
23 applies (or would apply but for section 179) if—

24 “(A) such property was acquired by the
25 taxpayer by purchase (as defined in section

1 179(d)(2)) after December 31, 2000, and be-
 2 fore January 1, 2008; and

3 “(B) such property would be qualified zone
 4 property (as defined in section 1397C) if ref-
 5 erences to renewal communities were sub-
 6 stituted for references to empowerment zones in
 7 section 1397C.

8 “(2) CERTAIN RULES TO APPLY.—The rules of
 9 subsections (a)(2) and (b) of section 1397C shall
 10 apply for purposes of this section.”.

11 **SEC. 102. EXTENSION OF EXPENSING OF ENVIRONMENTAL**
 12 **REMEDATION COSTS TO RENEWAL COMMU-**
 13 **NITIES.**

14 (a) EXTENSION.—Paragraph (2) of section 198(c)
 15 (defining targeted area) is amended by redesignating sub-
 16 paragraph (C) as subparagraph (D) and by inserting after
 17 subparagraph (B) the following new subparagraph:

18 “(C) RENEWAL COMMUNITIES IN-
 19 CLUDED.—Except as provided in subparagraph
 20 (B), such term shall include a renewal commu-
 21 nity (as defined in section 1400E).”.

22 (b) EXTENSION OF TERMINATION DATE FOR RE-
 23 NEWAL COMMUNITIES.—Subsection (h) of section 198 is
 24 amended by inserting before the period “(December 31,

1 2007, in the case of a renewal community, as defined in
 2 section 1400E).”.

3 **SEC. 103. EXTENSION OF WORK OPPORTUNITY TAX CREDIT**
 4 **FOR RENEWAL COMMUNITIES.**

5 (a) EXTENSION.—Subsection (c) of section 51 (relat-
 6 ing to termination) is amended by adding at the end the
 7 following new paragraph:

8 “(5) EXTENSION OF CREDIT FOR RENEWAL
 9 COMMUNITIES.—

10 “(A) IN GENERAL.—In the case of an indi-
 11 vidual who begins work for the employer after
 12 the date contained in paragraph (4)(B), for
 13 purposes of section 38—

14 “(i) in lieu of applying subsection (a),
 15 the amount of the work opportunity credit
 16 determined under this section for the tax-
 17 able year shall be equal to—

18 “(I) 15 percent of the qualified
 19 first-year wages for such year; and

20 “(II) 30 percent of the qualified
 21 second-year wages for such year;

22 “(ii) subsection (b)(3) shall be applied
 23 by substituting ‘\$10,000’ for ‘\$6,000’;

24 “(iii) paragraph (4)(B) shall be ap-
 25 plied by substituting for the date contained

1 therein the last day for which the designa-
 2 tion under section 1400E of the renewal
 3 community referred to in subparagraph
 4 (B)(i) is in effect; and

5 “(iv) rules similar to the rules of sec-
 6 tion 51A(b)(5)(C) shall apply.

7 “(B) QUALIFIED FIRST- AND SECOND-
 8 YEAR WAGES.—For purposes of subparagraph
 9 (A)—

10 “(i) IN GENERAL.—The term ‘quali-
 11 fied wages’ means, with respect to each 1-
 12 year period referred to in clause (ii) or
 13 (iii), as the case may be, the wages paid or
 14 incurred by the employer during the tax-
 15 able year to any individual but only if—

16 “(I) the employer is engaged in a
 17 trade or business in a renewal com-
 18 munity throughout such 1-year period;

19 “(II) the principal place of abode
 20 of such individual is in such renewal
 21 community throughout such 1-year
 22 period; and

23 “(III) substantially all of the
 24 services which such individual per-
 25 forms for the employer during such 1-

1 year period are performed in such re-
2 newal community.

3 “(ii) QUALIFIED FIRST-YEAR
4 WAGES.—The term ‘qualified first-year
5 wages’ means, with respect to any individ-
6 ual, qualified wages attributable to service
7 rendered during the 1-year period begin-
8 ning with the day the individual begins
9 work for the employer.

10 “(iii) QUALIFIED SECOND-YEAR
11 WAGES.—The term ‘qualified second-year
12 wages’ means, with respect to any individ-
13 ual, qualified wages attributable to service
14 rendered during the 1-year period begin-
15 ning on the day after the last day of the
16 1-year period with respect to such individ-
17 ual determined under clause (ii).”.

18 (b) CONGRUENT TREATMENT OF RENEWAL COMMU-
19 NITIES AND ENTERPRISE ZONES FOR PURPOSES OF
20 YOUTH RESIDENCE REQUIREMENTS.—

21 (1) HIGH-RISK YOUTH.—Subparagraphs (A)(ii)
22 and (B) of section 51(d)(5) are each amended by
23 striking “empowerment zone or enterprise commu-
24 nity” and inserting “empowerment zone, enterprise
25 community, or renewal community”.

1 (2) QUALIFIED SUMMER YOUTH EMPLOYEE.—
 2 Clause (iv) of section 51(d)(7)(A) is amended by
 3 striking “empowerment zone or enterprise commu-
 4 nity” and inserting “empowerment zone, enterprise
 5 community, or renewal community”.

6 (3) HEADINGS.—Paragraphs (5)(B) and (7)(C)
 7 of section 51(d) are each amended by inserting “OR
 8 COMMUNITY” in the heading after “ZONE”.

9 **SEC. 104. CONFORMING AND CLERICAL AMENDMENTS.**

10 (a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY
 11 DEVELOPMENT ACCOUNTS ALLOWABLE WHETHER OR
 12 NOT TAXPAYER ITEMIZES.—Subsection (a) of section 62
 13 (relating to adjusted gross income defined) is amended by
 14 inserting after paragraph (17) the following new para-
 15 graph:

16 “(18) FAMILY DEVELOPMENT ACCOUNTS.—The
 17 deduction allowed by section 1400H(a)(1)(A).”.

18 (b) TAX ON EXCESS CONTRIBUTIONS.—

19 (1) TAX IMPOSED.—Subsection (a) of section
 20 4973 is amended by striking “or” at the end of
 21 paragraph (3), adding “or” at the end of paragraph
 22 (4), and inserting after paragraph (4) the following
 23 new paragraph:

24 “(5) a family development account (within the
 25 meaning of section 1400H(e)).”.

1 (2) EXCESS CONTRIBUTIONS.—Section 4973 is
 2 amended by adding at the end the following new
 3 subsection:

4 “(g) FAMILY DEVELOPMENT ACCOUNTS.—For pur-
 5 poses of this section, in the case of a family development
 6 account, the term ‘excess contributions’ means the sum
 7 of—

8 “(1) the excess (if any) of—

9 “(A) the amount contributed for the tax-
 10 able year to the account (other than a qualified
 11 rollover, as defined in section 1400H(c)(7), or
 12 a contribution under section 1400I), over

13 “(B) the amount allowable as a deduction
 14 under section 1400H for such contributions;
 15 and

16 “(2) the amount determined under this sub-
 17 section for the preceding taxable year reduced by the
 18 sum of—

19 “(A) the distributions out of the account
 20 for the taxable year which were included in the
 21 gross income of the payee under section
 22 1400H(b)(1);

23 “(B) the distributions out of the account
 24 for the taxable year to which rules similar to

1 the rules of section 408(d)(5) apply by reason
 2 of section 1400H(d)(3); and

3 “(C) the excess (if any) of the maximum
 4 amount allowable as a deduction under section
 5 1400H for the taxable year over the amount
 6 contributed to the account for the taxable year
 7 (other than a contribution under section
 8 1400I).

9 For purposes of this subsection, any contribution which
 10 is distributed from the family development account in a
 11 distribution to which rules similar to the rules of section
 12 408(d)(4) apply by reason of section 1400H(d)(3) shall
 13 be treated as an amount not contributed.”.

14 (c) TAX ON PROHIBITED TRANSACTIONS.—Section
 15 4975 is amended—

16 (1) by adding at the end of subsection (c) the
 17 following new paragraph:

18 “(6) SPECIAL RULE FOR FAMILY DEVELOP-
 19 MENT ACCOUNTS.—An individual for whose benefit a
 20 family development account is established and any
 21 contributor to such account shall be exempt from the
 22 tax imposed by this section with respect to any
 23 transaction concerning such account (which would
 24 otherwise be taxable under this section) if, with re-
 25 spect to such transaction, the account ceases to be

1 a family development account by reason of the appli-
 2 cation of section 1400H(d)(2) to such account.”;
 3 and

4 (2) in subsection (e)(1), by striking “or” at the
 5 end of subparagraph (E), by redesignating subpara-
 6 graph (F) as subparagraph (G), and by inserting
 7 after subparagraph (E) the following new subpara-
 8 graph:

9 “(F) a family development account de-
 10 scribed in section 1400H(e), or”.

11 (d) INFORMATION RELATING TO CERTAIN TRUSTS
 12 AND ANNUITY PLANS.—Subsection (c) of section 6047 is
 13 amended—

14 (1) by inserting “or section 1400H” after “sec-
 15 tion 219”; and

16 (2) by inserting “, of any family development
 17 account described in section 1400H(e),”, after “sec-
 18 tion 408(a)”.

19 (e) INSPECTION OF APPLICATIONS FOR TAX EXEMP-
 20 TION.—Clause (i) of section 6104(a)(1)(B) is amended by
 21 inserting “a family development account described in sec-
 22 tion 1400H(e),” after “section 408(a),”.

23 (f) FAILURE TO PROVIDE REPORTS ON FAMILY DE-
 24 VELOPMENT ACCOUNTS.—Paragraph (2) of section
 25 6693(a) is amended by striking “and” at the end of sub-

1 paragraph (C), by striking the period and inserting “,
 2 and” at the end of subparagraph (D), and by adding at
 3 the end the following new subparagraph:

4 “(E) section 1400H(g)(6) (relating to fam-
 5 ily development accounts).”.

6 (g) CONFORMING AMENDMENTS REGARDING COM-
 7 Mercial REVITALIZATION CREDIT.—

8 (1) Section 46 (relating to investment credit) is
 9 amended by striking “and” at the end of paragraph
 10 (2), by striking the period at the end of paragraph
 11 (3) and inserting “, and”, and by adding at the end
 12 the following new paragraph:

13 “(4) the commercial revitalization credit pro-
 14 vided under section 1400K.”.

15 (2) Section 39(d) is amended by adding at the
 16 end the following new paragraph:

17 “(9) NO CARRYBACK OF SECTION 1400K CREDIT
 18 BEFORE DATE OF ENACTMENT.—No portion of the
 19 unused business credit for any taxable year which is
 20 attributable to any commercial revitalization credit
 21 determined under section 1400K may be carried
 22 back to a taxable year ending before the date of the
 23 enactment of section 1400K.”.

24 (3) Subparagraph (B) of section 48(a)(2) is
 25 amended by inserting “or commercial revitalization”

1 after “rehabilitation” each place it appears in the
2 text and heading.

3 (4) Subparagraph (C) of section 49(a)(1) is
4 amended by striking “and” at the end of clause (ii),
5 by striking the period at the end of clause (iii) and
6 inserting “, and”, and by adding at the end the fol-
7 lowing new clause:

8 “(iv) the portion of the basis of any
9 qualified revitalization building attributable
10 to qualified revitalization expenditures.”.

11 (5) Paragraph (2) of section 50(a) is amended
12 by inserting “or 1400K(d)(2)” after “section 47(d)”
13 each place it appears.

14 (6) Subparagraph (A) of section 50(a)(2) is
15 amended by inserting “or qualified revitalization
16 building (respectively)” after “qualified rehabilitated
17 building”.

18 (7) Subparagraph (B) of section 50(a)(2) is
19 amended by adding at the end the following new
20 sentence: “A similar rule shall apply for purposes of
21 section 1400K.”.

22 (8) Paragraph (2) of section 50(b) is amended
23 by striking “and” at the end of subparagraph (C),
24 by striking the period at the end of subparagraph

1 (D) and inserting “; and”, and by adding at the end
2 the following new subparagraph:

3 “(E) a qualified revitalization building (as
4 defined in section 1400K) to the extent of the
5 portion of the basis which is attributable to
6 qualified revitalization expenditures (as defined
7 in section 1400K).”.

8 (9) The last sentence of section 50(b)(3) is
9 amended to read as follows: “If any qualified reha-
10 bilitated building or qualified revitalization building
11 is used by the tax-exempt organization pursuant to
12 a lease, this paragraph shall not apply for purposes
13 of determining the amount of the rehabilitation cred-
14 it or the commercial revitalization credit.”.

15 (10) Subparagraph (C) of section 50(b)(4) is
16 amended—

17 (A) by inserting “or commercial revitaliza-
18 tion” after “rehabilitated” in the text and head-
19 ing; and

20 (B) by inserting “or commercial revitaliza-
21 tion” after “rehabilitation”.

22 (11) Subparagraph (C) of section 469(i)(3) is
23 amended—

24 (A) by inserting “or section 1400K” after
25 “section 42”; and

1 (B) by striking “CREDIT” in the heading
2 and inserting “AND COMMERCIAL REVITALIZA-
3 TION CREDITS”.

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

“Subchapter X. Renewal Communities.”.

7 **SEC. 105. EVALUATION AND REPORTING REQUIREMENTS.**

8 Not later than the close of the fourth calendar year
9 after the year in which the Secretary of Housing and
10 Urban Development first designates an area as a renewal
11 community under section 1400E of the Internal Revenue
12 Code of 1986, and at the close of each fourth calendar
13 year thereafter, such Secretary shall prepare and submit
14 to the Congress a report on the effects of such designa-
15 tions in stimulating the creation of new jobs, particularly
16 for disadvantaged workers and long-term unemployed in-
17 dividuals, and promoting the revitalization of economically
18 distressed areas.

19 **SEC. 106. EXCLUSION OF EFFECTS OF THIS ACT FROM**
20 **PAYGO SCORECARD.**

21 Upon the enactment of this Act, the Director of the
22 Office of Management and Budget shall not make any es-
23 timates of changes in receipts under section 252(d) of the
24 Balanced Budget and Emergency Deficit Control Act of
25 1985 resulting from the enactment of this Act.

TITLE II—ADDITIONAL PROVISIONS

SEC. 201. TRANSFER OF UNOCCUPIED AND SUBSTANDARD HUD-HELD HOUSING IN RENEWAL COMMU- NITIES TO LOCAL GOVERNMENTS.

(a) **TRANSFER REQUIREMENT.**—Pursuant to the authority under section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997, the Secretary shall transfer ownership of any qualified HUD property to the unit of general local government having jurisdiction for the area in which the property is located in accordance with this section, but only if the unit of general local government enters into an agreement with the Secretary meeting the requirements of subsection (d).

(b) **QUALIFIED HUD PROPERTIES.**—For purposes of this section, the term “qualified HUD property” means any unoccupied multifamily housing, project, substandard multifamily housing project, or unoccupied single family property, that is—

(1) owned by the Secretary; and

(2) located within a renewal community.

(c) **TIMING OF TRANSFER.**—Any transfer of ownership required under subsection (a) shall be completed—

1 (1) with respect to any multifamily housing
2 project or single family property that is acquired by
3 the Secretary before the date on which the area in
4 which property is located is designated as a renewal
5 community and that is substandard or unoccupied
6 (as applicable) upon such date, not later than 1 year
7 after such date; and

8 (2) with respect to any multifamily housing
9 project or single family property that is acquired by
10 the Secretary on or after the date on which the area
11 in which the property is located is designated as a
12 renewal community, not later than 1 year after—

13 (A) the date on which the project is deter-
14 mined to be substandard or unoccupied (as ap-
15 plicable), in the case of a property that is not
16 unoccupied or substandard upon acquisition by
17 the Secretary; or

18 (B) the date on which the project is ac-
19 quired by the Secretary, in the case of a prop-
20 erty that is substandard or unoccupied (as ap-
21 plicable) upon such acquisition.

22 (d) AGREEMENTS TO SELL PROPERTY TO COMMU-
23 NITY DEVELOPMENT CORPORATIONS.—An agreement de-
24 scribed in this subsection is an agreement that requires
25 a unit of general local government to dispose of the quali-

1 fied HUD property acquired by the unit of general local
2 government in accordance with the following require-
3 ments:

4 (1) NOTIFICATION TO COMMUNITY DEVELOP-
5 MENT CORPORATIONS.—Not later than 30 days after
6 the date on which the unit of general local govern-
7 ment acquires title to the property under subsection
8 (a), the unit of general local government shall notify
9 each community development corporation located in
10 the State in which the property is located—

11 (A) of such acquisition of title; and

12 (B) that, during the 6-month period begin-
13 ning on the date on which such notification is
14 made, such community development corpora-
15 tions shall have the exclusive right under this
16 subsection to make bona fide offers to purchase
17 the property on a cost recovery basis.

18 (2) RIGHT OF FIRST REFUSAL.—During the 6-
19 month period described in paragraph (1)(B)—

20 (A) the unit of general local government
21 may not sell or offer to sell the qualified HUD
22 property other than to a party notified under
23 paragraph (1), unless each community develop-
24 ment corporation required to be so notified has
25 notified the unit of general local government

1 that the corporation will not make an offer to
2 purchase the property; and

3 (B) the unit of general local government
4 shall accept a bona fide offer to purchase the
5 property made during such period if the offer is
6 acceptable to the unit of general local govern-
7 ment, except that a unit of general local govern-
8 ment may not sell a property to a community
9 development corporation during that 6-month
10 period other than on a cost recovery basis.

11 (3) OTHER DISPOSITION.—During the 6-month
12 period beginning on the expiration of the 6-month
13 period described in paragraph (1)(B), the unit of
14 general local government shall dispose of the prop-
15 erty on a negotiated, competitive bid, or other basis,
16 on such terms as the unit of general local govern-
17 ment deems appropriate.

18 (e) SATISFACTION OF INDEBTEDNESS.—Before
19 transferring ownership of any qualified HUD property
20 pursuant to subsection (a), the Secretary shall satisfy any
21 indebtedness incurred in connection with the property to
22 be transferred, by—

23 (1) canceling the indebtedness; or

1 (2) reimbursing the unit of general local gov-
2 ernment to which the property is transferred for the
3 amount of the indebtedness.

4 (f) DETERMINATION OF STATUS OF PROPERTIES.—
5 To ensure compliance with the requirements of subsection
6 (c), the Secretary shall take the following actions:

7 (1) UPON DESIGNATION OF RENEWAL COMMU-
8 NITIES.—Upon the designation of any renewal com-
9 munity, the Secretary shall promptly assess each
10 residential property owned by the Secretary that is
11 located within such renewal community to determine
12 whether such property is a qualified HUD property.

13 (2) UPON ACQUISITION.—Upon acquiring any
14 residential property that is located with a renewal
15 community, the Secretary shall promptly determine
16 whether the property is a qualified HUD property.

17 (3) UPDATES.—The Secretary shall periodically
18 reassess the residential properties owned by the Sec-
19 retary to determine whether any such properties
20 have become qualified HUD properties.

21 (g) TENANT LEASES.—This section shall not affect
22 the terms or the enforceability of any contract or lease
23 entered into with respect to any residential property before
24 the date that such property becomes a qualified HUD
25 property.

1 (h) PROCEDURES.—Not later than the expiration of
2 the 6-month period beginning on the date of the enact-
3 ment of this Act, the Secretary shall establish, by rule,
4 regulation, or order, such procedures as may be necessary
5 to carry out this section.

6 (i) DEFINITIONS.—For purposes of this section, the
7 following definitions shall apply:

8 (1) COMMUNITY DEVELOPMENT CORPORA-
9 TION.—The term “community development corpora-
10 tion” means a nonprofit organization whose primary
11 purpose is to promote community development by
12 providing housing opportunities for low-income fami-
13 lies.

14 (2) COST RECOVERY BASIS.—The term “cost
15 recovery basis” means, with respect to any sale of a
16 residential property by a unit of general local gov-
17 ernment to a community development corporation
18 under subsection (d)(2), that the purchase price paid
19 by the community development corporation is less
20 than or equal to the costs incurred by the unit of
21 general local government in connection with such
22 property during the period beginning on the date on
23 which the unit of general local government acquires
24 title to the property under subsection (a) and ending
25 on the date on which the sale is consummated.

1 (3) LOW-INCOME FAMILIES.—The term “low-in-
 2 come families” has the meaning given the term in
 3 section 3(b) of the United States Housing Act of
 4 1937.

5 (4) MULTIFAMILY HOUSING PROJECT.—The
 6 term “multifamily housing project” has the meaning
 7 given the term in section 203 of the Housing and
 8 Community Development Amendments of 1978.

9 (5) RENEWAL COMMUNITY.—The term “re-
 10 newal community” means an area designated (under
 11 subchapter X of chapter 1 of the Internal Revenue
 12 Code of 1986) as a renewal community.

13 (6) RESIDENTIAL PROPERTY.—The term “resi-
 14 dential property” means a property that is a multi-
 15 family housing project or a single family property.

16 (7) SECRETARY.—The term “Secretary” means
 17 the Secretary of Housing and Urban Development.

18 (8) SEVERE PHYSICAL PROBLEMS.—The term
 19 “severe physical problems” means, with respect to a
 20 dwelling unit, that the unit—

21 (A) lacks hot or cold piped water, a flush
 22 toilet, or both a bathtub and a shower in the
 23 unit, for the exclusive use of that unit;

24 (B) on not less than 3 separate occasions
 25 during the preceding winter months, was un-

1 comfortably cold for a period of more than 6
2 consecutive hours due to a malfunction of the
3 heating system for the unit;

4 (C) has no functioning electrical service,
5 exposed wiring, any room in which there is not
6 a functioning electrical outlet, or has experi-
7 enced 3 or more blown fuses or tripped circuit
8 breakers during the preceding 90-day period;

9 (D) is accessible through a public hallway
10 in which there are no working light fixtures,
11 loose or missing steps or railings, and no eleva-
12 tor; or

13 (E) has severe maintenance problems, in-
14 cluding water leaks involving the roof, windows,
15 doors, basement, or pipes or plumbing fixtures,
16 holes or open cracks in walls or ceilings, severe
17 paint peeling or broken plaster, and signs of ro-
18 dent infestation.

19 (9) SINGLE FAMILY PROPERTY.—The term
20 “single family property” means a 1- to 4-family resi-
21 dence.

22 (10) SUBSTANDARD.—The term “substandard”
23 means, with respect to a multifamily housing
24 project, that 25 percent or more of the dwelling
25 units in the project have severe physical problems.

12 SEC. 202. PREVENTION AND TREATMENT OF SUBSTANCE
13 ABUSE; SERVICES PROVIDED THROUGH RELI-
14 GIOUS ORGANIZATIONS.

18 “PART G—SERVICES PROVIDED THROUGH RELIGIOUS
19 ORGANIZATIONS

“(a) DESIGNATED PROGRAMS.—Subject to sub-
section (b), this part applies to each program under this
Act that makes awards of Federal financial assistance to
public or private entities for the purpose of carrying out
activities to prevent or treat substance abuse (in this part

1 referred to as a ‘designated program’). Designated pro-
2 grams include the program under subpart II of part B
3 of title XIX (relating to formula grants to the States).

4 “(b) LIMITATION.—This part does not apply to any
5 award of Federal financial assistance under a designated
6 program for a purpose other than the purpose specified
7 in subsection (a).

8 “(c) DEFINITIONS.—For purposes of this part (and
9 subject to subsection (b)):

10 “(1) The term ‘designated award recipient’
11 means a public or private entity that has received an
12 award under a designated program (whether the
13 award is a designated direct award or a designated
14 subaward).

15 “(2) The term ‘designated direct award’ means
16 an award under a designated program that is re-
17 ceived directly from the Federal Government.

18 “(3) The term ‘designated subaward’ means an
19 award of financial assistance made by a non-Federal
20 entity, which award consists in whole or in part of
21 Federal financial assistance provided through an
22 award under a designated program.

23 “(4) The term ‘designated program’ has the
24 meaning given such term in subsection (a).

1 “(5) The term ‘financial assistance’ means a
2 grant, cooperative agreement, contract, or
3 voucherized assistance.

4 “(6) The term ‘program beneficiary’ means an
5 individual who receives program services.

6 “(7) The term ‘program participant’ has the
7 meaning given such term in section 582(a)(2).

8 “(8) The term ‘program services’ means treat-
9 ment for substance abuse, or preventive services re-
10 garding such abuse, provided pursuant to an award
11 under a designated program.

12 “(9) The term ‘religious organization’ means a
13 nonprofit religious organization.

14 “(10) The term ‘voucherized assistance’
15 means—

16 “(A) a system of selecting and reimbursing
17 program services in which—

18 “(i) the beneficiary is given a docu-
19 ment or other authorization that may be
20 used to pay for program services;

21 “(ii) the beneficiary chooses the orga-
22 nization that will provide services to him or
23 her according to rules specified by the des-
24 ignated award recipient; and

1 “(iii) the organization selected by the
2 beneficiary is reimbursed by the designated
3 award recipient for program services pro-
4 vided; or

5 “(B) any other mode of financial assist-
6 ance to pay for program services in which the
7 program beneficiary determines the allocation
8 of program funds through his or her selection
9 of one service provider from among alternatives.

10 **“SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM PAR-**
11 **TICIPANTS.**

12 “(a) IN GENERAL.—

13 “(1) SCOPE OF AUTHORITY.—Notwithstanding
14 any other provision of law, a religious
15 organization—

16 “(A) may be a designated award recipient;

17 “(B) may make designated subawards to
18 other public or nonprofit private entities (in-
19 cluding other religious organizations);

20 “(C) may provide for the provision of pro-
21 gram services to program beneficiaries through
22 the use of voucherized assistance; and

23 “(D) may be a provider of services under
24 a designated program, including a provider that
25 accepts voucherized assistance.

1 “(2) DEFINITION OF PROGRAM PARTICIPANT.—

2 For purposes of this part, the term ‘program partici-
3 pant’ means a public or private entity that has re-
4 ceived a designated direct award, or a designated
5 subaward, regardless of whether the entity provides
6 program services. Such term includes an entity
7 whose only participation in a designated program is
8 to provide program services pursuant to the accept-
9 ance of voucherized assistance.

10 “(b) RELIGIOUS ORGANIZATIONS.—The purpose of
11 this section is to allow religious organizations to be pro-
12 gram participants on the same basis as any other non-
13 profit private provider without impairing the religious
14 character of such organizations, and without diminishing
15 the religious freedom of program beneficiaries.

16 “(c) NONDISCRIMINATION AGAINST RELIGIOUS
17 ORGANIZATIONS.—

18 “(1) FINDINGS.—The Congress finds that the
19 establishment clause of the first amendment to the
20 Constitution of the United States does not require
21 that—

22 “(A) social-welfare programs discriminate
23 against faith-based providers of services; or

24 “(B) faith-based providers of services, as a
25 prerequisite to participation in Federal pro-

1 grams, abandon their religious character and
2 censor their religious expression.

3 “(2) NONDISCRIMINATION.—Religious organiza-
4 tions are eligible to be program participants on the
5 same basis as any other nonprofit private organiza-
6 tion. Neither the Federal Government nor a State
7 receiving funds under such programs shall discrimi-
8 nate against an organization that is or applies to be
9 a program participant on the basis that the organi-
10 zation has a religious character.

11 “(d) RELIGIOUS CHARACTER AND FREEDOM.—

12 “(1) RELIGIOUS ORGANIZATIONS.—Except as
13 provided in this section, any religious organization
14 that is a program participant shall retain its inde-
15 pendence from Federal, State, and local government,
16 including such organization’s control over the defini-
17 tion, development, practice, and expression of its re-
18 ligious beliefs.

19 “(2) ADDITIONAL SAFEGUARDS.—Neither the
20 Federal Government nor a State shall require a reli-
21 gious organization to—

22 “(A) alter its form of internal governance;

23 or

24 “(B) remove religious art, icons, scripture,

25 or other symbols;

1 in order to be a program participant.

2 “(e) NONDISCRIMINATION IN EMPLOYMENT.—

3 “(1) IN GENERAL.—Except as provided in para-
4 graph (2), nothing in this section shall be construed
5 to modify or affect the provisions of any other Fed-
6 eral or State law or regulation that relates to dis-
7 crimination in employment on the basis of religion.

8 “(2) EXCEPTION.—A religious organization
9 that is a program participant may require that an
10 employee rendering programs services adhere to—

11 “(A) the religious beliefs and practices of
12 such organization; and

13 “(B) any rules of the organization regard-
14 ing the use of drugs or alcohol.

15 “(f) RIGHTS OF PROGRAM BENEFICIARIES.—With
16 respect to an individual who is a program beneficiary or
17 a prospective program beneficiary, if the individual objects
18 to a program participant on the basis that the participant
19 is a religious organization, the following applies:

20 “(1) If the organization received a designated
21 direct award, the organization shall arrange for the
22 individual to receive program services through an al-
23 ternative entity.

24 “(2) If the organization received a designated
25 subaward, the non-Federal entity that made the

1 subaward shall arrange for the individual to receive
2 the program services through an alternative program
3 participant.

4 “(3) If the organization is providing services
5 pursuant to voucherized assistance, the designated
6 award recipient that operates the voucherized assist-
7 ance program shall arrange for the individual to re-
8 ceive the program services through an alternative
9 provider.

10 “(4) Arrangements under any of paragraphs
11 (1) through (3) with an alternative entity shall pro-
12 vide for program services the monetary value of
13 which is not less than the monetary value of the pro-
14 gram services that the individual would have re-
15 ceived from the religious organization involved.

16 “(5) NONDISCRIMINATION.—

17 “(A) IN GENERAL.—Except as provided in
18 subparagraph (B) or as otherwise provided in
19 law, a religious organization that is a program
20 participant shall not in providing program serv-
21 ices discriminate against a program beneficiary
22 on the basis of religion or religious belief.

23 “(B) LIMITATION.—A religious organiza-
24 tion that is a program participant may require
25 a program beneficiary who has elected in ac-

1 cordance with paragraph (1) to receive program
2 services from such organization—

3 “(i) to actively participate in religious
4 practice, worship, and instruction; and

5 “(ii) to follow rules of behavior de-
6 vised by the organizations that are reli-
7 gious in content or origin.

8 “(g) FISCAL ACCOUNTABILITY.—

9 “(1) IN GENERAL.—Except as provided in para-
10 graph (2), any religious organization that is a pro-
11 gram participant shall be subject to the same regula-
12 tions as other recipients of awards of Federal finan-
13 cial assistance to account, in accordance with gen-
14 erally accepted auditing principles, for the use of the
15 funds provided under such awards.

16 “(2) LIMITED AUDIT.—With respect to the
17 award involved, if a religious organization that is a
18 program participant maintains the Federal funds in
19 a separate account from non-Federal funds, then
20 only the Federal funds shall be subject to audit.

21 “(h) COMPLIANCE.—With respect to compliance with
22 this section by an agency, a religious organization may
23 obtain judicial review of agency action in accordance with
24 chapter 7 of title 5, United States Code.

1 **“SEC. 583. LIMITATIONS ON USE OF FUNDS FOR CERTAIN**
2 **PURPOSES.**

3 “(a) IN GENERAL.—Except as provided in subsection
4 (b), no funds provided directly to an entity under a des-
5 ignated program shall be expended for sectarian worship
6 or instruction.

7 “(b) EXCEPTION.—Subsection (a) shall not apply to
8 assistance provided to or on behalf of a program bene-
9 ficiary if the beneficiary may choose where such assistance
10 is redeemed or allocated.

11 **“SEC. 584. ADMINISTRATION OF PROGRAM AND TREAT-**
12 **MENT OF FUNDS.**

13 “(a) FUNDS NOT AID TO INSTITUTIONS.—Financial
14 assistance under a designated program provided to or on
15 behalf of program beneficiaries is aid to the beneficiary,
16 not to the organization providing program services. The
17 receipt by a program beneficiary of program services at
18 the facilities of the organization shall not constitute Fed-
19 eral financial assistance to the organization involved.

20 “(b) PROHIBITION ON STATE DISCRIMINATION IN
21 USE OF FUNDS.—No provision in any State constitution
22 or State law shall be construed to prohibit the expenditure
23 of Federal funds under a designated program in a reli-
24 gious facility or by a religious organization that is a pro-
25 gram participant. If a State law or constitution would pre-
26 vent the expenditure of State or local public funds in such

1 a facility or by such an organization, then the State or
2 local government shall segregate the Federal funds from
3 State or other public funds for purposes of carrying out
4 the designated program.

5 **“SEC. 585. EDUCATIONAL REQUIREMENTS FOR PERSONNEL**
6 **IN DRUG TREATMENT PROGRAMS.**

7 “(a) FINDINGS.—The Congress finds that—

8 “(1) establishing formal educational qualifica-
9 tion for counselors and other personnel in drug
10 treatment programs may undermine the effective-
11 ness of such programs; and

12 “(2) such formal educational requirements for
13 counselors and other personnel may hinder or pre-
14 vent the provision of needed drug treatment services.

15 “(b) LIMITATION ON EDUCATIONAL REQUIREMENTS
16 OF PERSONNEL.—

17 “(1) TREATMENT OF RELIGIOUS EDUCATION.—

18 If any State or local government that is a program
19 participant imposes formal educational qualifications
20 on providers of program services, including religious
21 organizations, such State or local government shall
22 treat religious education and training of personnel
23 as having a critical and positive role in the delivery
24 of program services. In applying educational quali-
25 fications for personnel in religious organizations,

1 such State or local government shall give credit for
2 religious education and training equivalent to credit
3 given for secular course work in drug treatment or
4 any other secular subject that is of similar grade
5 level and duration.

6 “(2) RESTRICTION OF DISCRIMINATION RE-
7 QUIREMENTS.—

8 “(A) IN GENERAL.—Subject to paragraph
9 (1), a State or local government that is a pro-
10 gram participant may establish formal edu-
11 cational qualifications for personnel in organiza-
12 tions providing program services that contribute
13 to success in reducing drug use among program
14 beneficiaries.

15 “(B) EXCEPTION.—The Secretary shall
16 waive the application of any educational quali-
17 fication imposed under subparagraph (A) for an
18 individual religious organization, if the Sec-
19 retary determines that—

20 “(i) the religious organization has a
21 record of prior successful drug treatment
22 for at least the preceding three years;

23 “(ii) the educational qualifications
24 have effectively barred such religious orga-

1 nization from becoming a program pro-
 2 vider;

3 “(iii) the organization has applied to
 4 the Secretary to waive the qualifications;
 5 and

6 “(iv) the State or local government
 7 has failed to demonstrate empirically that
 8 the educational qualifications in question
 9 are necessary to the successful operation of
 10 a drug treatment program.”.

11 **SEC. 203. CRA CREDIT FOR INVESTMENTS IN COMMUNITY**
 12 **DEVELOPMENT ORGANIZATIONS LOCATED IN**
 13 **RENEWAL COMMUNITIES.**

14 Section 804 of the Community Reinvestment Act of
 15 1977 (12 U.S.C. 2903) is amended by adding at the end
 16 the following new subsection:

17 “(c) INVESTMENTS IN CERTAIN COMMUNITY DEVEL-
 18 OPMENT ORGANIZATIONS.—In assessing and taking into
 19 account, under subsection (a), the record of a regulated
 20 financial institution, the appropriate Federal financial su-
 21 pervisory agency may consider, as a factor, investments
 22 of the institution in, and capital investment, loan partici-
 23 pation, and other ventures undertaken by the institution
 24 in cooperation with, any community development organi-
 25 zation (as defined in section 234 of the Bank Enterprise

1 Act of 1991) which is located in a renewal community (as
2 designated under section 1400E of the Internal Revenue
3 Code of 1986).”.

○