

111TH CONGRESS
2D SESSION

S. 3787

To amend the Internal Revenue Code of 1986 to extend and modify the benefits available in empowerment zones and other tax-incentive areas, to require the Secretary of Commerce to establish a program for the award of grants to States to establish revolving loan funds for small and medium-sized manufacturers to improve energy efficiency and produce clean energy technology, to amend the Internal Revenue Code of 1986 to provide a tax credit for farmers' investments in value-added agriculture, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 15, 2010

Mrs. GILLIBRAND introduced the following bill; which was read twice and referred to the Committee on Finance

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, to require the Secretary of Commerce to establish a program for the award of grants to States to establish revolving loan funds for small and medium-sized manufacturers to improve energy efficiency and produce clean energy technology, to amend the Internal Revenue Code of 1986 to provide a tax credit for farmers' investments in value-added agriculture, 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 “Upstate Works Act”.

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.—The table of contents of
 13 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—INVESTMENTS FOR MANUFACTURING PROGRESS AND
 CLEAN TECHNOLOGY

Sec. 101. Clean energy manufacturing revolving loan fund program.
 Sec. 102. Clean energy and efficiency manufacturing partnerships.
 Sec. 103. Technical amendments.

TITLE II—AGRICULTURAL PRODUCERS VALUE-ADDED
 INVESTMENT TAX CREDIT

Sec. 201. Credit for farmer investment in value-added agricultural property.

TITLE III—TRAINING GRANTS FOR EMPLOYEES

Sec. 301. Definition of Secretary.
 Sec. 302. Authorization.
 Sec. 303. Use of amounts.
 Sec. 304. Requirement of matching funds.
 Sec. 305. Limit on administrative expenses.
 Sec. 306. Authorization of appropriations.

TITLE IV—TAX CREDITS TO EXPAND BROADBAND ACCESS

Sec. 401. Credit for property used to furnish broadband services in rural areas.

TITLE V—SUPPORTING INVESTMENT IN URBAN CENTERS

Sec. 501. Extension of benefits.

Sec. 502. Expansion of businesses eligible for benefits; expansion of eligible business activities.

Sec. 503. Modifications permitting expansion of designated areas.

Sec. 504. Expanded use of tax-exempt bonds.

Sec. 505. Other modifications.

Sec. 506. Grants for awareness of zone benefits and technical assistance to small business.

Sec. 507. Effective date.

1 **TITLE I—INVESTMENTS FOR** 2 **MANUFACTURING PROGRESS** 3 **AND CLEAN TECHNOLOGY**

4 **SEC. 101. CLEAN ENERGY MANUFACTURING REVOLVING** 5 **LOAN FUND PROGRAM.**

6 The National Institute of Standards and Technology
7 Act (15 U.S.C. 271 et seq.) is amended by inserting after
8 section 26 the following:

9 **“SEC. 27. CLEAN ENERGY MANUFACTURING REVOLVING** 10 **LOAN FUND PROGRAM.**

11 “(a) PURPOSES.—The purposes of this section are—

12 “(1) to develop the long-term manufacturing
13 capacity of the United States;

14 “(2) to create jobs through the retooling and
15 expansion of manufacturing facilities to produce
16 clean energy technology products and energy effi-
17 cient products;

18 “(3) to improve the long-term competitiveness
19 of domestic manufacturing by increasing the energy
20 efficiency of manufacturing facilities; and

1 “(4) to assist small and medium-sized manufac-
 2 turers diversify operations to respond to emerging
 3 clean energy technology product markets.

4 “(b) DEFINITIONS.—In this section:

5 “(1) CLEAN ENERGY TECHNOLOGY PRODUCT.—
 6 The term ‘clean energy technology product’ means
 7 technology products relating to—

8 “(A) wind turbines;

9 “(B) solar energy;

10 “(C) fuel cells;

11 “(D) advanced batteries, battery systems,
 12 or storage devices;

13 “(E) biomass equipment;

14 “(F) geothermal equipment;

15 “(G) advanced biofuels;

16 “(H) ocean energy equipment;

17 “(I) carbon capture and storage;

18 “(J) such other products as the Secretary
 19 determines—

20 “(i) relate to the production, use,
 21 transmission, storage, control, or conserva-
 22 tion of energy;

23 “(ii) reduce greenhouse gas concentra-
 24 tions;

1 “(iii) achieve the earliest and max-
2 imum emission reductions within a reason-
3 able period per dollar invested;

4 “(iv) result in the fewest non-green-
5 house gas environmental impacts; and

6 “(v)(I) reduce the need for additional
7 energy supplies by—

8 “(aa) using existing energy sup-
9 plies with greater efficiency; or

10 “(bb) transmitting, distributing,
11 or transporting energy with greater
12 effectiveness through the infrastruc-
13 ture of the United States; or

14 “(II) diversify the sources of energy
15 supply of the United States—

16 “(aa) to strengthen energy secu-
17 rity; and

18 “(bb) to increase supplies with a
19 favorable balance of environmental ef-
20 fects if the entire technology system is
21 considered.

22 “(2) ENERGY EFFICIENT PRODUCT.—The term
23 ‘energy efficient product’ means a product that the
24 Secretary, in consultation with the Secretary of En-
25 ergy, determines—

1 “(A) consumes significantly less energy
2 than the average amount that all similar prod-
3 ucts consumed on the day before the date of the
4 enactment of this Act; or

5 “(B) is a component, system, or group of
6 subsystems that is designed, developed, and
7 validated to optimize the energy efficiency of a
8 product.

9 “(3) PROGRAM.—The term ‘Program’ means
10 the grant program established pursuant to sub-
11 section (c)(1).

12 “(4) REVOLVING LOAN FUND.—The term ‘re-
13 volving loan fund’ means a revolving loan fund de-
14 scribed in subsection (d).

15 “(5) SMALL OR MEDIUM-SIZED MANUFAC-
16 TURER.—The term ‘small or medium-sized manufac-
17 turer’ means a manufacturer that employs fewer
18 than 500 full-time equivalent employees at a manu-
19 facturing facility that is not owned or controlled by
20 an automobile manufacturer.

21 “(c) GRANT PROGRAM.—

22 “(1) ESTABLISHMENT.—Not later than 120
23 days after the date of the enactment of this section,
24 the Secretary shall establish a program under which
25 the Secretary shall award grants to States to estab-

lish revolving loan funds to provide loans to small or
medium-sized manufacturers to finance the cost of—

“(A) reequipping, expanding, or establishing (including applicable engineering costs) a manufacturing facility in the United States to produce—

“(i) clean energy technology products;

“(ii) energy efficient products; or

“(iii) integral component parts of clean energy technology products or energy efficient products; or

“(B) reducing the energy intensity or greenhouse gas production of a manufacturing facility in the United States, including using energy intensive feedstocks.

“(2) MAXIMUM AMOUNT.—The Secretary may not award a grant under the Program in an amount that exceeds \$500,000,000 in any fiscal year.

“(d) CRITERIA FOR AWARDING GRANTS.—

“(1) MATCHING FUNDS.—The Secretary may not award a grant to a State under the Program unless the State ensures that not less than 20 percent of the amount of each loan provided by the State under the Program originates from non-Federal sources.

1 “(2) ADMINISTRATIVE COSTS.—Grants under
 2 the Program may only be used for the costs of ad-
 3 ministering the revolving loan fund, in accordance
 4 with regulations promulgated by the Secretary.

5 “(3) APPLICATION.—Each State seeking a
 6 grant under the Program shall submit an application
 7 to the Secretary in such form, in such manner, and
 8 containing such information as the Secretary con-
 9 siders appropriate.

10 “(4) EVALUATION.—The Secretary shall evalu-
 11 ate and prioritize each application submitted by a
 12 State for a grant under the Program on the basis
 13 of—

14 “(A) the description of—

15 “(i) the revolving loan fund to be es-
 16 tablished with the grant; and

17 “(ii) how such revolving loan fund is
 18 expected to achieve the purposes described
 19 in subsection (a);

20 “(B) whether the State will be able to pro-
 21 vide loans from the revolving loan fund to small
 22 or medium-sized manufacturers within 120 days
 23 after receiving the grant;

24 “(C) a description of how the State is
 25 planning to coordinate the administration of the

1 revolving loan fund with other State and Fed-
2 eral programs, including programs administered
3 by the Assistant Secretary for Economic Devel-
4 opment;

5 “(D) a description of the actual or poten-
6 tial clean energy manufacturing supply chains,
7 including significant component parts, in the re-
8 gion served by the revolving loan fund;

9 “(E) how the State is planning to target
10 the provision of loans under the Program to
11 manufacturers located in regions characterized
12 by high unemployment and sudden and severe
13 economic dislocation, particularly if mass lay-
14 offs have resulted in a precipitous increase in
15 unemployment;

16 “(F) the availability of a skilled manufac-
17 turing workforce in the region served by the re-
18 volving loan fund;

19 “(G) the capacity of the region’s workforce
20 and education systems to provide pathways for
21 unemployed or low-income workers into skilled
22 manufacturing employment;

23 “(H) a description of how the State will
24 target loans to small or medium-sized manufac-
25 turers that—

1 “(i) manufacture automobile compo-
 2 nents; and

3 “(ii)(I) increase the energy efficiency
 4 of their manufacturing facilities; or

5 “(II) retool to manufacture clean en-
 6 ergy products or energy efficient products,
 7 including manufacturing components to
 8 improve the compliance of an automobile
 9 with fuel economy standards prescribed
 10 under section 32902 of title 49, United
 11 States Code;

12 “(I) a description of how the State is plan-
 13 ning to use the loan fund to achieve the earliest
 14 and maximum greenhouse gas emission reduc-
 15 tions within a reasonable period of time for
 16 each dollar invested and with the fewest non-
 17 greenhouse gas environmental impacts; and

18 “(J) such other factors as the Secretary
 19 considers appropriate to ensure that grants
 20 awarded under the Program effectively and effi-
 21 ciently achieve the purposes described in sub-
 22 section (a).

23 “(e) REVOLVING LOAN FUNDS.—

24 “(1) IN GENERAL.—A State receiving a grant
 25 under the Program shall establish, maintain, and

1 administer a revolving loan fund in accordance with
2 this subsection.

3 “(2) DEPOSITS.—A revolving loan fund shall
4 consist of—

5 “(A) amounts from grants awarded under
6 this section; and

7 “(B) all amounts held or received by the
8 State incident to the provision of loans de-
9 scribed in subsection (f), including all collec-
10 tions of principal and interest.

11 “(3) EXPENDITURES.—Amounts in the revolv-
12 ing loan fund shall be available for the provision and
13 administration of loans in accordance with sub-
14 section (f).

15 “(f) LOANS.—

16 “(1) IN GENERAL.—A State receiving a grant
17 under this section shall use the amount in the re-
18 volving loan fund to provide loans to small or me-
19 dium-sized manufacturers.

20 “(2) LOAN TERMS AND CONDITIONS.—

21 “(A) TERMS.—In determining the term of
22 each loan provided under paragraph (1), the
23 State shall ensure that—

1 “(i) the term of any loan for fixed as-
 2 sets does not exceed the useful life of the
 3 asset and is shorter than 15 years; and

4 “(ii) the term of any loan for working
 5 capital is not longer than 3 years.

6 “(B) INTEREST RATES.—The interest rate
 7 set by the State for each loan provided under
 8 paragraph (1)—

9 “(i) shall enable the loan recipient to
 10 accomplish the activities described in sub-
 11 paragraphs (A) and (B) of subsection
 12 (c)(1);

13 “(ii) may be set at below-market in-
 14 terest rates;

15 “(iii) may not be lower than 0 per-
 16 cent; and

17 “(iv) may not be greater than 500
 18 basis points above the prime rate, as of the
 19 settlement date for such loan.

20 “(C) DESCRIPTION AND BUDGET FOR USE
 21 OF LOAN FUNDS.—Each recipient of a loan
 22 from a State under the Program shall develop
 23 and submit, to the State and to the Secretary,
 24 a description and budget for the use of loan
 25 amounts, including a description of—

1 “(i) any new business expected to be
2 developed with the loan;

3 “(ii) any improvements to manufac-
4 turing operations to be developed with the
5 loan; and

6 “(iii) any technology expected to be
7 commercialized with the loan.

8 “(D) PRIORITY IN REVIEW AND PREF-
9 ERENCE IN SELECTION FOR CERTAIN LOAN AP-
10 PLICANTS.—

11 “(i) REVIEW.—In reviewing applica-
12 tions submitted by small or medium-sized
13 manufacturers for a loan, a recipient of a
14 grant under the Program shall give pri-
15 ority to small or medium-sized manufac-
16 turers described in clause (iii).

17 “(ii) SELECTION.—In selecting small
18 or medium-sized manufacturers to receive
19 a loan, a recipient of a grant under the
20 Program shall give preference to small or
21 medium-sized manufacturers described in
22 clause (iii).

23 “(iii) PRIORITY AND PREFERRED
24 SMALL OR MEDIUM-SIZED MANUFACTUR-
25 ERS.—A small or medium-sized manufac-

turer described in this clause is a manufacturer that—

“(I) is certified by a Hollings Manufacturing Extension Center or a manufacturing-related local intermediary designated by the Secretary for purposes of providing such certification; or

“(II) provides individuals employed at the manufacturing facilities of the manufacturer with—

“(aa) pay that is, on average, not less than the average wage of an individual working in a manufacturing facility in the State; and

“(bb) health benefits.

“(iv) CERTIFICATION BY HOLLINGS MANUFACTURING EXTENSION CENTER.—A Hollings Manufacturing Extension Center or other entity designated by the Secretary for purposes of providing certification under clause (iii)(I) may not certify applications for a loan until the Center or other entity has completed a qualitative and

1 quantitative review of the applicant's busi-
2 ness strategy, manufacturing operations,
3 and technological ability to contribute to
4 the purposes described in subsection (a).

5 “(E) REPAYMENT UPON RELOCATION OUT-
6 SIDE UNITED STATES.—

7 “(i) IN GENERAL.—The recipient of a
8 loan under paragraph (1) to finance the
9 cost of reequipping, expanding, or estab-
10 lishing a manufacturing facility or to re-
11 duce the energy intensity of a manufac-
12 turing facility that relocates the production
13 activities of such manufacturing facility
14 outside the United States during the term
15 of the loan shall repay such loan in full in
16 accordance with this subparagraph.

17 “(ii) PAYMENT OF INTEREST.—The
18 repayment of a loan under clause (i) shall
19 bear interest at a penalty rate determined
20 by the Secretary to deter recipients of
21 loans under paragraph (1) from relocating
22 production activities outside the United
23 States.

1 “(iii) PERIOD OF REPAYMENT.—The
2 Secretary shall determine the duration of
3 the repayment of a loan under clause (i).

4 “(F) COMPLIANCE WITH WAGE RATE RE-
5 QUIREMENTS.—Each recipient of a loan under
6 paragraph (1) shall incorporate, into all con-
7 tracts for construction, alteration, or repair,
8 which are paid for, in whole or in part, with
9 amounts obtained pursuant to such loan, a re-
10 quirement that all laborers and mechanics em-
11 ployed by contractors and subcontractors per-
12 forming construction, alteration, or repair shall
13 be paid wages at rates not less than those de-
14 termined by the Secretary of Labor, in accord-
15 ance with subchapter IV of chapter 31 of title
16 40, United States Code (known as the ‘Davis-
17 Bacon Act’), to be prevailing for the cor-
18 responding classes of laborers and mechanics
19 employed on projects of a character similar to
20 the contract work in the same locality in which
21 the work is to be performed. With respect to
22 the labor standards specified in this subpara-
23 graph, the Secretary of Labor shall have the
24 authority and functions set forth in Reorganiza-
25 tion Plan Numbered 14 of 1950 (15 Fed. Reg.

1 3176; 64 Stat. 1267) and section 3145 of title
2 40, United States Code.

3 “(G) ANNUAL REPORTS BY LOAN RECIPI-
4 ENTS.—Not less frequently than once each year
5 during the term of each loan issued by a State
6 under paragraph (1), the loan recipient shall
7 submit a report to such State that contains
8 such information as the Secretary may specify
9 for purposes of the Program, including informa-
10 tion that the Secretary can use to determine
11 whether a recipient of a loan is required to
12 repay the loan under subparagraph (E).

13 “(3) ANNUAL REPORTS BY GRANT RECIPI-
14 ENTS.—Not less frequently than once each year,
15 each recipient of a grant under the Program shall
16 submit a report to the Secretary that describes—

17 “(A) the impact of each loan issued by the
18 State under the Program; and

19 “(B) the aggregate impact of all such
20 loans, including—

21 “(i) the sales increased or retained;

22 “(ii) cost savings or costs avoided;

23 “(iii) additional investment encour-
24 aged; and

25 “(iv) jobs created or retained.

1 “(g) AUTHORIZATION OF APPROPRIATIONS.—There
 2 is authorized to be appropriated \$15,000,000,000 for each
 3 of fiscal years 2011 and 2012 to carry out this section.”.

4 **SEC. 102. CLEAN ENERGY AND EFFICIENCY MANUFAC-**
 5 **TURING PARTNERSHIPS.**

6 (a) HOLLINGS MANUFACTURING PARTNERSHIP PRO-
 7 GRAM.—Section 25(b) of the National Institute of Stand-
 8 ards and Technology Act (15 U.S.C. 278k(b)) is amend-
 9 ed—

10 (1) in paragraph (2), by striking “and” at the
 11 end;

12 (2) in paragraph (3), by striking the period at
 13 the end and inserting “; and”; and

14 (3) by adding at the end the following:

15 “(4) the establishment of a clean energy manu-
 16 facturing supply chain initiative—

17 “(A) to support manufacturers in their
 18 identification of and diversification to new mar-
 19 kets, including support for manufacturers
 20 transitioning to the use of clean energy supply
 21 chains;

22 “(B) to assist manufacturers improve their
 23 competitiveness by reducing energy intensity
 24 and greenhouse gas production, including the
 25 use of energy intensive feedstocks;

1 “(C) to increase adoption and implementa-
 2 tion of innovative manufacturing technologies;

3 “(D) to coordinate and leverage the exper-
 4 tise of the National Laboratories and Tech-
 5 nology Centers and the Industrial Assessment
 6 Centers of the Department of Energy to meet
 7 the needs of manufacturers; and

8 “(E) to identify, assist, and certify manu-
 9 facturers seeking loans under section
 10 27(e)(1).”.

11 (b) REDUCTION IN COST SHARE REQUIREMENTS.—
 12 Section 25(c) of the National Institute of Standards and
 13 Technology Act (15 U.S.C. 278k(c)) is amended—

14 (1) in paragraph (1), by striking “six years”
 15 and inserting “6 years, or as provided in paragraph
 16 (5)”;

17 (2) in paragraph (3)(B), by striking “not less
 18 than 50 percent of the costs incurred for the first
 19 3 years and an increasing share for each of the last
 20 3 years” and inserting “50 percent of the costs in-
 21 curred, or such lesser percentage of the costs in-
 22 curred that the Secretary determines, by rule, to be
 23 appropriate”; and

24 (3) in paragraph (5)—

25 (A) by striking “at declining levels”; and

1 (B) by striking “one third of the capital
 2 and annual operating and maintenance costs”
 3 and inserting “50 percent of the capital and an-
 4 nual operating and maintenance costs, or such
 5 lesser percentage that the Secretary determines,
 6 by rule, to be appropriate”.

7 (c) AUTHORIZATION OF APPROPRIATIONS.—There
 8 are authorized to be appropriated to the Secretary of Com-
 9 merce for the Hollings Manufacturing Partnership Pro-
 10 gram authorized under sections 25 of the National Insti-
 11 tute of Standards and Technology Act (15 U.S.C. 278k)
 12 and for the provision of assistance under section 26 of
 13 such Act (15 U.S.C. 278l)—

- 14 (1) \$200,000,000 for fiscal year 2010;
- 15 (2) \$250,000,000 for fiscal year 2011;
- 16 (3) \$300,000,000 for fiscal year 2012;
- 17 (4) \$350,000,000 for fiscal year 2013; and
- 18 (5) \$400,000,000 for fiscal year 2014.

19 **SEC. 103. TECHNICAL AMENDMENTS.**

20 (a) AMENDMENT TO NATIONAL INSTITUTE OF
 21 STANDARDS AND TECHNOLOGY ACT.—Section 25 of the
 22 National Institute of Standards and Technology Act (15
 23 U.S.C. 278k) is amended—

- 24 (1) in subsection (a), by striking “(hereafter in
 25 this Act referred to as the ‘Centers’); and

1 (2) by adding at the end the following:

2 “(g) DESIGNATION.—

3 “(1) HOLLINGS MANUFACTURING PARTNERSHIP
4 PROGRAM.—For purposes of this Act, the program
5 established under this section shall be known as the
6 ‘Hollings Manufacturing Partnership Program’.

7 “(2) HOLLINGS MANUFACTURING EXTENSION
8 CENTERS.—For purposes of this Act, the Regional
9 Centers for the Transfer of Manufacturing Tech-
10 nology created and supported under subsection (a)
11 shall be known as ‘Hollings Manufacturing Exten-
12 sion Centers’ or ‘Centers’).”.

13 (b) AMENDMENT TO CONSOLIDATED APPROPRIA-
14 TIONS ACT, 2005.—Title II of division B of the Consoli-
15 dated Appropriations Act, 2005 (Public Law 108–447;
16 118 Stat. 2879; 15 U.S.C. 278k note) is amended under
17 the heading “INDUSTRIAL TECHNOLOGY SERVICES” by
18 striking “2007: *Provided further, That*” and all that fol-
19 lows through “Extension Centers.” and inserting “2007.”.

1 **TITLE II—AGRICULTURAL PRO-**
 2 **DUCERS VALUE-ADDED IN-**
 3 **VESTMENT TAX CREDIT**

4 **SEC. 201. CREDIT FOR FARMER INVESTMENT IN VALUE-**
 5 **ADDED AGRICULTURAL PROPERTY.**

6 (a) IN GENERAL.—Subpart D of part IV of sub-
 7 chapter A of chapter 1 (relating to business related cred-
 8 its) is amended by adding at the end the following new
 9 section:

10 **“SEC. 45S. VALUE-ADDED AGRICULTURAL PROPERTY IN-**
 11 **VESTMENT CREDIT.**

12 “(a) GENERAL RULE.—For purposes of section 38,
 13 in the case of a taxpayer who is—

14 “(1) an eligible person, or

15 “(2) a farmer-owned entity,

16 the value-added agricultural property investment credit
 17 determined under this section for any taxable year is 50
 18 percent of the basis of any qualified value-added agricul-
 19 tural property placed in service during the taxable year.
 20 In the case of a farmer-owned entity, such credit shall be
 21 allocated on a pro rata basis among eligible persons hold-
 22 ing qualified investments in such entity as of the last day
 23 of such taxable year.

24 “(b) MAXIMUM CREDIT.—For purposes of subsection
 25 (a)—

1 “(1) PROPERTY PLACED IN SERVICE BY ELIGI-
 2 BLE PERSON.—In the case of property placed in
 3 service during a taxable year by an eligible person,
 4 the credit determined under this section for such
 5 year shall not exceed \$30,000, reduced by the
 6 amount of the creditable investments allowed for the
 7 taxable year under paragraph (2).

8 “(2) PROPERTY PLACED IN SERVICE BY FARM-
 9 ER-OWNED ENTITY.—

10 “(A) IN GENERAL.—In the case of prop-
 11 erty placed in service by a farmer-owned entity,
 12 the credit determined under this section shall
 13 not exceed the sum of the eligible person’s cred-
 14 itable investments in such entity as of the date
 15 such property is placed in service.

16 “(B) CREDITABLE INVESTMENTS.—For
 17 purposes of subparagraph (A), the term ‘cred-
 18 itable investments’ means, with respect to any
 19 property placed in service by a farmer-owned
 20 entity, the aggregate qualified investments
 21 made by the eligible person in such entity, re-
 22 duced (but not below zero) by the sum of—

23 “(i) the amount of the aggregate
 24 qualified investments made by such person
 25 in such entity which were taken into ac-

1 count under this section with respect to
 2 property previously placed in service by
 3 such entity, and

4 “(ii) the amount of the aggregate
 5 qualified investments made by such person
 6 in all other farmer-owned entities which
 7 were taken into account under this section
 8 with respect to property previously placed
 9 in service by such other entities.

10 “(C) LIMITATION.—For purposes of this
 11 paragraph, the aggregate qualified investments
 12 made by the eligible person which may be taken
 13 into account for any taxable year shall not ex-
 14 ceed \$30,000.

15 “(c) DEFINITIONS.—For purposes of this section—

16 “(1) QUALIFIED VALUE-ADDED AGRICULTURAL
 17 PROPERTY.—The term ‘qualified value-added agri-
 18 cultural property’ means property—

19 “(A) which is used to add value to a good
 20 or product, suitable for food or nonfood use, de-
 21 rived in whole or in part from organic matter
 22 which is available on a renewable basis, includ-
 23 ing agricultural crops and agricultural wastes
 24 and residues, wood wastes and residues, and
 25 domesticated animal wastes,

1 “(B)(i) to which section 168 applies with-
2 out regard to any useful life, or

3 “(ii) with respect to which depreciation (or
4 amortization in lieu of depreciation) is allowable
5 and having a useful life (determined as of the
6 time such property is placed in service) of 3
7 years or more, and

8 “(C) which is owned and operated by an
9 eligible person or a farmer-owned entity.

10 “(2) ELIGIBLE PERSON.—

11 “(A) IN GENERAL.—The term ‘eligible per-
12 son’ means a person who materially participates
13 during the taxable year in an eligible farming
14 business.

15 “(B) MATERIAL PARTICIPATION.—For
16 purposes of subparagraph (A), the determina-
17 tion of whether a person materially participates
18 in the trade or business of farming shall be
19 made in a manner similar to the manner in
20 which such determination is made under section
21 2032A(e)(6). In the case that the person is a
22 corporation, cooperative, partnership, estate, or
23 trust, such determination shall be made at the
24 shareholder, partner, or beneficial interests level
25 (as the case may be).

1 “(C) ELIGIBLE FARMING BUSINESS.—For
 2 purposes of subparagraph (A), the term ‘eligible
 3 farming business’ means a farming business (as
 4 defined in section 263A(e)(4)) which is not a
 5 passive activity (within the meaning of section
 6 469(c)).

7 “(3) FARMER-OWNED ENTITY.—

8 “(A) IN GENERAL.—The term ‘farmer-
 9 owned entity’ means—

10 “(i) a corporation (including an S cor-
 11 poration) in which eligible persons own 50
 12 percent or more of the total voting power
 13 of the stock and 50 percent or more (in
 14 value) of the stock,

15 “(ii) a partnership in which eligible
 16 persons own 50 percent or more of the
 17 total voting power of the profits interest
 18 and 50 percent or more (in value) of the
 19 profits interest, and

20 “(iii) a cooperative in which eligible
 21 persons own 50 percent or more of the
 22 total voting power of the member patron-
 23 age interests and 50 percent or more (in
 24 value) of the member patronage interests.

1 “(B) CONSTRUCTIVE OWNERSHIP
 2 RULES.—For purposes of subparagraph (A),
 3 rules similar to the rules of section
 4 263A(e)(2)(B) shall apply; except that, in ap-
 5 plying such rules, the members of an individ-
 6 ual’s family shall be the individuals described in
 7 subparagraph (C).

8 “(C) MEMBERS OF FAMILY.—The family
 9 of any individual shall include only his spouse
 10 and children, grandchildren, and great grand-
 11 children (whether by the whole or half blood),
 12 and the spouses of his children, grandchildren,
 13 and great grandchildren, who reside in the
 14 same household or jointly operate farming busi-
 15 nesses (as defined in section 263A(e)(4)). For
 16 purposes of the preceding sentence, a child who
 17 is legally adopted, or who is placed with the
 18 taxpayer by an authorized placement agency for
 19 adoption by the taxpayer, shall be treated as a
 20 child by blood.

21 “(4) QUALIFIED INVESTMENTS.—

22 “(A) IN GENERAL.—The term ‘qualified
 23 investments’ means a payment of cash for the
 24 purchase of a qualified equity interest in a
 25 farmer-owned entity.

“(B) QUALIFIED EQUITY INTEREST.—The
term ‘qualified equity interest’ means—

“(i) any stock in a domestic corporation if such stock is acquired by the taxpayer after December 31, 2008, and before January 1, 2015, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash,

“(ii) any capital or profits interest in a domestic partnership if such interest is acquired by the taxpayer after December 31, 2008, and before January 1, 2015, and

“(iii) any patronage interest in a cooperative if such interest is acquired by the taxpayer after December 31, 2008, and before January 1, 2015.

Rules similar to the rules of section 1202(c)(3) shall apply for purposes of this paragraph.

“(d) SPECIAL RULES.—For purposes of this section—

“(1) TREATMENT OF MARRIED INDIVIDUALS.—

In the case of a separate return by a married individual (as defined in section 7703), subsection (b)(3)(A) shall be applied by substituting ‘\$15,000’ for ‘\$30,000’.

1 “(2) APPLICABLE RULES.—Under regulations
2 prescribed by the Secretary—

3 “(A) ALLOCATION OF CREDIT IN THE CASE
4 OF ESTATES AND TRUSTS.—Rules similar to the
5 rules of subsection (d) of section 52 shall apply.

6 “(B) CERTAIN PROPERTY NOT ELIGI-
7 BLE.—Rules similar to the rules of section
8 50(b) shall apply.

9 “(3) BASIS ADJUSTMENT.—For purposes of
10 this subtitle, if a credit is allowed under this section
11 to any eligible person with respect to qualified value-
12 added agricultural property, the basis of such prop-
13 erty shall be reduced by the amount of the credit so
14 allowed and increased by the amount of recapture
15 under subsection (e).

16 “(e) RECAPTURE IN THE CASE OF CERTAIN DISPOSI-
17 TIONS.—

18 “(1) IN GENERAL.—Under regulations pre-
19 scribed by the Secretary, rules similar to the rules
20 of section 50(a) shall apply with respect to an eligi-
21 ble person if, within the 5-year period beginning on
22 the date qualified value-added agricultural property
23 with respect to which such person was allowed a
24 credit under subsection (a) is originally placed in
25 service—

1 “(A) such property ceases to be qualified
2 for purposes of this section,

3 “(B) the eligible person or the farmer-
4 owned entity (as the case may be) disposes of
5 all or part of such property, or

6 “(C) the eligible person or the farmer-
7 owned entity (as the case may be) ceases to be
8 an eligible person or farmer-owned entity for
9 purposes of this section.

10 “(2) SPECIAL RULES IN EVENT OF DEATH.—

11 “(A) IN GENERAL.—The period in para-
12 graph (1) shall be suspended with respect to an
13 eligible person for the 2-year period beginning
14 on the date of death of such person.

15 “(B) HEIRS WHO ARE ELIGIBLE PER-
16 SONS.—In the case that an heir of an eligible
17 person is also an eligible person, neither para-
18 graph (1) nor subparagraph (A) of this para-
19 graph (unless elected by such heir) shall apply
20 with respect to the transfer of property to such
21 heir.

22 “(f) REGULATIONS.—The Secretary shall prescribe
23 such regulations as may be necessary to carry out the pur-
24 poses of this section.

1 “(g) TERMINATION.—This section shall not apply to
2 property placed in service after December 31, 2012.”.

3 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
4 NESS CREDIT.—Section 38(b) (defining current year busi-
5 ness credit) is amended by striking “plus” at the end of
6 paragraph (35), by striking the period at the end of para-
7 graph (36) and inserting “, plus”, and by adding at the
8 end the following new paragraph:

9 “(37) in the case of an eligible person (as de-
10 fined in section 45S(c)(2)) or farmer-owned entity
11 (as defined in section 45S(c)(3)), the value-added
12 agricultural property investment credit determined
13 under section 45S(a).”.

14 (c) CREDIT ALLOWABLE AGAINST MINIMUM TAX.—
15 Subparagraph (B) of section 38(c)(4) is amended by re-
16 designating clauses (vii) through (ix) as clauses (viii)
17 through (x), respectively, and by inserting after clause (vi)
18 the following new clause:

19 “(vii) the credit determined under sec-
20 tion 45S (relating to value-added agricul-
21 tural property investment credit).”.

22 (d) DEDUCTION FOR CERTAIN UNUSED BUSINESS
23 CREDITS.—Subsection (c) of section 196 is amended by
24 striking “and” at the end of paragraph (13), by striking
25 the period at the end of paragraph (14) and inserting “,

1 and”, and by adding at the end the following new para-
 2 graph:

3 “(15) the value-added agricultural property in-
 4 vestment credit determined under section 45S.”.

5 (e) BASIS ADJUSTMENT.—Subsection (a) of section
 6 1016 is amended by striking “and” at the end of para-
 7 graph (36), by striking the period at the end of paragraph
 8 (37) and inserting “, and”, and by adding at the end the
 9 following new paragraph:

10 “(38) to the extent provided in section
 11 45S(d)(3), in the case of payments with respect to
 12 which a credit has been allowed under section 38.”.

13 (f) CLERICAL AMENDMENT.—The table of sections
 14 for subpart D of part IV of subchapter A of chapter 1
 15 is amended by adding at the end thereof the following new
 16 item:

“Sec. 45S. Value-added agricultural property investment credit.”.

17 (g) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to qualified investments (as defined
 19 in section 45S(c)(4) of the Internal Revenue Code of
 20 1986, as added by this section) made, and property placed
 21 in service, after December 31, 2010.

1 **TITLE III—TRAINING GRANTS**
2 **FOR EMPLOYEES**

3 **SEC. 301. DEFINITION OF SECRETARY.**

4 In this title, the term “Secretary” means the Sec-
5 retary of Labor.

6 **SEC. 302. AUTHORIZATION.**

7 (a) IN GENERAL.—The Secretary, in consultation
8 with the Secretary of Commerce, shall award grants to
9 eligible entities described in subsection (b) to assist the
10 entities to improve the job skills necessary for employment
11 in specific industries.

12 (b) ELIGIBLE ENTITIES DESCRIBED.—

13 (1) IN GENERAL.—An eligible entity described
14 in this subsection is a consortium that—

15 (A) shall consist of representatives from
16 not less than 5 businesses, or a lesser number
17 of businesses if such lesser number of busi-
18 nesses employs at least 30 percent of the em-
19 ployees in the industry involved in the region
20 (or a nonprofit organization that represents
21 such businesses);

22 (B) may consist of representatives from—

23 (i) labor organizations;

24 (ii) State and local government; and

25 (iii) educational institutions;

1 (C) is established to serve 1 or more par-
 2 ticular industries; and

3 (D) is established to serve an eligible area.

4 (2) ELIGIBLE AREA.—The term “eligible area”
 5 means any county that, based on information con-
 6 tained in the most recent decennial census, has a
 7 population of not more than 1,000,000 residents.

8 (3) MAJORITY OF REPRESENTATIVES.—A ma-
 9 jority of the representatives comprising the consor-
 10 tium shall be representatives described in paragraph
 11 (1)(A).

12 (c) PRIORITY FOR SMALL BUSINESSES.—In pro-
 13 viding grants under subsection (a), the Secretary shall
 14 give priority to an eligible entity if a majority of represent-
 15 atives forming the entity represent small-business con-
 16 cerns (as defined in section 3(a) of the Small Business
 17 Act (15 U.S.C. 632(a)).

18 (d) MAXIMUM AMOUNT OF GRANT.—The amount of
 19 a grant awarded to an eligible entity under subsection (a)
 20 may not exceed \$1,000,000 for any fiscal year.

21 **SEC. 303. USE OF AMOUNTS.**

22 (a) IN GENERAL.—The Secretary may not award a
 23 grant under section 402 to an eligible entity unless the
 24 entity agrees to use amounts received from the grant to
 25 improve the job skills necessary for employment by busi-

1 nesses in the industry with respect to which the entity was
2 established.

3 (b) CONDUCT OF PROGRAM.—

4 (1) IN GENERAL.—In carrying out the program
5 described in subsection (a), the eligible entity may
6 provide for—

7 (A) an assessment of training and job skill
8 needs for the industry;

9 (B) the development of a sequence of skill
10 standards that are benchmarked to advanced
11 industry practices;

12 (C) the development of curriculum and
13 training methods, including, where appropriate,
14 e-learning or technology-based training;

15 (D) the purchase, lease, or receipt of dona-
16 tions of training equipment;

17 (E) the identification of training providers
18 and the development of partnerships between
19 the industry and educational institutions, in-
20 cluding community colleges;

21 (F) the development of apprenticeship pro-
22 grams;

23 (G) the development of training programs
24 for workers, including dislocated workers;

1 (H) the development of training plans for
2 businesses; and

3 (I) the development of the membership of
4 the entity.

5 (2) ADDITIONAL REQUIREMENT.—In carrying
6 out the program described in subsection (a), the eli-
7 gible entity shall provide for the development and
8 tracking of performance outcome measures for the
9 program and the training providers involved in the
10 program.

11 (c) ADMINISTRATIVE COSTS.—The eligible entity
12 may use not more than 10 percent of the amount of a
13 grant to pay for administrative costs associated with the
14 program described in subsection (a).

15 **SEC. 304. REQUIREMENT OF MATCHING FUNDS.**

16 (a) IN GENERAL.—The Secretary may not award a
17 grant under section 402 to an eligible entity unless the
18 entity agrees that the entity will make available non-Fed-
19 eral contributions toward the costs of carrying out activi-
20 ties under the grant in an amount that is not less than
21 \$2 for each \$1 of Federal funds provided under the grant,
22 of which—

23 (1) \$1 shall be provided by the businesses par-
24 ticipating in the entity; and

1 (2) \$1 shall be provided by the State or local
2 government involved.

3 (b) OTHER CONTRIBUTIONS.—

4 (1) EQUIPMENT.—Equipment donations to fa-
5 cilities that are not owned or operated by the mem-
6 bers of the eligible entity involved and that are
7 shared by the members may be included in deter-
8 mining compliance with subsection (a).

9 (2) LIMITATION.—

10 (A) IN GENERAL.—An eligible entity may
11 not include in-kind contributions in complying
12 with the requirement of subsection (a).

13 (B) CONSIDERATION.—The Secretary may
14 consider donations described in subparagraph
15 (A) in ranking applications.

16 **SEC. 305. LIMIT ON ADMINISTRATIVE EXPENSES.**

17 The Secretary may use not more than 5 percent of
18 the amounts made available to carry out this title to pay
19 the Federal administrative costs associated with awarding
20 grants under this title.

21 **SEC. 306. AUTHORIZATION OF APPROPRIATIONS.**

22 There are authorized to be appropriated to carry out
23 this title—

24 (1) \$50,000,000 for each of fiscal years 2011
25 through 2015; and

1 (2) such sums as are necessary for each fiscal
 2 year thereafter.

3 **TITLE IV—TAX CREDITS TO**
 4 **EXPAND BROADBAND ACCESS**

5 **SEC. 401. CREDIT FOR PROPERTY USED TO FURNISH**
 6 **BROADBAND SERVICES IN RURAL AREAS.**

7 (a) IN GENERAL.—Subpart D of part IV of sub-
 8 chapter A of chapter 1 (relating to business related cred-
 9 its), as amended by this Act, is amended by inserting after
 10 section 45S the following new section:

11 **“SEC. 45T. PROPERTY USED TO FURNISH BROADBAND**
 12 **SERVICES IN RURAL AREAS.**

13 “(a) IN GENERAL.—For purposes of section 38, the
 14 broadband services credit determined under this section
 15 is an amount equal to 50 percent of the cost of each quali-
 16 fied broadband property placed in service during the tax-
 17 able year.

18 “(b) INCREASED PERCENTAGE WHERE HIGH SPEED
 19 SERVICE PROVIDED.—Subsection (a) shall be applied by
 20 substituting ‘60 percent’ for ‘50 percent’ in any case
 21 where the qualified broadband property provides trans-
 22 mission service at a speed which is not less than—

23 “(1) except in the case of commercial mobile
 24 radio services, 50 megabits per second downstream
 25 and 20 megabits per second upstream, and

1 “(2) in the case of commercial mobile radio
2 services, 10 megabits per second downstream and 2
3 megabits per second upstream.

4 “(c) DEFINITIONS.—For purposes of this section—

5 “(1) QUALIFIED BROADBAND PROPERTY.—The
6 term ‘qualified broadband property’ means section
7 1245 property (as defined in section 1245(a)(3))—

8 “(A) which is used to provide broadband
9 services in rural areas to purchasers of such
10 services,

11 “(B) which is—

12 “(i) tangible property (to which sec-
13 tion 168 applies), or

14 “(ii) computer software (as defined in
15 section 197(e)(3)(B)) which is described in
16 section 197(e)(3)(A) and to which section
17 167 applies, and

18 “(C) the original use of which commences
19 with the taxpayer.

20 Such term shall not include any property described
21 in section 50(b).

22 “(2) BROADBAND.—The term ‘broadband’
23 means an Internet Protocol-based transmission serv-
24 ice (at a speed which is not less than 5 megabits per
25 second downstream and 1 megabit per second up-

1 stream) that enables users to send and receive voice,
 2 video, data, graphics, or a combination, without re-
 3 gard to any transmission media or technology.

4 “(3) RURAL AREA.—The term ‘rural area’
 5 means any census tract outside a metropolitan sta-
 6 tistical area (as defined by the Office of Manage-
 7 ment and Budget).

8 “(4) REGULATED ENTITIES.—The credit deter-
 9 mined under subsection (a) may not be used to re-
 10 duce a taxpayer’s cost of service, but may be used
 11 to reduce rate base, provided that such reduction is
 12 restored not less rapidly than ratably. For purposes
 13 of determining ratable restorations to rate base, the
 14 period of time used in computing depreciation ex-
 15 pense for purposes of reflecting operating results in
 16 the taxpayer’s regulated books of account shall be
 17 used.

18 “(d) OTHER RULES TO APPLY.—Rules similar to the
 19 rules of paragraphs (3), (4), and (5) of section 179(d)
 20 shall apply for purposes of this section.

21 “(e) BASIS REDUCTION.—Rules similar to the rules
 22 of sections 50(c) (other than paragraph (3) thereof) and
 23 1016(a)(19) shall apply for purposes of this section.”.

24 (b) CREDIT TO BE PART OF GENERAL BUSINESS
 25 CREDIT.—Subsection (b) of section 38, as amended by

1 this Act, is amended by striking “plus” at the end of para-
 2 graph (37), by striking the period at the end of paragraph
 3 (38) and inserting “, plus”, and by adding at the end the
 4 following new paragraph:

5 “(39) the broadband services credit determined
 6 under section 45T(a).”.

7 (c) CLERICAL AMENDMENT.—The table of sections
 8 subpart D of part IV of subchapter A of chapter 1, as
 9 amended by this Act, is amended by adding at the end
 10 the following new item:

“Sec. 45T. Property used to furnish broadband services in rural areas.”.

11 (d) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to property placed in service after
 13 the date of enactment of this Act in taxable years ending
 14 after such date.

15 **TITLE V—SUPPORTING INVEST-** 16 **MENT IN URBAN CENTERS**

17 **SEC. 501. EXTENSION OF BENEFITS.**

18 (a) EMPOWERMENT ZONES.—

19 (1) ROUNDS I AND II DESIGNATIONS.—Section
 20 1391(d)(1) is amended by striking “December 31,
 21 2009” in subparagraph (A)(i) and inserting “De-
 22 cember 31, 2019”.

23 (2) ROUND III DESIGNATIONS.—Section
 24 1391(h)(2) is amended by striking “December 31,
 25 2009” and inserting “December 31, 2019”.

1 (b) RURAL ENTERPRISE COMMUNITIES.—Section
 2 1391(d)(1)(A) is amended by striking “or” at the end of
 3 clause (i) and by striking clause (ii) and inserting the fol-
 4 lowing new clauses:

5 “(ii) in the case of an enterprise com-
 6 munity not described in clause (iii), the
 7 close of the 10th calendar year beginning
 8 on or after such date of designation, or

9 “(iii) in the case of an enterprise com-
 10 munity designated in a rural area pursuant
 11 to section 766 of division A of the Omni-
 12 bus Consolidated and Emergency Supple-
 13 mental Appropriations Act, 1999, Decem-
 14 ber 31, 2019,”.

15 (c) RENEWAL COMMUNITIES.—

16 (1) Sections 1400E(b) and 1400I(g) are each
 17 amended by striking “December 31, 2009” each
 18 place it appears and inserting “December 31,
 19 2019”.

20 (2) Sections 1400E(b)(3), 1400F(b), and
 21 1400J(b) are each amended by striking “January 1,
 22 2010” each place it appears and inserting “January
 23 1, 2020”.

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

4 (4) Section 1400F(d) is amended by striking
5 “December 31, 2014” and inserting “December 31,
6 2024”.

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

9 (d) TREATMENT OF TERMINATION DATES SPECI-
10 FIED IN NOMINATIONS.—

11 (1) Paragraph (1) of section 1391(d) is amend-
12 ed by adding at the end the following new flush sen-
13 tence:

14 “The termination date referred to in subparagraph
15 (B) shall be treated as being no earlier than the ter-
16 mination date under subparagraph (A) unless an
17 earlier termination date is designated under sub-
18 paragraph (B) after the date of the enactment of
19 this sentence.”.

20 (2) Paragraph (1) of section 1400E(b) is
21 amended by adding at the end the following new
22 flush sentence:

23 “The termination date referred to in subparagraph
24 (B) shall be treated as being no earlier than the ter-
25 mination date under subparagraph (A) unless an

1 earlier termination date is designated under sub-
 2 paragraph (B) after the date of the enactment of
 3 this sentence”.

4 **SEC. 502. EXPANSION OF BUSINESSES ELIGIBLE FOR BENE-**
 5 **FITS; EXPANSION OF ELIGIBLE BUSINESS AC-**
 6 **TIVITIES.**

7 (a) EXPANSION OF QUALIFIED BUSINESS ENTI-
 8 TIES.—

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

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

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

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

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

1 “(4) less than 5 percent of the average of the
 2 aggregate unadjusted bases of the property of such
 3 entity is attributable to nonqualified financial prop-
 4 erty.

5 “(c) QUALIFIED PROPRIETORSHIP.—For purposes of
 6 this section, the term ‘qualified proprietorship’ means,
 7 with respect to any taxable year, any qualified business
 8 carried on by an individual as a proprietorship if for such
 9 year—

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

12 “(2) less than 5 percent of the average of the
 13 aggregate unadjusted bases of the property of such
 14 individual which is used in such business is attrib-
 15 utable to collectibles (as defined in section
 16 408(m)(2)) other than collectibles that are held pri-
 17 marily for sale to customers in the ordinary course
 18 of such business, and

19 “(3) less than 5 percent of the average of the
 20 aggregate unadjusted bases of the property of such
 21 individual which is used in such business is attrib-
 22 utable to nonqualified financial property.

23 For purposes of this subsection, the term ‘employee’ in-
 24 cludes the proprietor.”.

25 (2) CONFORMING AMENDMENTS.—

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

5 (B) Paragraph (2) of section 1400B(c) is
 6 amended by inserting “(as in effect on the day
 7 before the date of the enactment of the Upstate
 8 Works Act)” after “1397C”.

9 (b) MODIFICATION OF EMPLOYMENT REQUIREMENT
 10 FOR BUSINESSES LOCATED IN AREAS WITH LOWER POP-
 11 ULATION DENSITY.—

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

15 “(g) MODIFICATION OF EMPLOYMENT REQUIRE-
 16 MENT FOR BUSINESSES LOCATED IN AREAS WITH
 17 LOWER POPULATION DENSITY.—

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

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

1 “(B) any point on the boundary of which
2 is within 50 miles of any point on the boundary
3 of the empowerment zone.

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

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

12 “‘In the case of businesses located in a lower-density
13 empowerment zone (as defined in section
14 1397C(g)(2)), subparagraph (B) shall be applied by
15 treating employees as residents of the empowerment
16 zone if they are residents of a census tract which is
17 an area of pervasive poverty, unemployment, and
18 general distress (within the meaning of section
19 1400E(c)(3)(A)), and any point on the boundary of
20 such tract is within 50 miles of any point on the
21 boundary of the empowerment zone.’”.

22 (c) EXPANSION OF ELIGIBLE BUSINESS ACTIVI-
23 TIES.—

24 (1) RENTING REAL OR PERSONAL PROPERTY
25 PERMITTED.—

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

4 (B) RECOVERY ZONE PROPERTY.—Para-
 5 graph (2) of section 1400U–3(c) is amended to
 6 read as follows:

7 “(2) QUALIFIED BUSINESS.—The term ‘quali-
 8 fied business’ means any trade or business except
 9 that such term shall not include any trade or busi-
 10 ness consisting of the operation of any facility de-
 11 scribed in section 144(c)(6)(B).”.

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

16 (2) DEVELOPING OR HOLDING INTANGIBLES
 17 PERMITTED.—

18 (A) IN GENERAL.—Subsection (d) of sec-
 19 tion 1397C is amended by striking paragraph
 20 (4).

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

24 (d) EMPOWERMENT ZONE EMPLOYMENT CREDIT TO
 25 APPLY TO EMPLOYEES AT CERTAIN ADDITIONAL BUSI-

1 NESSES AND TO EMPLOYEES WHO ARE FAMILY MEM-
 2 BERS.—Subparagraph (D) of section 1396(d)(2) (defining
 3 qualified zone employee) is amended—

4 (1) by striking subparagraph (A),

5 (2) by redesignating subparagraphs (B), (C),
 6 (D), and (E) as subparagraphs (A), (B), (C), and
 7 (D), respectively, and

8 (3) by striking “any facility described in section
 9 144(c)(6)(B)” in subparagraph (C), as so redesign-
 10 ated, and inserting “any excluded facility (as de-
 11 fined in section 1397C(d)(5))”.

12 (e) CERTAIN BUSINESSES MAY BE FINANCED WITH
 13 GULF OPPORTUNITY ZONE BONDS.—

14 (1) IN GENERAL.—Subparagraph (E) of section
 15 1400N(a)(2) is amended by striking “any property
 16 described in section 144(c)(6)(B)” and inserting
 17 “any excluded facility (as defined in section
 18 1397C(d)(5))”.

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

22 **SEC. 503. MODIFICATIONS PERMITTING EXPANSION OF**
 23 **DESIGNATED AREAS.**

24 (a) AUTHORITY TO EXPAND BOUNDARIES OF ZONES
 25 AND COMMUNITIES.—

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

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

15 “(2) RURAL AREAS.—With respect to any em-
 16 powerment zone or enterprise community located in
 17 a rural area, at the request of the nominating local
 18 government, the appropriate Secretary shall expand
 19 the area of such zone or community to include the
 20 entire 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 data from the most recent

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

3 “(ii) during the period beginning with
4 the decennial census immediately preceding
5 the most recent decennial census and end-
6 ing with the most recent decennial census,
7 such entire area has a net out migration of
8 inhabitants of at least 10 percent of the
9 population of such area, and

10 “(B) such entire area meets 1 or more of
11 the following criteria determined by data from
12 the most recent decennial census:

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

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

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

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

1 “(h) AUTHORITY TO EXPAND BOUNDARIES OF DES-
2 IGNATED AREAS.—

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

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

19 “(A) either—

20 “(i) the poverty rate and the unem-
21 ployment rate for such entire area as de-
22 termined by data from the most recent de-
23 cennial census was at least 110 percent of
24 such rate for the United States, or

1 “(ii) during the period beginning with
 2 the decennial census immediately preceding
 3 the most recent decennial census and end-
 4 ing with the most recent decennial census,
 5 such entire area has a net out migration of
 6 inhabitants of at least 10 percent of the
 7 population of such area, and

8 “(B) such entire area meets 1 or more of
 9 the following criteria determined by data from
 10 the most recent census:

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

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

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

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

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

1 (1) IN GENERAL.—Clause (ii) of section
2 1400E(g)(1)(A) is amended to read as follows:

3 “(ii) such tract has a poverty rate
4 using 2000 census data—

5 “(I) which is at least 20 percent,
6 or

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

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

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

15 (1) IN GENERAL.—Paragraph (3) of section
16 1392(a) is amended by adding “and” at the end of
17 subparagraph (B), by striking “, and” at the end of
18 subparagraph (C) and inserting a period, and by
19 striking subparagraph (D).

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

23 **SEC. 504. EXPANDED USE OF TAX-EXEMPT BONDS.**

24 (a) ENTERPRISE FACILITY BOND LIMIT FOR SMALL
25 CITIES TO BE THE SAME AS FOR LARGER CITIES.—Sub-

1 paragraph (B) of section 1394(f)(2) is amended by adding
 2 “and” at the end of clause (i), by striking clause (iii), and
 3 by amending clause (ii) to read as follows:

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

6 (b) ZONE EMPLOYMENT REQUIREMENT NEED NOT
 7 BE MET AFTER TESTING PERIOD UNDER ZONE FACIL-
 8 ITY BOND RULES.—

9 (1) IN GENERAL.—Clause (iii) of section
 10 1394(b)(3)(B) is amended by striking “if at least 35
 11 percent of the employees of such business for such
 12 year are residents of an empowerment zone or an
 13 enterprise community”.

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

18 (c) ZONE FACILITY BONDS FOR SMALL BUSINESSES
 19 MAY BE GUARANTEED.—

20 (1) IN GENERAL.—Subsection (d) of section
 21 1394 is amended to read as follows:

22 “(d) SPECIAL RULES.—

23 “(1) ACQUISITION OF LAND AND EXISTING
 24 PROPERTY PERMITTED.—The requirements of sec-

1 tions 147(c)(1)(A) and 147(d) shall not apply to any
 2 bond described in subsection (a).

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

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

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

23 (3) RECOVERY ZONE FACILITY BONDS.—Sub-
 24 section (d) of section 1400U–3 is amended by add-
 25 ing at the end the following new sentence: “Section

1 149(b) shall not apply to any recovery zone facility
 2 bond issued as part of an issue 95 percent or more
 3 of the net proceeds (as defined in section 150(a)(3))
 4 of such issue are to be used for recovery zone prop-
 5 erty the principal user of which is a small employer
 6 (as defined in section 221(c)(4)).”.

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

10 **SEC. 505. OTHER MODIFICATIONS.**

11 (a) NONRECOGNITION OF GAIN TO APPLY TO REAL
 12 PROPERTY AND INTANGIBLES.—Paragraph (2) of section
 13 1397B(b) is amended to read as follows:

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

18 (b) ELECTION OF FINANCING ARRANGEMENT IN
 19 LIEU OF TAX BENEFITS.—

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

22 “(e) ELECTION OF FINANCING ARRANGEMENT IN
 23 LIEU OF TAX BENEFITS.—

24 “(1) IN GENERAL.—At the election of any sig-
 25 nificant empowerment zone business, for the pay-

1 ment period of the debt obligation designated in
 2 such election (or as an amendment to such election)
 3 by such business—

4 “(A) such business—

5 “(i) shall not be allowed an empower-
 6 ment zone employment credit described in
 7 subsection (a), and

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

13 “(B) the Secretary shall make the pay-
 14 ments described in paragraph (2) to a trustee
 15 designated by the electing business to accept
 16 such payments on behalf of such holders).

17 “(2) PAYMENTS.—

18 “(A) IN GENERAL.—At the beginning of
 19 each year of the payment period, the Secretary
 20 shall pay (out of any money in the Treasury not
 21 otherwise appropriated) to the trustee des-
 22 ignated by such business an amount equal to—

23 “(i) the empowerment zone employ-
 24 ment credit computed for such year under

1 this section as if the election was not made
2 under this subsection, and

3 “(ii) except as provided in paragraph
4 (4)(A), the amount equal to the cost recov-
5 ery benefit divided by the number of years
6 in the payment period described in sub-
7 paragraph (C).

8 “(B) COST RECOVERY BENEFIT.—For pur-
9 poses of subparagraph (A), the cost recovery
10 benefit shall be an amount equal to 25 percent
11 of—

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

20 “(ii) any such cost for which a bind-
21 ing contract for financing the acquisition
22 of such tangible property (including im-
23 provements to such tangible property) has
24 been made by such business and which
25 under the terms of the financing is to be

1 incurred within the first 5 full calendar
2 years beginning after the date of the elec-
3 tion made under this subsection.

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

7 “(i) the calendar year specified by the
8 significant empowerment zone business as
9 the 1st year of the payment period without
10 regard to the date the property is placed in
11 service, or

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

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

20 “(A) such business is nominated by the
21 chief executive or the legislative body of the
22 State or a local government in which the zone
23 property is located, and

24 “(B) the Secretary of Housing and Urban
25 Development determines that—

1 “(i) it is a facility for qualified re-
2 search as defined in section 41(d) which is
3 reasonably anticipated to make at least
4 \$50,000,000 of capital expenditures within
5 the first 3 years of the payment period, or

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

11 “(I) 1,000 full-time employees or
12 equivalents, or

13 “(II) 10 percent of the number
14 of full-time employees estimated to
15 have been employed in such zone on
16 the date of its designation.

17 “(4) SPECIAL RULES.—

18 “(A) ADJUSTMENT TO COST RECOVERY
19 BENEFIT.—In the event that the significant em-
20 powerment zone business does not incur a cost
21 within the period described in paragraph (2)(B)
22 and for which a cost recovery benefit payment
23 is made under this subsection, the Secretary
24 shall reduce future recovery benefit payments to
25 recover 110 percent of the overpayments in

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

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

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

20 (2) CONFORMING AMENDMENT.—Section
21 1016(a), as amended by this Act, is amended by
22 striking “and” at the end of paragraph (37), by
23 striking the period at the end of paragraph (38) and
24 inserting “, and”, and by adding at the end the fol-
25 lowing new paragraph:

1 “(39) to the extent provided in section
2 1396(e)(4)(B).”.

3 **SEC. 506. GRANTS FOR AWARENESS OF ZONE BENEFITS**
4 **AND TECHNICAL ASSISTANCE TO SMALL**
5 **BUSINESS.**

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

8 **“SEC. 7529. GRANTS FOR AWARENESS OF ZONE BENEFITS**
9 **AND TECHNICAL ASSISTANCE TO SMALL**
10 **BUSINESS.**

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

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

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

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

23 “(4) subchapter Y of chapter 1 (relating to
24 short-term regional benefits).

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

11 SEC. 507. EFFECTIVE DATE.

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

