

109TH CONGRESS  
1ST SESSION

# H. R. 4404

To amend the Internal Revenue Code of 1986 to allow a credit against tax for qualified equity investments in companies affected by Hurricane Katrina.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 2005

Mr. JEFFERSON introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a credit against tax for qualified equity investments in companies affected by Hurricane Katrina.

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 “Americans Helping  
5 Americans Tax Credit Act of 2005”.

6 **SEC. 2. KATRINA INVESTMENT TAX CREDIT.**

7 (a) IN GENERAL.—Subpart D of part IV of sub-  
8 chapter A of chapter 1 (relating to business related cred-

1 its) is amended by adding at the end the following new  
 2 section:

3 **“SEC. 45N. KATRINA INVESTMENT TAX CREDIT.**

4       “(a) GENERAL RULE.—For purposes of section 38,  
 5 in the case of a recovery area company, the Katrina invest-  
 6 ment tax credit determined under this section for the tax-  
 7 able year is an amount equal to 25 percent of the amount  
 8 of the qualified equity investments made by the recovery  
 9 area company during the taxable year.

10       “(b) QUALIFIED EQUITY INVESTMENT.—For pur-  
 11 poses of this section—

12               “(1) IN GENERAL.—The term ‘qualified equity  
 13 investment’ means—

14                       “(A) the transfer of cash, cash equivalents,  
 15 or other property in exchange for stock or cap-  
 16 ital interest in a recovery area company, and

17                       “(B) the cost of any qualified property ac-  
 18 quired by a recovery area company to be used  
 19 in its trade or business.

20       “(2) RECOVERY AREA COMPANY.—The term  
 21 ‘recovery area company’ means a domestic corpora-  
 22 tion or partnership—

23                       “(A) the principal place of business of  
 24 which is physically located in an area deter-  
 25 mined by the President before October 15,

1           2005, to warrant individual or individual and  
2           public assistance from the Federal Government  
3           under the Robert T. Stafford Disaster Relief  
4           and Emergency Assistance Act by reason of  
5           Hurricane Katrina,

6                 “(B) at least 50 percent of the gross in-  
7           come of which is derived from the conduct of  
8           business in such area or the coastal waters ad-  
9           jacent thereto,

10                “(C) a substantial portion of the use of the  
11           tangible personal property of such entity  
12           (whether owned or leased) is within such area  
13           or the coastal waters adjacent thereto, and

14                “(D) a substantial portion of the services  
15           performed by such entity or by its employees  
16           are performed in such area or in the coastal  
17           waters adjacent thereto.

18                “(3) QUALIFIED PROPERTY.—The term ‘quali-  
19           fied property’ means section 1245 property (as de-  
20           fined in section 1245(a)(3)).

21                “(c) RECAPTURE OF CREDIT.—

22                “(1) IN GENERAL.—If, at any time during the  
23           5-year period beginning on the date on which a  
24           qualified equity investment in a recovery area com-  
25           pany is made, there is a recapture event with respect

1 to such investment, then the tax imposed by this  
2 chapter for the taxable year in which such event oc-  
3 curs shall be increased by the credit recapture  
4 amount.

5 “(2) CREDIT RECAPTURE AMOUNT.—For pur-  
6 poses of paragraph (1), the credit recapture amount  
7 is an amount equal to the applicable percentage of  
8 an amount equal to the sum of—

9 “(A) the aggregate decrease in the credits  
10 allowed to the taxpayer under section 38 for all  
11 prior taxable years which would have resulted if  
12 no credit had been determined under this sec-  
13 tion with respect to such investment, plus

14 “(B) interest at the underpayment rate es-  
15 tablished under section 6621 on the amount de-  
16 termined under subparagraph (A) for each  
17 prior taxable year for the period beginning on  
18 the due date for filing the return for the prior  
19 taxable year involved.

20 No deduction shall be allowed under this chapter for  
21 interest described in subparagraph (B).

22 “(3) APPLICABLE PERCENTAGE.—For purposes  
23 of paragraph (2), the applicable percentage is—

24 “(A) in the case of a recapture event that  
25 occurs within 1 year after the date that the

1 qualified equity investment is made, 100 per-  
2 cent,

3 “(B) in the case of a recapture event that  
4 occurs within 2 years after such date, 80 per-  
5 cent,

6 “(C) in the case of a recapture event that  
7 occurs within 3 years after such date, 60 per-  
8 cent,

9 “(D) in the case of a recapture event that  
10 occurs within 4 years after such date, 40 per-  
11 cent, and

12 “(E) in the case of a recapture event that  
13 occurs within 5 years after such date, 20 per-  
14 cent.

15 “(4) RECAPTURE EVENT.—For purposes of this  
16 subsection, there is a recapture event with respect to  
17 a qualified equity investment if—

18 “(A) the recovery area company that made  
19 such investment ceases to be a recovery area  
20 company,

21 “(B) the qualified equity investment is re-  
22 deemed by the recovery area company that  
23 made such investment, or

24 “(C) the qualified property acquired by a  
25 recovery area company ceases to be used by the

1 recovery area company in its trade or business  
2 or such property is sold or otherwise disposed  
3 of by the recovery area company.

4 “(d) CREDIT MAY BE TRANSFERRED.—

5 “(1) IN GENERAL.—Nothing in any law or rule  
6 of law shall be construed to limit the transferability  
7 of the credit allowed by this section through sale or  
8 repurchase agreements.

9 “(2) TRANSFERRED CREDIT EXCLUDED FROM  
10 GROSS INCOME.—The amount of a credit that is  
11 transferred through sale or repurchase agreements  
12 pursuant to this section shall not be included in  
13 gross income by the taxpayer to whom the credit is  
14 transferred.

15 “(e) TERMINATION.—This section shall not apply to  
16 qualified equity investments made after December 31,  
17 2007.”.

18 (b) CREDIT MADE PART OF GENERAL BUSINESS  
19 CREDIT.—Subsection (b) of section 38 of such Code is  
20 amended by striking “and” at the end of paragraph (25),  
21 by striking the period at the end of paragraph (26) and  
22 inserting “, and”, and by adding at the end the following  
23 new paragraph:

24 “(27) the Katrina investment tax credit deter-  
25 mined under section 45N(a).”.

1       (c) CLERICAL AMENDMENT.—The table of sections  
2 for subpart D of part IV of subchapter A of chapter 1  
3 of such Code is amended by adding at the end the fol-  
4 lowing new item:

“Sec. 45N. Katrina investment tax credit.”.

5       (d) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to qualified equity investments  
7 made after September 1, 2005, in taxable years ending  
8 after such date.

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