

112TH CONGRESS
2D SESSION

H. R. 6658

To amend the Internal Revenue Code of 1986 to provide a zero capital gains rate for certain new investments in specified areas made during a temporary period.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 13, 2012

Mr. CLARKE of Michigan (for himself, Mr. FRANKS of Arizona, and Mr. HULTGREN) 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 provide a zero capital gains rate for certain new investments in specified areas made during a temporary period.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Urban Competitiveness
5 Act”.

1 **SEC. 2. ZERO CAPITAL GAINS RATE FOR CERTAIN NEW IN-**
 2 **VESTMENTS IN SPECIFIED AREAS.**

3 (a) IN GENERAL.—Subchapter Y of chapter 1 of the
 4 Internal Revenue Code of 1986 is amended by adding at
 5 the end the following new part:

6 **“PART IV—CERTAIN NEW INVESTMENTS IN**
 7 **SPECIFIED AREAS**

“Sec. 1400V. Zero capital gains rate for certain new investments.

8 **“SEC. 1400V. ZERO CAPITAL GAINS RATE FOR CERTAIN NEW**
 9 **INVESTMENTS.**

10 “(a) IN GENERAL.—Gross income does not include
 11 any qualified capital gain from the sale or exchange of
 12 a specified new investment held for more than 1 year.

13 “(b) SPECIFIED NEW INVESTMENT.—For purposes
 14 of this section—

15 “(1) IN GENERAL.—The term ‘specified new in-
 16 vestment’ means—

17 “(A) any qualified stock,

18 “(B) any qualified partnership interest,

19 and

20 “(C) any qualified business property.

21 “(2) QUALIFIED STOCK.—

22 “(A) IN GENERAL.—Except as provided in
 23 subparagraph (B), the term ‘qualified stock’
 24 means any stock in a domestic corporation if—

1 “(i) such stock is acquired by the tax-
2 payer during the 1-year period beginning
3 on the date of the enactment of this sec-
4 tion, at its original issue (directly or
5 through an underwriter) from the corpora-
6 tion solely in exchange for cash,

7 “(ii) as of the time such stock was
8 issued, such corporation was a specified
9 area business (or, in the case of a new cor-
10 poration, such corporation was being orga-
11 nized for purposes of being a specified area
12 business), and

13 “(iii) during substantially all of the
14 taxpayer’s holding period for such stock,
15 such corporation qualified as a specified
16 area business.

17 “(B) REDEMPTIONS.—A rule similar to
18 the rule of section 1202(c)(3) shall apply for
19 purposes of this paragraph.

20 “(3) QUALIFIED PARTNERSHIP INTEREST.—
21 The term ‘qualified partnership interest’ means any
22 capital or profits interest in a domestic partnership
23 if—

24 “(A) such interest is acquired by the tax-
25 payer during the 1-year period beginning on the

1 date of the enactment of this section, from the
2 partnership solely in exchange for cash,

3 “(B) as of the time such interest was ac-
4 quired, such partnership was a specified area
5 business (or, in the case of a new partnership,
6 such partnership was being organized for pur-
7 poses of being a specified area business), and

8 “(C) during substantially all of the tax-
9 payer’s holding period for such interest, such
10 partnership qualified as a specified area busi-
11 ness.

12 A rule similar to the rule of paragraph (2)(B) shall
13 apply for purposes of this paragraph.

14 “(4) QUALIFIED BUSINESS PROPERTY.—

15 “(A) IN GENERAL.—The term ‘qualified
16 business property’ means tangible property if—

17 “(i) such property was acquired by
18 the taxpayer by purchase (as defined in
19 section 179(d)(2)) during the 1-year period
20 beginning on the date of the enactment of
21 this section,

22 “(ii) the original use of such property
23 in the specified area commences with the
24 taxpayer, and

1 “(iii) during substantially all of the
2 taxpayer’s holding period for such prop-
3 erty, substantially all of the use of such
4 property was in a specified area business
5 of the taxpayer.

6 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
7 PROVEMENTS.—The requirements of clauses (i)
8 and (ii) of subparagraph (A) shall be treated as
9 satisfied with respect to—

10 “(i) property which is substantially
11 improved by the taxpayer before the end of
12 the period described in subparagraph
13 (A)(i), and

14 “(ii) any land on which such property
15 is located.

16 The determination of whether a property is sub-
17 stantially improved shall be made under clause
18 (ii) of section 1400B(b)(4)(B), except that ‘the
19 date of the enactment of section 1400V’ shall
20 be substituted for ‘December 31, 1997’ in such
21 clause.

22 “(c) QUALIFIED CAPITAL GAIN.—For purposes of
23 this section—

24 “(1) IN GENERAL.—Except as otherwise pro-
25 vided in this subsection, the term ‘qualified capital

1 gain’ means any gain recognized on the sale or ex-
2 change of—

3 “(A) a capital asset, or

4 “(B) property used in the trade or busi-
5 ness (as defined in section 1231(b)).

6 “(2) GAIN BEFORE ENACTMENT NOT QUALI-
7 FIED.—The term ‘qualified capital gain’ shall not in-
8 clude any gain attributable to periods before the
9 date of the enactment of this section.

10 “(3) CERTAIN RULES TO APPLY.—Rules similar
11 to the rules of paragraphs (3), (4), and (5) of sec-
12 tion 1400B(e) shall apply for purposes of this sub-
13 section.

14 “(d) SPECIFIED AREA BUSINESS.—For purposes of
15 this section, the term ‘specified area business’ means any
16 enterprise zone business (as defined in section 1397C), de-
17 termined—

18 “(1) without regard to subsections (b)(6) and
19 (c)(5) thereof,

20 “(2) by substituting ‘80 percent’ for ‘50 per-
21 cent’ in subsections (b)(2) and (c)(1) thereof,

22 “(3) by treating each specified area as an em-
23 powerment zone (and by treating no area other than
24 a specified area as an empowerment zone).

1 “(e) SPECIFIED AREA.—For purposes of this section,
2 the term ‘specified area’ means any principal city of a met-
3 ropolitan statistical area (as determined by the Office of
4 Management and Budget)—

5 “(1) which had an average unemployment rate
6 of not less than 150 percent of the national average
7 rate for the last calendar year ending before the cal-
8 endar year which includes the date of the enactment
9 of this Act, and

10 “(2) which experienced a population loss of at
11 least 20 percent during the 10-year period beginning
12 with calendar year 2000.

13 “(f) CERTAIN RULES TO APPLY.—For purposes of
14 this section, rules similar to the rules of paragraphs (6)
15 and (7) of subsection (b), and subsections (f) and (g), of
16 section 1400B shall apply; except that for such purposes
17 section 1400B(g)(2) shall be applied by substituting ‘be-
18 fore the date of the enactment of section 1400V’ for ‘be-
19 fore January 1, 1998, or after December 31, 2014’.

20 “(g) REGULATIONS.—The Secretary shall prescribe
21 such regulations as may be appropriate to carry out the
22 purposes of this section, including regulations to prevent
23 the abuse of the purposes of this section.”.

1 (b) CLERICAL AMENDMENT.—The table of parts for
2 subchapter Y of chapter 1 of such Code is amended by
3 adding at the end the following new item:

“PART IV. CERTAIN NEW INVESTMENTS IN SPECIFIED AREAS.”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to property acquired after the date
6 of the enactment of this Act.

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