

110TH CONGRESS  
1ST SESSION

# S. 1627

To amend the Internal Revenue Code of 1986 to extend and expand the benefits for businesses operating in empowerment zones, enterprise communities, or renewal communities, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JUNE 14, 2007

Mrs. LINCOLN (for herself, Ms. SNOWE, Ms. LANDRIEU, Mr. LOTT, Mr. SCHUMER, Mr. VITTER, Mr. ROCKEFELLER, Ms. COLLINS, Mrs. CLINTON, and Mr. INHOFE) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to extend and expand the benefits for businesses operating in empowerment zones, enterprise communities, or renewal 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.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Empowerment Zone and Renewal Community Enhance-  
6       ment Act of 2007”.

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

7 **SEC. 2. EXTENSION OF BENEFITS.**

8 (a) EMPOWERMENT ZONES.—

9 (1) ROUNDS I AND II DESIGNATIONS.—Section  
 10 1391(d)(1) is amended—

11 (A) by striking “December 31, 2009” in  
 12 subparagraph (A)(i) and inserting “December  
 13 31, 2015”, and

14 (B) by adding at the end the following new  
 15 flush sentence:

16 “For purposes of section 1396, subparagraph (A)  
 17 shall be applied by substituting ‘December 31, 2009’  
 18 for ‘December 31, 2015’ in the case of designations  
 19 made under subsection (a).”.

20 (2) ROUND III DESIGNATIONS.—Section  
 21 1391(h)(2) is amended by striking “December 31,  
 22 2009” and inserting “December 31, 2015”.

23 (b) RURAL ENTERPRISE COMMUNITIES.—Section  
 24 1391(d)(1)(A) is amended by striking clause (ii) and in-  
 25 serting the following new clauses:

1 “(ii) in the case of an enterprise commu-  
 2 nity designated in an urban area, the close of  
 3 the 10th calendar year beginning on or after  
 4 such date of designation, or

5 “(iii) in the case of an enterprise commu-  
 6 nity designated in a rural area, December 31,  
 7 2015,”.

8 (c) RENEWAL COMMUNITIES.—

9 (1) Sections 1400E(b) and 1400I(g) are each  
 10 amended by striking “December 31, 2009” and in-  
 11 serting “December 31, 2015”.

12 (2) Sections 1400E(b)(3), 1400F(b), and  
 13 1400J(b) are each amended by striking “January 1,  
 14 2010” and inserting “January 1, 2016”.

15 (3) Section 1400F(d) is amended—

16 (A) by striking “December 31, 2010” and  
 17 inserting “December 31, 2016”, and

18 (B) by striking “December 31, 2014” and  
 19 inserting “December 31, 2020”.

20 (4) Section 1400I(d)(2)(A) is amended by strik-  
 21 ing “2010” and inserting “2016”.

22 **SEC. 3. REVISION OF BENEFITS.**

23 (a) SAFE HARBOR FOR MEETING REQUIREMENT  
 24 THAT 35 PERCENT OF EMPLOYEES BE RESIDENTS OF  
 25 ZONE.—

1           (1) IN GENERAL.—Section 1397C (defining en-  
 2           terprise zone business) is amended by adding at the  
 3           end the following new subsection:

4           “(g) ADDITIONAL SAFE HARBOR FOR MEETING RE-  
 5           QUIREMENT THAT 35 PERCENT OF EMPLOYEES BE RESI-  
 6           DENTS OF ZONE.—The requirements of subsections (b)(6)  
 7           and (c)(5) shall not fail to be treated as met for any period  
 8           with respect to a qualified business if—

9           “(1) as of the date of issuance of an issue, the  
 10          date property is placed in service, or the date of the  
 11          sale of an asset, it is reasonably expected that within  
 12          3 years after such date the business will increase  
 13          employment by at least the lesser of—

14          “(A) in the case of—

15                 “(i) a business located in a renewal  
 16                 community or in a rural area (as defined  
 17                 in section 1393(a)(2)) in an empowerment  
 18                 zone or enterprise community, 500 full-  
 19                 time employees, or

20                 “(ii) a business located outside a rural  
 21                 area (as so defined) in an empowerment  
 22                 zone or enterprise community, 1,000 full-  
 23                 time employees, or

24          “(B) 10 percent of the number of full-time  
 25          employees estimated to have been employed in

1           such zone or community on the date of its des-  
2           ignation,

3           “(2) as of the date of issuance of the issue, it  
4           is reasonably expected that as a result of the bonds  
5           the business will increase employment by at least  
6           one job for each \$150,000 in face amount of the  
7           issue,

8           “(3) at any time within 3 years after the date  
9           of the issuance of an issue, the date property is  
10          placed in service, or the date of the sale of an asset,  
11          the requirements of such subsections are met, or

12          “(4) the business enters into a binding agree-  
13          ment with the appropriate local government employ-  
14          ment agency to apply a first source rule to advertise  
15          and prioritize employment opportunities with such  
16          business for qualified residents of such zone or com-  
17          munity.”.

18          (2) EFFECTIVE DATE.—The amendment made  
19          by this subsection shall take effect on the date of the  
20          enactment of this Act, except that in the case of ob-  
21          ligations which are outstanding on such date, such  
22          date shall be deemed the date of issuance for such  
23          obligations.

24          (b) ELIGIBILITY OF BUSINESSES DEVELOPING OR  
25          HOLDING INTANGIBLES.—

1           (1) IN GENERAL.—Paragraph (4) of section  
 2       1397C(d) is amended by inserting before the period  
 3       “unless the intangibles are developed within the em-  
 4       powerment zone”.

5           (2) EFFECTIVE DATE.—The amendment made  
 6       by this subsection shall apply to taxable years begin-  
 7       ning after the date of the enactment of this Act.

8       (c) REDUCED WAGE CREDIT ALLOWABLE FOR ZONE  
 9       RESIDENTS EMPLOYED OUTSIDE THE ZONE; EMPLOYEES  
 10      NEED NOT BE RESIDENTS OF ZONE IN WHICH EM-  
 11      PLOYED.—

12           (1) IN GENERAL.—Subsection (b) of section  
 13       1396 is amended to read as follows:

14       “(b) APPLICABLE PERCENTAGE.—

15           “(1) QUALIFIED ZONE EMPLOYEES WHO PER-  
 16       FORM SUBSTANTIALLY ALL OF THEIR SERVICES IN  
 17       AN EMPOWERMENT ZONE.—The applicable percent-  
 18       age is 20 percent with respect to qualified zone em-  
 19       ployees who would meet the requirement of sub-  
 20       section (d)(1) if only services performed within an  
 21       empowerment zone were taken into account.

22           “(2) OTHER QUALIFIED ZONE EMPLOYEES.—

23           “(A) IN GENERAL.—The applicable per-  
 24       centage is—

1 “(i) 20 percent in the case of des-  
 2 ignated qualified zone employees of em-  
 3 ployers which are enterprise zone busi-  
 4 nesses, and

5 “(ii) 10 percent in the case of any  
 6 other designated qualified zone employee.

7 “(B) LIMITATIONS ON NUMBER OF DES-  
 8 IGNATED EMPLOYEES.—

9 “(i) IN GENERAL.—For purposes of  
 10 subparagraph (A), the term ‘designated  
 11 qualified zone employee’ means a qualified  
 12 zone employee—

13 “(I) to whom paragraph (1) does  
 14 not apply, and

15 “(II) who is designated under  
 16 this subparagraph.

17 “(ii) MANNER OF DESIGNATIONS.—  
 18 Designations under this subparagraph  
 19 shall be made by the local government or  
 20 governments which nominated the area to  
 21 be an empowerment zone.

22 “(iii) LIMITATION ON DESIGNA-  
 23 TIONS.—The number of employees for  
 24 whom a designation under this subpara-  
 25 graph is in effect at any one time with re-

1                   spect to each empowerment zone shall not  
2                   exceed—

3                               “(I) 500 for purposes of subpara-  
4                               graph (A)(i), and

5                               “(II) 2,000 for purposes of sub-  
6                               paragraph (A)(ii).”.

7                   (2) QUALIFIED ZONE EMPLOYEE.—Paragraph  
8                   (1) of section 1396(d) is amended—

9                               (A) by striking “within an empowerment  
10                              zone” in subparagraph (A), and

11                             (B) by striking “such empowerment zone”  
12                             in subparagraph (B) and inserting “an em-  
13                             powerment zone”.

14                   (3) EFFECTIVE DATE.—The amendments made  
15                   by this subsection shall apply to taxable years begin-  
16                   ning after the date of the enactment of this Act.

17                   (d) CARRYFORWARD OF UNALLOCATED STATE COM-  
18                   MERCIAL REVITALIZATION EXPENDITURE CEILING.—

19                             (1) IN GENERAL.—Paragraph (1) of section  
20                             1400I(d) is amended to read as follows:

21                             “(1) IN GENERAL.—The aggregate commercial  
22                             revitalization expenditure amount which a commer-  
23                             cial revitalization agency may allocate for any cal-  
24                             endar year is the amount equal to the sum of—



1           “(A) the amount of the State commercial  
 2           revitalization expenditure ceiling determined  
 3           under this paragraph for such calendar year for  
 4           such agency (determined without regard to sub-  
 5           paragraph (B)), and

6           “(B) the aggregate of the unused State  
 7           commercial revitalization expenditure ceilings  
 8           determined under this paragraph for such agen-  
 9           cy for each of the 2 preceding calendar years.

10          For purposes of subparagraph (B), amounts of ex-  
 11          penditure ceiling shall be treated as allocated by an  
 12          agency first from unused amounts for the second  
 13          preceding calendar year, then from unused amounts  
 14          for the 1st preceding calendar year, and then from  
 15          amounts from the current year State allocation.”.

16          (2) EFFECTIVE DATE.—The amendment made  
 17          by this subsection shall apply to calendar years be-  
 18          ginning after the date of the enactment of this Act.

19          (e) COMMERCIAL REVITALIZATION DEDUCTION FOR  
 20          BUILDING EXPANSIONS.—

21               (1) IN GENERAL.—Section 1400I(b)(1) is  
 22          amended—

23                       (A) by striking “any building (and its  
 24                       structural components) if”,

1 (B) by inserting “any building (and its  
2 structural components) if” before “the building  
3 is placed” in subparagraph (A),

4 (C) by striking “or” at the end of subpara-  
5 graph (A),

6 (D) by striking “such building not de-  
7 scribed in subparagraph (A),” in subparagraph  
8 (B) and inserting “any building (and its struc-  
9 tural components) not described in subpara-  
10 graph (A) if”,

11 (E) by striking the period at the end of  
12 subparagraph (B)(ii) and inserting “, or”, and

13 (F) by adding at the end the following new  
14 subparagraph:

15 “(C) in the case of any expansion of a  
16 building not described in subparagraph (A) or  
17 (B), such expansion if—

18 “(i) such expansion is made to a  
19 building owned by the taxpayer,

20 “(ii) the taxpayer provides a detailed  
21 accounting of the distinct capital costs at-  
22 tributable to such expansion, and

23 “(iii) such expansion is placed in serv-  
24 ice by the taxpayer in a renewal commu-

1                   nity and the original use of such expansion  
2                   begins with the taxpayer.”.

3                   (2) EFFECTIVE DATE.—The amendments made  
4                   by this subsection shall apply to property placed in  
5                   service after the date of the enactment of this Act.

6                   (f) AUTHORITY TO EXPAND BOUNDARIES OF ZONES  
7                   AND COMMUNITIES.—

8                   (1) EMPOWERMENT ZONES AND ENTERPRISE  
9                   COMMUNITIES.—Section 1391 is amended by adding  
10                  at the end the following new subsection:

11               “(i) AUTHORITY TO EXPAND BOUNDARIES OF DES-  
12               IGNATED AREAS.—

13               “(1) IN GENERAL.—At the request of all gov-  
14               ernments which nominated an area as an empower-  
15               ment zone or enterprise community, the appropriate  
16               Secretary may expand the area of such zone or com-  
17               munity to include 1 or more noncontiguous areas if  
18               such governments establish to the satisfaction of the  
19               appropriate Secretary that such expansion furthers  
20               the purposes of the designation of the initial area as  
21               such a zone or community.

22               “(2) RURAL AREAS.—With respect to any em-  
23               powerment zone or enterprise community located in  
24               a rural area, at the request of the nominating local  
25               government, the appropriate Secretary shall expand

1 the area of such zone or community to include the  
2 entire area of such nominating local government, but  
3 only if—

4 “(A) either—

5 “(i) the poverty rate and the unem-  
6 ployment rate for such entire area as de-  
7 termined by the 2000 decennial census  
8 data was at least 110 percent of such rate  
9 for the United States, or

10 “(ii) during the period beginning with  
11 the 1990 decennial census and ending with  
12 the 2000 decennial census, such entire  
13 area has a net out migration of inhabitants  
14 of at least 10 percent of the population of  
15 such area, and

16 “(B) such entire area meets 1 or more of  
17 the following criteria determined by the 2000  
18 decennial census data:

19 “(i) Median household income is not  
20 more than 70 percent of such income for  
21 the United States.

22 “(ii) Per capita income is not more  
23 than 75 percent of such income for the  
24 United States.

1                   “(iii) The percentage of such area’s  
 2                   population which is disabled is at least 130  
 3                   percent of such percentage for the United  
 4                   States.”.

5                   (2) RENEWAL COMMUNITIES.—Section 1400E  
 6                   is amended by adding at the end the following new  
 7                   subsection:

8                   “(h) AUTHORITY TO EXPAND BOUNDARIES OF DES-  
 9                   IGNATED AREAS.—

10                  “(1) IN GENERAL.—At the request of all gov-  
 11                  ernments which nominated an area as a renewal  
 12                  community, the Secretary of Housing and Urban  
 13                  Development may expand the area of such commu-  
 14                  nity to include 1 or more noncontiguous areas if  
 15                  such governments establish to the satisfaction of  
 16                  such Secretary that such expansion furthers the pur-  
 17                  poses of the designation of the initial area as a re-  
 18                  newal community.

19                  “(2) RURAL AREAS.—With respect to any re-  
 20                  newal community located in a rural area, at the re-  
 21                  quest of the nominating local government, the Sec-  
 22                  retary of Housing and Urban Development shall ex-  
 23                  pand the area of such community to include the en-  
 24                  tire area of such nominating local government, but  
 25                  only if—

1 “(A) either—

2 “(i) the poverty rate and the unem-  
3 ployment rate for such entire area as de-  
4 termined by the 2000 decennial census  
5 data was at least 110 percent of such rate  
6 for the United States, or

7 “(ii) during the period beginning with  
8 the 1990 decennial census and ending with  
9 the 2000 decennial census, such entire  
10 area has a net out migration of inhabitants  
11 of at least 10 percent of the population of  
12 such area, and

13 “(B) such entire area meets 1 or more of  
14 the following criteria determined by the 2000  
15 decennial census data:

16 “(i) Median household income is not  
17 more than 70 percent of such income for  
18 the United States.

19 “(ii) Per capita income is not more  
20 than 75 percent of such income for the  
21 United States.

22 “(iii) The percentage of such area’s  
23 population which is disabled is at least 130  
24 percent of such percentage for the United  
25 States.”.

1           (3) EFFECTIVE DATE.—The amendments made  
 2       by this subsection shall take effect on the date of the  
 3       enactment of this Act.

4       (g) MODIFICATION OF REQUIREMENT FOR EXPAND-  
 5       ING DESIGNATED AREA BASED ON 2000 CENSUS.—

6           (1) IN GENERAL.—Clause (ii) of section  
 7       1400E(g)(1)(A) is amended to read as follows:

8                       “(ii) such tract has a poverty rate  
 9                       using 2000 census data—

10                               “(I) which is at least 20 percent,  
 11                               or

12                               “(II) which exceeds the poverty  
 13                       rate for such tract using 1990 census  
 14                       data.”.

15       (2) EFFECTIVE DATE.—The amendment made  
 16       by this subsection shall take effect on the date of the  
 17       enactment of this Act.

18       (h) REPEAL OF EXCLUSION OF CENTRAL BUSINESS  
 19       DISTRICT FROM ELIGIBILITY AS DESIGNATED AREA.—

20       (1) IN GENERAL.—Paragraph (3) of section  
 21       1392(a) is amended by adding “and” at the end of  
 22       subparagraph (B), by striking “, and” at the end of  
 23       subparagraph (C) and inserting a period, and by  
 24       striking subparagraph (D).

1           (2) EFFECTIVE DATE.—The amendments made  
2       by this subsection shall take effect on the date of the  
3       enactment of this Act.

4           (i) CARRYOVER OF UNUSED INCREASED SECTION  
5 179 EXPENSING LIMIT.—

6           (1) IN GENERAL.—Subparagraph (A) of section  
7       1397A(a)(1) is amended to read as follows:

8                       “(A) the sum of—

9                               “(i) \$35,000, and

10                              “(ii) the aggregate of the unused in-  
11                              creased limitations for each of the 2 pre-  
12                              ceding taxable years, or”.

13           (2) UNUSED INCREASED LIMITATION.—Section  
14       1392 is amended by adding at the end the following  
15       new subsection:

16           “(c) UNUSED INCREASED LIMITATION.—For pur-  
17       poses of subsection (a)(1)(A)—

18                       “(1) IN GENERAL.—The unused increased limi-  
19       tation for any taxable year is the excess (but not  
20       more than \$35,000) of the limitation under section  
21       179(b)(1) as increased under subsection (a) over the  
22       cost of section 179 property which is qualified zone  
23       property placed in service during the taxable year.

24           “(2) ORDERING RULE.—The limitation under  
25       section 179(b)(1) as increased under subsection (a)



1 shall be treated as used first from unused limitation  
 2 for the second preceding calendar year, then from  
 3 unused limitation for the 1st preceding calendar  
 4 year, and then from such limitation for the current  
 5 year.”.

6 (3) EFFECTIVE DATE.—The amendments made  
 7 by this subsection shall apply to taxable years begin-  
 8 ning after the date of the enactment of this Act.

9 (j) ELECTION OF FINANCING ARRANGEMENT IN  
 10 LIEU OF TAX BENEFITS.—

11 (1) IN GENERAL.—Section 1396 is amended by  
 12 adding at the end the following new subsection:

13 “(e) ELECTION OF FINANCING ARRANGEMENT IN  
 14 LIEU OF TAX BENEFITS.—

15 “(1) IN GENERAL.—At the election of any sig-  
 16 nificant empowerment zone business, for the pay-  
 17 ment period of the debt obligation designated in  
 18 such election by such business—

19 “(A) such business—

20 “(i) shall not be allowed an empower-  
 21 ment zone employment credit described in  
 22 subsection (a), and

23 “(ii) shall not be allowed any deduc-  
 24 tion for depreciation under section 168

1           with respect to qualified zone property,  
2           and

3           “(B) the Secretary shall make the pay-  
4           ments described in paragraph (2) to the holder  
5           of such debt obligation (or in the event that  
6           there is more than 1 holder, to such trustee  
7           designated by the electing business to accept  
8           such payments on behalf of such holders).

9           “(2) PAYMENTS.—

10           “(A) IN GENERAL.—At the beginning of  
11           each year of the payment period, the Secretary  
12           shall pay (out of any money in the Treasury not  
13           otherwise appropriated) to the holder of the  
14           debt obligation designated by such business an  
15           amount equal to—

16           “(i) the empowerment zone employ-  
17           ment credit computed each year under this  
18           section as if the election was not made  
19           under this subsection, and

20           “(ii) the cost recovery benefit de-  
21           scribed in subparagraph (B),  
22           paid in equal installments (or as adjusted pur-  
23           suant to paragraph (4)(A)) over the payment  
24           period described in subparagraph (C).

1           “(B) COST RECOVERY BENEFIT.—For pur-  
2           poses of subparagraph (A), the cost recovery  
3           benefit shall be an amount equal to 25 percent  
4           of—

5                   “(i) the cost of any tangible property  
6                   which is qualified zone property (including  
7                   improvements to such tangible property)  
8                   incurred by the significant empowerment  
9                   zone business, and

10                   “(ii) any such cost for which a bind-  
11                   ing contract for financing the acquisition  
12                   of such tangible property (including im-  
13                   provements to such tangible property) has  
14                   been made by such business and which  
15                   under the terms of the financing is to be  
16                   incurred within the first 5 full calendar  
17                   years beginning after the date of the elec-  
18                   tion made under this subsection.

19           “(C) PAYMENT PERIOD.—The payment pe-  
20           riod is the period of 15 calendar years begin-  
21           ning with the earlier of—

22                   “(i) the calendar year specified (be-  
23                   fore the beginning of such year) by the sig-  
24                   nificant empowerment zone business as the  
25                   1st year of the payment period without re-

1                   gard to the date the property is placed in  
2                   service, or

3                   “(ii) the 5th calendar year beginning  
4                   after the date that the election under this  
5                   subsection is made.

6                   “(3) SIGNIFICANT EMPOWERMENT ZONE BUSI-  
7                   NESS.—For purposes of this subsection, the term  
8                   ‘significant empowerment zone business’ means any  
9                   trade or business operating in an empowerment zone  
10                  if—

11                  “(A) such business is nominated by the  
12                  chief executive or the legislative body of the  
13                  State or a local government in which the zone  
14                  property is located, and

15                  “(B) the Secretary of Housing and Urban  
16                  Development determines that—

17                       “(i) it is a facility for qualified re-  
18                       search as defined in section 41(d) which is  
19                       reasonably anticipated to make at least  
20                       \$50,000,000 of capital expenditures within  
21                       the first 3 years of the payment period, or

22                       “(ii) with respect to any other busi-  
23                       ness, it is reasonably anticipated that such  
24                       business will increase employment in such

1 zone by the end of the first 3 years of the  
2 payment period by at least the lesser of—

3 “(I) 1,000 full-time employees or  
4 equivalents, or

5 “(II) 10 percent of the number  
6 of full-time employees estimated to  
7 have been employed in such zone on  
8 the date of its designation.

9 “(4) SPECIAL RULES.—

10 “(A) ADJUSTMENT TO COST RECOVERY  
11 BENEFIT.—In the event that the significant em-  
12 powerment zone business does not incur a cost  
13 within the period described in paragraph (2)(B)  
14 and for which a cost recovery benefit payment  
15 is made under this subsection, the Secretary  
16 shall reduce future recovery benefit payments to  
17 recover 110 percent of the overpayments in  
18 equal installments over the remaining payment  
19 period.

20 “(B) BASIS ADJUSTMENT.—For purposes  
21 of this subtitle, if a cost recovery payment is  
22 made under this subsection with respect to any  
23 property, the basis of such property shall be re-  
24 duced by the amount of such payment.

1           “(5) TREATMENT OF PAYMENTS.—Any pay-  
 2           ment made under this subsection shall not be treat-  
 3           ed as a Federal Government guarantee for purposes  
 4           of section 149(b).”.

5           (2) CONFORMING AMENDMENT.—Section  
 6           1016(a) is amended by striking “and” at the end of  
 7           paragraph (36), by striking the period at the end of  
 8           paragraph (37) and inserting “, and”, and by add-  
 9           ing at the end the following new paragraph:

10           “(38) to the extent provided in section  
 11           1396(e)(4)(B).”.

12           (3) EFFECTIVE DATE.—The amendments made  
 13           by this subsection shall apply to taxable years begin-  
 14           ning after the date of the enactment of this Act.

15           (k) CERTAIN FEDERALLY GUARANTEED BONDS  
 16           ISSUED TO PROVIDE INVESTMENTS IN EMPOWERMENT  
 17           ZONES AND RENEWAL COMMUNITIES PERMITTED TO BE  
 18           TAX-EXEMPT, ETC.—

19           (1) IN GENERAL.—Subparagraph (A) of section  
 20           149(b)(3) is amended by striking “or” at the end of  
 21           clause (ii), by striking the period at the end of  
 22           clause (iii) and inserting “, or”, and by adding at  
 23           the end the following new clause:

24                           “(iv) any guarantee by a Federal  
 25                           Home Loan Bank for a bond 95 percent or

1 more of the net proceeds of which are to  
 2 be used to provide property in an em-  
 3 powerment zone or renewal community.”.

4 (2) EFFECTIVE DATE.—The amendments made  
 5 by this subsection shall apply to bonds issued after  
 6 the date of the enactment of this Act.

7 (l) TAX-EXEMPT INTEREST OF FINANCIAL INSTITU-  
 8 TIONS ON ZONE FACILITY BONDS NOT SUBJECT TO IN-  
 9 TEREST DISALLOWANCE.—

10 (1) IN GENERAL.—Subparagraph (B) of section  
 11 265(b)(3) (defining qualified bond) is amended by  
 12 adding at the end the following new clause:

13 “(iii) ENTERPRISE ZONE FACILITY  
 14 BONDS.—The term ‘qualified tax-exempt  
 15 obligation’ includes any obligation which is  
 16 treated as an exempt facility bond by sec-  
 17 tion 1394.”.

18 (2) EFFECTIVE DATE.—The amendment made  
 19 by this subsection shall apply to taxable years begin-  
 20 ning after the date of the enactment of this Act.

21 (m) DEVELOPABLE SITES POPULATION CLARIFICA-  
 22 TION.—

23 (1) IN GENERAL.—Subparagraph (C) of section  
 24 1391(g)(3) (relating to modifications to eligibility  
 25 criteria, etc.) is amended to read as follows:

1 “(C) POPULATION LIMITATION.—

2 “(i) AGGREGATE POPULATION LIMITA-  
 3 TION.—The aggregate population limita-  
 4 tion under the last sentence of subsection  
 5 (b)(2) shall not apply to a designation  
 6 under paragraph (1).

7 “(ii) EXCEPTION FOR DEVELOPABLE  
 8 SITES.—The parcels described in subpara-  
 9 graph (A)(iii) shall not be taken into ac-  
 10 count in determining whether the require-  
 11 ment of section 1392(a)(1)(A) is met.”.

12 (2) EFFECTIVE DATE.—The amendment made  
 13 by this subsection shall take effect on the date of the  
 14 enactment of this Act.

15 (n) REPORTING.—The Secretary of the Treasury (or  
 16 the Secretary’s delegate) shall annually submit to the  
 17 Committee on Ways and Means of the House of Rep-  
 18 resentatives and the Committee on Finance of the Senate  
 19 a report detailing for each empowerment zone, enterprise  
 20 community, and renewal community the amount and type  
 21 of claimed tax benefits.



1 **SEC. 4. ADDITIONAL ACCESS TO CAPITAL BY RURAL EN-**  
 2 **TERPRISE COMMUNITIES.**

3 Section 1394 (relating to tax-exempt enterprise zone  
 4 facility bonds) is amended by adding at the end the fol-  
 5 lowing new subsection:

6 “(g) BONDS FOR RURAL ENTERPRISE COMMU-  
 7 NITIES.—

8 “(1) IN GENERAL.—In the case of a rural en-  
 9 terprise community bond—

10 “(A) such bond shall not be treated as a  
 11 private activity bond for purposes of section  
 12 146, and

13 “(B) subsections (c) and (f)(2) of this sec-  
 14 tion shall not apply.

15 “(2) LIMITATION OF AMOUNT OF BONDS.—

16 “(A) IN GENERAL.—Paragraph (1) shall  
 17 apply to a rural enterprise community bond  
 18 only if such bond is designated for purposes of  
 19 this subsection by the Secretary of Agriculture  
 20 for the area to which such bond relates.

21 “(B) LIMITATION ON BONDS DES-  
 22 IGNATED.—The aggregate face amount of  
 23 bonds which may be designated under subpara-  
 24 graph (A) with respect to all rural enterprise  
 25 communities shall not exceed \$200,000,000.

26 “(C) SPECIAL RULES.—

1 “(i) COORDINATION WITH OTHER LIM-  
 2 ITATIONS.—Bonds to which paragraph (1)  
 3 applies shall not be taken into account in  
 4 applying the limitation of subsection (c) or  
 5 (f)(2) to other bonds.

6 “(ii) CURRENT REFUNDING NOT  
 7 TAKEN INTO ACCOUNT.—In the case of a  
 8 refunding (or series of refundings) of a  
 9 bond designated under this paragraph, the  
 10 refunding obligation shall be treated as  
 11 designated under this paragraph (and shall  
 12 not be taken into account in applying sub-  
 13 paragraph (B)) if—

14 “(I) the amount of the refunding  
 15 bond does not exceed the outstanding  
 16 amount of the refunded bond, and

17 “(II) the refunded bond is re-  
 18 deemed not later than 90 days after  
 19 the date of issuance of the refunding  
 20 bond.

21 “(3) RURAL ENTERPRISE COMMUNITY BOND.—  
 22 For purposes of this subsection, the term ‘rural en-  
 23 terprise community bond’ means any bond which  
 24 would be described in subsection (a) if all rural en-

1       terprise communities were taken into account under  
2       sections 1397C and 1397D.

3               “(4) DESIGNATION PROCEDURE.—The Sec-  
4       retary of Agriculture shall establish within 90 days  
5       after the date of the enactment of this subsection,  
6       the procedure for the nomination and selection of  
7       rural enterprise communities with respect to the des-  
8       ignation of rural enterprise community bonds.”.

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