

111TH CONGRESS
1ST SESSION

H. R. 3500

To amend the Internal Revenue Code of 1986 to extend and modify the benefits available in empowerment zones and other tax-incentive areas.

IN THE HOUSE OF REPRESENTATIVES

JULY 31, 2009

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

A BILL

To amend the Internal Revenue Code of 1986 to extend and modify the benefits available in empowerment zones and other tax-incentive areas.

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 “Small and Medium Urban Regions Growth and Em-
6 powerment Act of 2009” or the “SURGE Act of 2009”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment
10 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. FINDINGS.**

4 The Congress hereby finds the following:

5 (1) Businesses in Empowerment Zones with
6 less population density are disadvantaged from
7 reaching the 35 percent employment rule, making
8 them significantly less likely to be eligible for tax-ex-
9 empt facility bonds and section 179 expensing.

10 (2) Businesses in Empowerment Zones with
11 less population density have a much smaller pool of
12 eligible employees to choose from in order to access
13 the employee wage credits.

14 (3) Increasing empowerment zone coverage area
15 into disadvantaged communities that are not cur-
16 rently covered by the zone is difficult, bureaucratic
17 and lengthy.

18 (4) There are too many limitations placed on
19 the type of businesses that are eligible for the credit,
20 making places such as small biotech firms, spas, and
21 family-owned and operated businesses ineligible.

22 (5) Workforce development and on-the-job
23 training is needed to allow companies to transition
24 to newer technologies or begin new hires for newly
25 begun ventures.

1 **SEC. 3. EXTENSION OF BENEFITS.**

2 (a) EMPOWERMENT ZONES.—

3 (1) ROUNDS I AND II DESIGNATIONS.—Section
4 1391(d)(1) is amended by striking “December 31,
5 2009” in subparagraph (A)(i) and inserting “De-
6 cember 31, 2019”.

7 (2) ROUND III DESIGNATIONS.—Section
8 1391(h)(2) is amended by striking “December 31,
9 2009” and inserting “December 31, 2019”.

10 (b) RURAL ENTERPRISE COMMUNITIES.—Section
11 1391(d)(1)(A) is amended by striking “or” at the end of
12 clause (i) and by striking clause (ii) and inserting the fol-
13 lowing new clauses:

14 “(ii) in the case of an enterprise com-
15 munity not described in clause (iii), the
16 close of the 10th calendar year beginning
17 on or after such date of designation, or

18 “(iii) in the case of an enterprise com-
19 munity designated in a rural area pursuant
20 to section 766 of division A of the Omni-
21 bus Consolidated and Emergency Supple-
22 mental Appropriations Act, 1999, Decem-
23 ber 31, 2019,”.

24 (c) RENEWAL COMMUNITIES.—

25 (1) Sections 1400E(b) and 1400I(g) are each
26 amended by striking “December 31, 2009” each

1 place it appears and inserting “December 31,
2 2019”.

3 (2) Sections 1400E(b)(3), 1400F(b), and
4 1400J(b) are each amended by striking “January 1,
5 2010” each place it appears and inserting “January
6 1, 2020”.

7 (3) Section 1400F(c)(2) amended by striking
8 “December 31, 2014” and inserting “December 31,
9 2024”.

10 (4) Section 1400F(d) is amended by striking
11 “December 31, 2014” and inserting “December 31,
12 2024”.

13 (5) Section 1400I(d)(2)(A) is amended by strik-
14 ing “2010” and inserting “2020”.

15 (d) TREATMENT OF TERMINATION DATES SPECI-
16 FIED IN NOMINATIONS.—

17 (1) Paragraph (1) of section 1391(d) is amend-
18 ed by adding at the end the following new flush sen-
19 tence:

20 “The termination date referred to in subparagraph
21 (B) shall be treated as being no earlier than the ter-
22 mination date under subparagraph (A) unless an
23 earlier termination date is designated under sub-
24 paragraph (B) after the date of the enactment of
25 this sentence.”.

1 (2) Paragraph (1) of section 1400E(b) of such
 2 Code is amended by adding at the end the following
 3 new flush sentence:

4 “‘The termination date referred to in subparagraph
 5 (B) shall be treated as being no earlier than the ter-
 6 mination date under subparagraph (A) unless an
 7 earlier termination date is designated under sub-
 8 paragraph (B) after the date of the enactment of
 9 this sentence”.

10 **SEC. 4. EXPANSION OF BUSINESSES ELIGIBLE FOR BENE-**
 11 **FITS; EXPANSION OF ELIGIBLE BUSINESS AC-**
 12 **TIVITIES.**

13 (a) EXPANSION OF QUALIFIED BUSINESS ENTI-
 14 TIES.—

15 (1) IN GENERAL.—Subsections (b) and (c) of
 16 section 1397C are amended to read as follows:

17 “(b) QUALIFIED BUSINESS ENTITY.—For purposes
 18 of this section, the term ‘qualified business entity’ means,
 19 with respect to any taxable year, any corporation or part-
 20 nership if for such year—

21 “(1) any trade or business of such entity is the
 22 active conduct of a qualified business within an em-
 23 powerment zone,

24 “(2) at least 35 percent of its employees are
 25 residents of an empowerment zone,

1 “(3) less than 5 percent of the average of the
2 aggregate unadjusted bases of the property of such
3 entity is attributable to collectibles (as defined in
4 section 408(m)(2)) other than collectibles that are
5 held primarily for sale to customers in the ordinary
6 course of such business, and

7 “(4) less than 5 percent of the average of the
8 aggregate unadjusted bases of the property of such
9 entity is attributable to nonqualified financial prop-
10 erty.

11 “(c) QUALIFIED PROPRIETORSHIP.—For purposes of
12 this section, the term ‘qualified proprietorship’ means,
13 with respect to any taxable year, any qualified business
14 carried on by an individual as a proprietorship if for such
15 year—

16 “(1) at least 35 percent of such employees are
17 residents of an empowerment zone,

18 “(2) less than 5 percent of the average of the
19 aggregate unadjusted bases of the property of such
20 individual which is used in such business is attrib-
21 utable to collectibles (as defined in section
22 408(m)(2)) other than collectibles that are held pri-
23 marily for sale to customers in the ordinary course
24 of such business, and

1 “(3) less than 5 percent of the average of the
 2 aggregate unadjusted bases of the property of such
 3 individual which is used in such business is attrib-
 4 utable to nonqualified financial property.
 5 For purposes of this subsection, the term ‘employee’ in-
 6 cludes the proprietor.”.

7 (2) CONFORMING AMENDMENTS.—

8 (A) Subsection (e) of section 1400 is
 9 amended by striking “subsections (b)(6) and
 10 (c)(5)” and inserting “subsections (b)(2) and
 11 (c)(1)”.

12 (B) Paragraph (2) of section 1400B(c) is
 13 amended by inserting “(as in effect on the day
 14 before the date of the enactment of the Small
 15 and Medium Urban Regions Growth and Em-
 16 powerment Act of 2009)” after “1397C”.

17 (b) MODIFICATION OF EMPLOYMENT REQUIREMENT
 18 FOR BUSINESSES LOCATED IN AREAS WITH LOWER POP-
 19 ULATION DENSITY.—

20 (1) DEFINITION OF QUALIFIED BUSINESS ENTI-
 21 TY.—Section 1397C is amended by adding at the
 22 end the following new subsection:

23 “(g) MODIFICATION OF EMPLOYMENT REQUIRE-
 24 MENT FOR BUSINESSES LOCATED IN AREAS WITH
 25 LOWER POPULATION DENSITY.—

1 “(1) IN GENERAL.—In the case of businesses
 2 located in a lower-density empowerment zone, sub-
 3 sections (b)(2) and (c)(1) shall be applied by treat-
 4 ing employees as residents of the empowerment zone
 5 if they are residents of a census tract—

6 “(A) which is an area of pervasive poverty,
 7 unemployment, and general distress (within the
 8 meaning of section 1400E(c)(3)(A)), and

9 “(B) any point on the boundary of which
 10 is within 50 miles of any point on the boundary
 11 of the empowerment zone.

12 “(2) LOWER-DENSITY EMPOWERMENT ZONE.—
 13 For purposes of paragraph (1), the term ‘lower den-
 14 sity empowerment zone’ means any empowerment
 15 zone the average population of population census
 16 tracts within such zone is less than 3,000.’.”

17 (2) EMPLOYMENT CREDIT.—Paragraph (1) of
 18 section 1396(d) is amended by adding at the end the
 19 following new flush sentence:

20 “In the case of businesses located in a lower-density
 21 empowerment zone (as defined in section
 22 1397C(g)(2)), subparagraph (B) shall be applied by
 23 treating employees as residents of the empowerment
 24 zone if they are residents of a census tract which is
 25 an area of pervasive poverty, unemployment, and

1 general distress (within the meaning of section
2 1400E(c)(3)(A)), and any point on the boundary of
3 such tract is within 50 miles of any point on the
4 boundary of the empowerment zone.”.

5 (c) EXPANSION OF ELIGIBLE BUSINESS ACTIVI-
6 TIES.—

7 (1) RENTING REAL OR PERSONAL PROPERTY
8 PERMITTED.—

9 (A) IN GENERAL.—Subsection (d) of sec-
10 tion 1397C is amended by striking paragraphs
11 (2) and (3).

12 (B) RECOVERY ZONE PROPERTY.—Para-
13 graph (2) of section 1400U–3(c) is amended by
14 striking subparagraph (A).

15 (C) CONFORMING AMENDMENT.—Para-
16 graph (3) of section 45D(d) is amended by
17 striking “; except that” and all that follows and
18 inserting a period.

19 (2) DEVELOPING OR HOLDING INTANGIBLES
20 PERMITTED.—

21 (A) IN GENERAL.—Subsection (d) of sec-
22 tion 1397C is amended by striking paragraph
23 (4).

1 (B) CONFORMING AMENDMENT.—Clause
2 (iii) of section 1394(b)(3)(B) is amended by
3 striking “, (4),”.

4 (3) CERTAIN OTHER BUSINESSES PER-
5 MITTED.—

6 (A) Paragraph (5) of section 1397C(d) is
7 amended—

8 (i) by striking “any facility described
9 in section 144(c)(6)(B)” in subparagraph
10 (A) and inserting “any excluded facility”,
11 and

12 (ii) by inserting before the last sen-
13 tence the following new sentence: “For
14 purposes of subparagraph (A), the term
15 ‘excluded facility’ means any facility de-
16 scribed in section 144(c)(6)(B) other than
17 any golf course, spa, or therapeutic mas-
18 sage facility.”.

19 (B) Paragraph (2) of section 1400U–3(c),
20 as amended by paragraph (1), is amended to
21 read as follows:

22 “(2) QUALIFIED BUSINESS.—The term ‘quali-
23 fied business’ means any trade or business other
24 than any trade or business consisting of the oper-

1 ation of any excluded facility (as defined in section
2 1397C(d)(5)).”.

3 (d) EMPOWERMENT ZONE EMPLOYMENT CREDIT TO
4 APPLY TO EMPLOYEES AT CERTAIN ADDITIONAL BUSI-
5 NESSES AND TO EMPLOYEES WHO ARE FAMILY MEM-
6 BERS.—Subparagraph (D) of section 1396(d)(2) (defining
7 qualified zone employee) is amended—

8 (1) by striking subparagraph (A),

9 (2) by redesignating subparagraphs (B), (C),
10 (D), and (E) as subparagraphs (A), (B), (C), and
11 (D), respectively, and

12 (3) by striking “any facility described in section
13 144(c)(6)(B)” in subparagraph (C), as so redesign-
14 ated, and inserting “any excluded facility (as de-
15 fined in section 1397C(d)(5))”.

16 (e) CERTAIN BUSINESSES MAY BE FINANCED WITH
17 GULF OPPORTUNITY ZONE BONDS.—

18 (1) IN GENERAL.—Subparagraph (E) of section
19 1400N(a)(2) is amended by striking “any property
20 described in section 144(c)(6)(B)” and inserting
21 “any excluded facility (as defined in section
22 1397C(d)(5))”.

23 (2) EFFECTIVE DATE.—The amendment made
24 by this subsection shall apply to obligations issued
25 after the date of the enactment of this Act.

1 **SEC. 5. MODIFICATIONS PERMITTING EXPANSION OF DES-**
2 **IGNATED AREAS.**

3 (a) **AUTHORITY TO EXPAND BOUNDARIES OF ZONES**
4 **AND COMMUNITIES.—**

5 (1) **EMPOWERMENT ZONES AND ENTERPRISE**
6 **COMMUNITIES.—**Section 1391 is amended by adding
7 at the end the following new subsection:

8 “(i) **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 an empower-
12 ment zone or enterprise community, the appropriate
13 Secretary may expand the area of such zone or com-
14 munity to include 1 or more contiguous or non-
15 contiguous areas if such governments establish to
16 the satisfaction of the appropriate Secretary that
17 such expansion furthers the purposes of the designa-
18 tion of the initial area as such a zone or community.

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

26 “(A) either—

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

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

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

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

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

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

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

4 “(h) AUTHORITY TO EXPAND BOUNDARIES OF DES-
5 IGNATED AREAS.—

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

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

22 “(A) either—

23 “(i) the poverty rate and the unem-
24 ployment rate for such entire area as de-
25 termined by the 2000 decennial census

1 data was at least 110 percent of such rate
2 for the United States, or

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

9 “(B) such entire area meets 1 or more of
10 the following criteria determined by the 2000
11 decennial census data:

12 “(i) Median household income is not
13 more than 70 percent of such income for
14 the United States.

15 “(ii) Per capita income is not more
16 than 75 percent of such income for the
17 United States.

18 “(iii) The percentage of such area’s
19 population which is disabled is at least 130
20 percent of such percentage for the United
21 States.”.

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

1 (b) MODIFICATION OF REQUIREMENT FOR EXPAND-
2 ING DESIGNATED AREA BASED ON 2000 CENSUS.—

3 (1) IN GENERAL.—Clause (ii) of section
4 1400E(g)(1)(A) is amended to read as follows:

5 “(ii) such tract has a poverty rate
6 using 2000 census data—

7 “(I) which is at least 20 percent,
8 or

9 “(II) which exceeds the poverty
10 rate for such tract using 1990 census
11 data.”.

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 (c) REPEAL OF EXCLUSION OF CENTRAL BUSINESS
16 DISTRICT FROM ELIGIBILITY AS DESIGNATED AREA.—

17 (1) IN GENERAL.—Paragraph (3) of section
18 1392(a) is amended by adding “and” at the end of
19 subparagraph (B), by striking “, and” at the end of
20 subparagraph (C) and inserting a period, and by
21 striking subparagraph (D).

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

1 **SEC. 6. EXPANDED USE OF TAX-EXEMPT BONDS.**

2 (a) ENTERPRISE FACILITY BOND LIMIT FOR SMALL
3 CITIES TO BE THE SAME AS FOR LARGER CITIES.—Sub-
4 paragraph (B) of section 1394(f)(2) is amended by adding
5 “and” at the end of clause (i), by striking clause (iii), and
6 by amending clause (ii) to read as follows:

7 “(ii) \$230,000,000 if such zone is in
8 an urban area.”.

9 (b) ZONE EMPLOYMENT REQUIREMENT NEED NOT
10 BE MET AFTER TESTING PERIOD UNDER ZONE FACIL-
11 ITY BOND RULES.—

12 (1) IN GENERAL.—Clause (iii) of section
13 1394(b)(3)(B) is amended by striking “if at least 35
14 percent of the employees of such business for such
15 year are residents of an empowerment zone or an
16 enterprise community”.

17 (2) CONFORMING AMENDMENT.—Subsection (a)
18 of section 1400A is amended by striking “and sec-
19 tion 1394(b)(3)(B)(iii) shall be applied without re-
20 gard to the employee residency requirement”.

21 (c) ZONE FACILITY BONDS FOR SMALL BUSINESSES
22 MAY BE GUARANTEED.—

23 (1) IN GENERAL.—Subsection (d) of section
24 1394 is amended to read as follows:

25 “(d) SPECIAL RULES.—

1 “(1) ACQUISITION OF LAND AND EXISTING
2 PROPERTY PERMITTED.—The requirements of sec-
3 tions 147(c)(1)(A) and 147(d) shall not apply to any
4 bond described in subsection (a).

5 “(2) BONDS FOR SMALL BUSINESS MAY BE
6 GUARANTEED.—Section 149(b) shall not apply to
7 any bond issued as part of an issue 95 percent or
8 more of the net proceeds (as defined in section
9 150(a)(3)) of which are to be used to provide any
10 enterprise zone facility the principal user of which is
11 a small employer (as defined in section 221(c)(4)).”.

12 (2) QUALIFIED GULF OPPORTUNITY ZONE
13 BONDS.—Paragraph (5) of section 1400N(a) is
14 amended by adding at the end the following new
15 subparagraph:

16 “(H) Section 149(b) shall not apply to any
17 qualified Gulf Opportunity Zone Bond issued as
18 part of an issue 95 percent or more of the net
19 proceeds (as defined in section 150(a)(3)) of
20 such issue are to be used for qualified project
21 costs for nonresidential real property (including
22 fixed improvements associated with such prop-
23 erty) the principal user of which is a small em-
24 ployer (as defined in section 221(c)(4)).”.

1 (3) RECOVERY ZONE FACILITY BONDS.—Sub-
 2 section (d) of section 1400U–3 is amended by add-
 3 ing at the end the following new sentence: “Section
 4 149(b) shall not apply to any recovery zone facility
 5 bond issued as part of an issue 95 percent or more
 6 of the net proceeds (as defined in section 150(a)(3))
 7 of such issue are to be used for recovery zone prop-
 8 erty the principal user of which is a small employer
 9 (as defined in section 221(c)(4)).”

10 (d) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to obligations issued after the date
 12 of the enactment of this Act.

13 **SEC. 7. OTHER MODIFICATIONS.**

14 (a) NONRECOGNITION OF GAIN TO APPLY TO REAL
 15 PROPERTY AND INTANGIBLES.—Paragraph (2) of section
 16 1397B(b) is amended to read as follows:

17 “(2) GAIN TAXED AS ORDINARY INCOME NOT
 18 ELIGIBLE FOR ROLLOVER.—This section shall not
 19 apply to any gain which is treated as ordinary in-
 20 come for purposes of this subtitle.”.

21 (b) ELECTION OF FINANCING ARRANGEMENT IN
 22 LIEU OF TAX BENEFITS.—

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

1 “(e) ELECTION OF FINANCING ARRANGEMENT IN
2 LIEU OF TAX BENEFITS.—

3 “(1) IN GENERAL.—At the election of any sig-
4 nificant empowerment zone business, for the pay-
5 ment period of the debt obligation designated in
6 such election (or as an amendment to such election)
7 by such business—

8 “(A) such business—

9 “(i) shall not be allowed an empower-
10 ment zone employment credit described in
11 subsection (a), and

12 “(ii) shall not be allowed any deduc-
13 tion for depreciation under section 168
14 with respect to qualified zone property that
15 provides a cost recovery benefit described
16 in paragraph (2), and

17 “(B) the Secretary shall make the pay-
18 ments described in paragraph (2) to a trustee
19 designated by the electing business to accept
20 such payments on behalf of such holders).

21 “(2) PAYMENTS.—

22 “(A) IN GENERAL.—At the beginning of
23 each year of the payment period, the Secretary
24 shall pay (out of any money in the Treasury not

otherwise appropriated) to the trustee designated by such business an amount equal to—

“(i) the empowerment zone employment credit computed for such year under this section as if the election was not made under this subsection, and

“(ii) except as provided in paragraph (4)(A), the amount equal to the cost recovery benefit divided by the number of years in the payment period described in subparagraph (C).

“(B) COST RECOVERY BENEFIT.—For purposes of subparagraph (A), the cost recovery benefit shall be an amount equal to 25 percent of—

“(i) the cost of any tangible property which is qualified zone property (including improvements to such tangible property) incurred by the significant empowerment zone business before the end of the first 5 full calendar years beginning after the date the election is made under this subsection, and

“(ii) any such cost for which a binding contract for financing the acquisition

1 of such tangible property (including im-
2 provements to such tangible property) has
3 been made by such business and which
4 under the terms of the financing is to be
5 incurred within the first 5 full calendar
6 years beginning after the date of the elec-
7 tion made under this subsection.

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

11 “(i) the calendar year specified by the
12 significant empowerment zone business as
13 the 1st year of the payment period without
14 regard to the date the property is placed in
15 service, or

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

19 “(3) SIGNIFICANT EMPOWERMENT ZONE BUSI-
20 NESS.—For purposes of this subsection, the term
21 ‘significant empowerment zone business’ means any
22 trade or business operating in an empowerment zone
23 if—

24 “(A) such business is nominated by the
25 chief executive or the legislative body of the

1 State or a local government in which the zone
2 property is located, and

3 “(B) the Secretary of Housing and Urban
4 Development determines that—

5 “(i) it is a facility for qualified re-
6 search as defined in section 41(d) which is
7 reasonably anticipated to make at least
8 \$50,000,000 of capital expenditures within
9 the first 3 years of the payment period, or

10 “(ii) with respect to any other busi-
11 ness, it is reasonably anticipated that such
12 business will increase employment in such
13 zone by the end of the first 3 years of the
14 payment period by at least the lesser of—

15 “(I) 1,000 full-time employees or
16 equivalents, or

17 “(II) 10 percent of the number
18 of full-time employees estimated to
19 have been employed in such zone on
20 the date of its designation.

21 “(4) SPECIAL RULES.—

22 “(A) ADJUSTMENT TO COST RECOVERY
23 BENEFIT.—In the event that the significant em-
24 powerment zone business does not incur a cost
25 within the period described in paragraph (2)(B)

1 and for which a cost recovery benefit payment
2 is made under this subsection, the Secretary
3 shall reduce future recovery benefit payments to
4 recover 110 percent of the overpayments in
5 equal installments over the remaining payment
6 period. In the event that a cost described in
7 paragraph (2)(B)(i) is incurred, or a contract
8 described in paragraph (2)(B)(ii) is entered
9 into, after the beginning of the payment period,
10 the Secretary shall increase future recover ben-
11 efit payments to recover 100 percent of the cost
12 recovery benefit associated with such costs or
13 contracts in equal installments over the remain-
14 ing payment period.

15 “(B) BASIS ADJUSTMENT.—For purposes
16 of this subtitle, if a cost recovery payment is
17 made under this subsection with respect to any
18 property, the basis of such property shall be re-
19 duced by the amount of such payment.

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

24 (2) CONFORMING AMENDMENT.—Section
25 1016(a) is amended by striking “and” at the end of

1 paragraph (36), by striking the period at the end of
 2 paragraph (37) and inserting “, and”, and by add-
 3 ing at the end the following new paragraph:

4 “(38) to the extent provided in section
 5 1396(e)(4)(B).”.

6 **SEC. 8. GRANTS FOR AWARENESS OF ZONE BENEFITS AND**
 7 **TECHNICAL ASSISTANCE TO SMALL BUSI-**
 8 **NESS.**

9 (a) IN GENERAL.—Chapter 77 is amended by adding
 10 at the end the following new section:

11 **“SEC. 7529. GRANTS FOR AWARENESS OF ZONE BENEFITS**
 12 **AND TECHNICAL ASSISTANCE TO SMALL**
 13 **BUSINESS.**

14 “(a) IN GENERAL.—The Secretary may make grants
 15 to State or local governments, or nonprofit organizations,
 16 for the purpose of making businesses aware of the benefits
 17 available under—

18 “(1) subchapter U of chapter 1 (relating to des-
 19 ignation and treatment of empowerment zones, en-
 20 terprise communities, and rural development invest-
 21 ment areas),

22 “(2) subchapter W of chapter 1 (relating to
 23 District of Columbia enterprise zone),

24 “(3) subchapter X of chapter 1 (relating to re-
 25 newal communities), and

3 “(b) TECHNICAL ASSISTANCE GRANTS.—The Sec-
4 retary may make grants to provide technical assistance to
5 small businesses eligible for any benefits referred to in
6 subsection (a).”.

(b) CLERICAL AMENDMENT.—The table of sections for such chapter is amended by adding at the end the following new item:

“Sec. 7529. Grants for awareness of zone benefits and technical assistance to small business.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

13 **SEC. 9. EFFECTIVE DATE.**

14 Except as otherwise provided in this Act, the amend-
15 ments made by this Act shall apply to taxable years begin-
16 ning after the date of the enactment of this Act.

