

109TH CONGRESS  
1ST SESSION

# H. R. 614

To amend the Internal Revenue Code of 1986 to provide tax incentives and job training grants for communities affected by the migration of businesses and jobs to Canada or Mexico as a result of the North American Free Trade Agreement.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 8, 2005

Mr. MCINTYRE introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives and job training grants for communities affected by the migration of businesses and jobs to Canada or Mexico as a result of the North American Free Trade Agreement.

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 “NAFTA-Impacted  
5 Communities Relief Act”.

1 **SEC. 2. DESIGNATION OF AND TAX INCENTIVES FOR**  
 2 **NAFTA-IMPACTED COMMUNITIES.**

3 (a) IN GENERAL.—Chapter 1 of the Internal Rev-  
 4 enue Code of 1986 is amended by adding at the end the  
 5 following new subchapter:

6 **“Subchapter Z—NAFTA-Impacted**  
 7 **Communities**

“Sec. 1400M. Designation of NAFTA-impacted communities.

“Sec. 1400N. NAFTA-impacted community employment credit.

“Sec. 1400O. Increase in expensing under Section 179.

“Sec. 1400P. NAFTA-impacted community business defined.

8 **“SEC. 1400M. DESIGNATION OF NAFTA-IMPACTED COMMU-**  
 9 **NITIES.**

10 “(a) DESIGNATION.—

11 “(1) NAFTA-IMPACTED COMMUNITY.—For  
 12 purposes of this title, the term ‘NAFTA-impacted  
 13 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 commu-  
 17 nity impacted by the North American Free  
 18 Trade Agreement (hereinafter in this section re-  
 19 ferred to as a ‘nominated area’), and

20 “(B) which the Secretary of Commerce  
 21 designates as a NAFTA-impacted community,  
 22 after consultation with—

1 “(i) in the case of an area in a rural  
2 area, the Secretary of Agriculture;

3 “(ii) in the case of an area in an  
4 urban area, the Secretary of Housing and  
5 Urban Development; and

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

9 “(2) NUMBER OF DESIGNATIONS.—The Sec-  
10 retary of Commerce may designate not more than  
11 35 nominated areas as NAFTA-impacted commu-  
12 nities.

13 “(3) AREAS DESIGNATED BASED ON DEGREE  
14 OF LOSS OF JOBS RESULTING FROM NAFTA, ETC.—  
15 Except as otherwise provided in this section, the  
16 nominated areas designated as NAFTA-impacted  
17 communities under this subsection shall be those  
18 nominated areas with the highest average ranking  
19 with respect to the criteria described in subsection  
20 (c)(3). For purposes of the preceding sentence, an  
21 area shall be ranked within each such criterion on  
22 the basis of the amount by which the area exceeds  
23 such criterion, with the area which exceeds such cri-  
24 terion by the greatest amount given the highest  
25 ranking.

1 “(4) LIMITATION ON DESIGNATIONS.—

2 “(A) PUBLICATION OF REGULATIONS.—

3 The Secretary of Commerce shall prescribe by  
4 regulation no later than 4 months after the  
5 date of the enactment of this section, after con-  
6 sultation with the officials described in para-  
7 graph (1)(B)—

8 “(i) the procedures for nominating an  
9 area under paragraph (1)(A),

10 “(ii) the parameters relating to the  
11 size and population characteristics of a  
12 NAFTA-impacted community, and

13 “(iii) the manner in which nominated  
14 areas will be evaluated based on the cri-  
15 teria specified in subsection (c).

16 “(B) PROCEDURAL RULES.—The Secretary  
17 of Commerce shall not make any designation of  
18 a nominated area as a NAFTA-impacted com-  
19 munity under paragraph (2) unless—

20 “(i) a nomination regarding such area  
21 is submitted in such a manner and in such  
22 form, and contains such information, as  
23 the Secretary of Commerce shall by regula-  
24 tion prescribe, and

1 “(ii) the Secretary of Commerce de-  
2 termines that any information furnished is  
3 reasonably accurate.

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

11 “(b) PERIOD FOR WHICH DESIGNATION IS IN EF-  
12 FECT.—

13 “(1) IN GENERAL.—Any designation of an area  
14 as a NAFTA-impacted community shall remain in  
15 effect during the period beginning on the date of the  
16 designation and ending on the earliest of—

17 “(A) December 31, 2012,

18 “(B) the termination date designated by  
19 the State and local governments in their nomi-  
20 nation, or

21 “(C) the date the Secretary of Commerce  
22 revokes such designation.

23 “(2) REVOCATION OF DESIGNATION.—The Sec-  
24 retary of Commerce may revoke the designation  
25 under this section of an area if the Secretary deter-

1 mines that the loss of jobs and other effects of  
2 NAFTA on the area have been substantially allevi-  
3 ated. Such determination shall include, at a min-  
4 imum, a finding that the unemployment rate in the  
5 area is equal to or lower than the national unem-  
6 ployment rate, and a finding that new businesses are  
7 being attracted to the area.

8 “(c) AREA AND ELIGIBILITY REQUIREMENTS.—

9 “(1) IN GENERAL.—The Secretary of Com-  
10 merce may designate a nominated area as a  
11 NAFTA-impacted community under subsection (a)  
12 only if the area meets the requirements of para-  
13 graphs (2) and (3) of this subsection.

14 “(2) AREA REQUIREMENTS.—For purposes of  
15 paragraph (1), a nominated area meets the require-  
16 ments of this paragraph if—

17 “(A) the area is within the jurisdiction of  
18 one or more local governments,

19 “(B) the boundary of the area is contin-  
20 uous,

21 “(C) the area does not include an em-  
22 powerment zone (as defined in section 1393(b)),  
23 and

24 “(D) the area does not include a renewal  
25 community designated under section 1400E.

1 “(3) ELIGIBILITY REQUIREMENTS.—

2 “(A) IN GENERAL.—For purposes of para-  
3 graph (1), a nominated area meets the require-  
4 ments of this paragraph if the State and the  
5 local governments in which it is located certify  
6 (and the Secretary of Commerce, after such re-  
7 view of Department of Labor data and other  
8 appropriate supporting data as he deems appro-  
9 priate, accepts such certification) that—

10 “(i) the unemployment rate in the  
11 area, as determined by the most recent  
12 available data, was at least 1 percentage  
13 point above the national unemployment  
14 rate for the period to which such data re-  
15 late, and

16 “(ii) in the case of—

17 “(I) a rural area, at least 300  
18 workers who live or work in the area  
19 have been certified as eligible to apply  
20 for NAFTA transitional adjustment  
21 assistance under subchapter D of  
22 chapter 2 of title II of the Trade Act  
23 of 1974 (19 U.S.C. 2341 et seq.), and

24 “(II) an urban area, at least 500  
25 workers have been so certified.

1                   “(B) RURAL AREA DEFINED.—For pur-  
2                   poses of this section, the term ‘rural area’  
3                   means an area—

4                   “(i) which is within a local govern-  
5                   ment jurisdiction or jurisdictions with a  
6                   population of less than 10,000,

7                   “(ii) which is outside of a metropoli-  
8                   tan statistical area (within the meaning of  
9                   section 143(k)(2)(B)), or

10                  “(iii) which is determined by the Sec-  
11                  retary of Commerce, after consultation  
12                  with the Secretary of Agriculture, to be a  
13                  rural area.

14                  “(C) URBAN AREA DEFINED.—For pur-  
15                  poses of this section, the term ‘urban area’  
16                  means any area that is not a rural area.

17                  “(d) COORDINATION WITH TREATMENT OF ENTER-  
18                  PRISE COMMUNITIES.—For purposes of this title, if there  
19                  are in effect with respect to the same area both—

20                  “(1) a designation as a NAFTA-impacted com-  
21                  munity, and

22                  “(2) a designation as an enterprise community,  
23                  both of such designations shall be given full effect with  
24                  respect to such area.

1       “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
2 poses of this subchapter, rules similar to the rules of para-  
3 graphs (5) and (7) of section 1393 shall apply.

4       **“SEC. 1400N. NAFTA-IMPACTED COMMUNITY EMPLOYMENT**  
5                   **CREDIT.**

6       “(a) AMOUNT OF CREDIT.—For purposes of section  
7 38, the amount of the NAFTA-impacted community em-  
8 ployment credit determined under this section with respect  
9 to any employer for any taxable year is 8.5 percent of the  
10 qualified NAFTA-impacted community wages paid or in-  
11 curred during the calendar year which ends with or within  
12 such taxable year.

13       “(b) QUALIFIED NAFTA-IMPACTED COMMUNITY  
14 WAGES.—

15               “(1) IN GENERAL.—For purposes of this sec-  
16 tion, the term ‘qualified NAFTA-impacted commu-  
17 nity wages’ means any wages paid or incurred by an  
18 employer for services performed by an employee  
19 while such employee is a qualified NAFTA-impacted  
20 community employee.

21               “(2) ONLY FIRST \$15,000 OF WAGES PER YEAR  
22 TAKEN INTO ACCOUNT.—With respect to each quali-  
23 fied NAFTA-impacted community employee, the  
24 amount of qualified NAFTA-impacted community

1 wages which may be taken into account for a cal-  
2 endar year shall not exceed \$15,000.

3 “(3) COORDINATION WITH WORK OPPORTUNITY  
4 CREDIT.—

5 “(A) IN GENERAL.—The term ‘qualified  
6 NAFTA-impacted community wages’ shall not  
7 include wages taken into account in deter-  
8 mining the credit under section 51.

9 “(B) COORDINATION WITH PARAGRAPH  
10 (2).—The \$15,000 amount in paragraph (2)  
11 shall be reduced for any calendar year by the  
12 amount of wages paid or incurred during such  
13 year which are taken into account in deter-  
14 mining the credit under section 51.

15 “(c) QUALIFIED NAFTA-IMPACTED COMMUNITY  
16 EMPLOYEE.—For purposes of this section—

17 “(1) IN GENERAL.—Except as otherwise pro-  
18 vided in this subsection, the term ‘qualified NAFTA-  
19 impacted community employee’ means, with respect  
20 to any period, any employee of an employer if—

21 “(A) substantially all of the services per-  
22 formed during such period by such employee for  
23 such employer are performed within a NAFTA-  
24 impacted community in a trade or business of  
25 the employer, and

1 “(B) the principal place of abode of such  
2 employee while performing such services is  
3 within such NAFTA-impacted community.

4 “(2) OTHER RULES.—Rules similar to the rules  
5 of paragraphs (2) and (3) of section 1396(d) shall  
6 apply.

7 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—  
8 For purposes of this section, the rules of section 1397  
9 shall apply.

10 **“SEC. 1400O. INCREASE IN EXPENSING UNDER SECTION 179.**

11 “(a) GENERAL RULE.—In the case of a NAFTA-im-  
12 pacted community business (as defined in section 1400P),  
13 for purposes of section 179—

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

16 “(A) \$10,000, or

17 “(B) the cost of section 179 property  
18 which is qualified NAFTA-impacted property  
19 placed in service during the taxable year, and

20 “(2) the amount taken into account under sec-  
21 tion 179(b)(2) with respect to any section 179 prop-  
22 erty which is qualified NAFTA-impacted property  
23 shall be 50 percent of the cost thereof.

24 “(b) RECAPTURE.—Rules similar to the rules under  
25 section 179(d)(10) shall apply with respect to any quali-

1 fied NAFTA-impacted property which ceases to be used  
 2 in a NAFTA-impacted community by a NAFTA-impacted  
 3 community business.

4 “(c) QUALIFIED NAFTA-IMPACTED PROPERTY.—  
 5 For purposes of this section—

6 “(1) IN GENERAL.—The term ‘qualified  
 7 NAFTA-impacted property’ means section 179 prop-  
 8 erty (as defined in section 179(d)) if—

9 “(A) such property was acquired by the  
 10 taxpayer after December 31, 2001, and before  
 11 January 1, 2011, and

12 “(B) such property would be qualified zone  
 13 property (as defined in section 1397C) if ref-  
 14 erences to NAFTA-impacted communities were  
 15 substituted for references to empowerment  
 16 zones in section 1397C.

17 “(2) CERTAIN RULES TO APPLY.—The rules of  
 18 subsections (a)(2) and (b) of section 1397C shall  
 19 apply for purposes of this section.

20 **“SEC. 1400P. NAFTA-IMPACTED COMMUNITY BUSINESS DE-**  
 21 **FINED.**

22 “For purposes of this part, the term ‘NAFTA-im-  
 23 pacted community business’ means any entity or propri-  
 24 etorship which would be a qualified business entity or  
 25 qualified proprietorship under section 1397C if references

1 to NAFTA-impacted communities were substituted for  
 2 references to empowerment zones in such section.”.

3 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

4 (1) NAFTA-IMPACTED COMMUNITY EMPLOY-  
 5 MENT CREDIT PART OF GENERAL BUSINESS CRED-  
 6 IT.—Subsection (b) of section 38 of such Code (re-  
 7 lating to current year business credit) is amended by  
 8 striking “plus” at the end of paragraph (18), by  
 9 striking the period at the end of paragraph (19) and  
 10 inserting “, plus”, and by adding at the end the fol-  
 11 lowing new paragraph:

12 “(20) the NAFTA-impacted community employ-  
 13 ment credit determined under section 1400N(a).”.

14 (2) DENIAL OF DEDUCTION FOR PORTION OF  
 15 WAGES EQUAL TO NAFTA-IMPACTED COMMUNITY  
 16 EMPLOYMENT CREDIT.—

17 (A) Subsection (a) of section 280C of such  
 18 Code (relating to rule for employment credits)  
 19 is amended by striking “and 1396(a)” and in-  
 20 serting “1396(a), and 1400N(a)”.

21 (B) Subsection (c) of section 196 of such  
 22 Code (relating to deduction for certain unused  
 23 business credits) is amended by striking “and”  
 24 at the end of paragraph (11), by striking the  
 25 period at the end of paragraph (12) and insert-

1 ing “, and”, and by adding at the end the fol-  
 2 lowing new paragraph:

3 “(13) the NAFTA-impacted community employ-  
 4 ment credit determined under section 1400N(a).”.

5 (3) CARRYOVERS.—Subsection (c) of section  
 6 381 of such Code (relating to carryovers in certain  
 7 corporate acquisitions) is amended by adding at the  
 8 end the following new paragraph:

9 “(27) NAFTA-IMPACTED COMMUNITY PROVI-  
 10 SIONS.—The acquiring corporation shall take into  
 11 account (to the extent proper to carry out the pur-  
 12 poses of this section and subchapter XI, and under  
 13 such regulations as may be prescribed by the Sec-  
 14 retary) the items required to be taken into account  
 15 for purposes of subchapter XI in respect of the dis-  
 16 tributor or transferor corporation.”.

17 (c) CLERICAL AMENDMENTS.—The table of sub-  
 18 chapters for chapter 1 of such Code is amended by adding  
 19 at the end the following new item:

“SUBCHAPTER Z. NAFTA-IMPACTED COMMUNITIES”.

20 **SEC. 3. GRANTS FOR JOB TRAINING ASSISTANCE FOR**  
 21 **NAFTA-IMPACTED COMMUNITIES.**

22 (a) IN GENERAL.—The Secretary of Labor shall pro-  
 23 vide grants to States that contain NAFTA-impacted com-  
 24 munities, as designated under section 1400M of the Inter-  
 25 nal Revenue Code of 1986 (as added by section 2(a) of

1 this Act), for the purpose of providing sub-grants to non-  
2 profit organizations and community or junior colleges in  
3 order to provide short-term job training courses, courses  
4 in entrepreneurship and self-employment, and other related  
5 job training assistance that will promote the economic self-  
6 sufficiency of individuals located in NAFTA-impacted  
7 communities.

8 (b) MAXIMUM AMOUNT OF GRANT.—The total  
9 amount provided under a grant to a State under sub-  
10 section (a) for a fiscal year may not exceed the product  
11 of—

12 (1) \$1,000,000; and

13 (2) the number of NAFTA-impacted commu-  
14 nities located in the State.

15 (c) AUTHORIZATION OF APPROPRIATIONS.—

16 (1) IN GENERAL.—There are authorized to be  
17 appropriated to carry out this section \$35,000,000  
18 for each of the fiscal years 2006 through 2012.

19 (2) AVAILABILITY.—Amounts appropriated pur-  
20 suant to the authorization of appropriations under  
21 paragraph (1) are authorized to remain available  
22 until expended.

○