I

113TH CONGRESS
1ST SESSION

H. R. 1522

To amend the Internal Revenue Code of 1986 to provide incentives for the expansion of manufacturing in the United States.

IN THE HOUSE OF REPRESENTATIVES

APRIL 12, 2013

Mr. MCKINLEY (for himself, Mr. RUSH, Mr. RYAN of Ohio, Mr. DOYLE, Mr. JOHNSON of Ohio, Mr. BARLETTA, and Mr. GIBBS) 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 incentives for the expansion of manufacturing in the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Manufacturing Economic Recovery Act of 2013".

SEC. 2. CREDIT FOR ACQUISITION OF MANUFACTURING PROPERTY.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 of the Internal Revenue Code of

1986 (relating to Rules for computing credit for investment in certain depreciable property) is amended by inserting after section 48D the following new section:

"SEC. 48E. ACQUISITION OF MANUFACTURING PROPERTY.

"(a) IN GENERAL.—For purposes of section 46, the manufacturing recovery credit for any taxable year is an amount equal to—

"(1) the applicable percentage of the taxpayer's basis in manufacturing real property placed in service by the taxpayer during the taxable year, and

"(2) the applicable percentage of the taxpayer's basis in manufacturing tangible personal property placed in service by the taxpayer during the taxable year.

"(b) APPLICABLE PERCENTAGES.—For purposes of this section—

"(1) REAL PROPERTY.—In the case of manufacturing real property, the applicable percentage is—

"(A) 10 percent in the case of property located on existing manufacturing property,

"(B) 15 percent in the case property of located on former manufacturing property, and

"(C) 20 percent in the case of property located on future manufacturing property.

"(2) TANGIBLE PERSONAL PROPERTY.—In the case of manufacturing tangible personal property, the applicable percentage shall be determined in accordance with the following table:

"If the aggregate manufacturing tangible personal property placed in service during the taxable year is:	To the extent located on existing manufacturing property, the applicable percentage is:	To the extent located on former manufacturing property, the applicable percentage is:	To the extent located on future manufacturing property, the applicable percentage is:
Not over $250,000	5 percent	10 percent	15 percent
Over $250,000 but not over $1,000,000	7.5 percent	12.5 percent	17.5 percent
Over $1,000,000	10 percent	15 percent	20 percent.

"(3) INCREASED CREDIT FOR PROPERTY LOCATED IN ECONOMICALLY DISADVANTAGED AREAS.—

"(A) IN GENERAL.—If the manufacturing property is located in an economically disadvantaged area, each of the percentages under paragraphs (1) and (2) shall be increased by 5 percentage points.

"(B) EXTREMELY ECONOMICALLY DISADVANTAGED AREAS.—If the manufacturing property is located in an extremely economically disadvantaged area, each of the percentages under paragraphs (1) and (2) shall be increased by 10 percentage points.

"(C) ECONOMICALLY DISADVANTAGED AREAS.—For purposes of this paragraph—

"(i) IN GENERAL.—The term 'economically disadvantaged area' means any area—

"(I) for which there is a single 5-digit postal zip code, and

"(II) which includes any portion of a census tract in which the median annual household income is less than $40,000 per year.

"(ii) EXTREMELY ECONOMICALLY DISADVANTAGED AREAS.—The term 'extremely economically disadvantaged area' means any area which would be described in clause (i) if '$32,000' were substituted for '$40,000' in subclause (II) thereof.

"(iii) HOUSEHOLD INCOME.—Median annual household income shall be determined using the 2010 census, as updated by the American Community Survey of the Bureau of the Census.

"(iv) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining median annual household income.

"(c) MANUFACTURING PROPERTY.—For purposes of this section—

"(1) MANUFACTURING PROPERTY.—

"(A) IN GENERAL.—The term 'manufacturing property' means tangible property used in the United States in the trade or business of manufacturing tangible personal property.

"(B) MANUFACTURING OF RESIDENTIAL REAL PROPERTY NOT INCLUDED.—Such term does not include property used to manufacture residential real property, including such property used on a transient basis.

"(2) EXISTING MANUFACTURING PROPERTY.—The term 'existing manufacturing property' means any property which was a manufacturing facility, or a part of a manufacturing facility, at any time during the period beginning 5 years before the date of the enactment of this section and ending on the day before its purchase by the taxpayer.

"(3) FORMER MANUFACTURING PROPERTY.—The term 'former manufacturing property' means any property (other than an existing manufacturing property) which was a manufacturing facility, or a part of a manufacturing facility, at any time before the period described in paragraph (2).

"(4) FUTURE MANUFACTURING PROPERTY.—The term 'future manufacturing property' means any existing or former manufacturing property on which there are no permanent vertical structures.

"(5) MANUFACTURING REAL PROPERTY.—The term 'manufacturing real property' means manufacturing property which is land or section 1250 property (as defined in section 1250(c)).

"(6) MANUFACTURING TANGIBLE PERSONAL PROPERTY.—The term 'manufacturing tangible personal property' means manufacturing property which is tangible property other than manufacturing real property.

"(d) CREDIT NOT ALLOWABLE FOR CERTAIN RELOCATIONS OF MANUFACTURING FACILITIES.—This section shall not apply to property acquired as part of a relocation of a manufacturing facility unless the new location—

"(1) is in a different State than the prior location, or

"(2) is more than 100 miles from the prior location.

"(e) SPECIAL RULES.—

"(1) CREDIT NOT ALLOWABLE IF REMEDIATION DEDUCTION CLAIMED.—This section shall not apply to any property located on a site with respect to which the taxpayer (or a related party) is allowed a deduction under section 198 (relating to expensing of environmental remediation costs).

"(2) BASIS ADJUSTMENT.—For purposes of this subtitle, if a credit is allowed under this section for an expenditure related to property, the basis of such property shall be reduced by the amount of such credit.

"(3) CONTROLLED GROUPS.—For purposes of this section, all persons treated as a single employer under subsection (a) or (b) of section 52 or subsection (m) or (o) of section 414 shall be treated as a single taxpayer.".

(b) INCLUSION AS PART OF INVESTMENT CREDIT.—Section 46 of the Internal Revenue Code of 1986 is amended by striking "and" at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting ", and", and by adding at the end the following new paragraph:

"(7) the manufacturing recovery credit.".

(c) CONFORMING AMENDMENTS.—

(1) Section 49(a)(1)(C) of such Code is amended—

(A) by striking "and" at the end of clause (v),

(B) by striking the period at the end of clause (vi) and inserting ", and", and

(C) by adding at the end the following new clause:

"(vii) the basis of any property which is manufacturing property under section 48E.".

(2) The table of sections for subpart E of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 48D the following new item:

"Sec. 48E. Acquisition of manufacturing property.".

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

SEC. 3. INCENTIVES FOR HIRING MANUFACTURING RECOVERY EMPLOYEES.

(a) IN GENERAL.—Paragraph (1) of section 51(d) of the Internal Revenue Code of 1986 is amended by striking “or” at the end of subparagraph (H), by striking the period at the end of subparagraph (I) and inserting “, or”, and by adding at the end the following new subparagraph:

“(J) a manufacturing recovery employee.”.

(b) MANUFACTURING RECOVERY EMPLOYEE.—Subsection (d) of section 51 of such Code is amended by redesignating paragraphs (11) through (14) as paragraphs (12) through (15), respectively, and by inserting after paragraph (10) the following new paragraph:

“(11) MANUFACTURING RECOVERY EMPLOYEE.—

“(A) IN GENERAL.—The term ‘manufacturing recovery employee’ means any individual who is certified by the designated local agency as having a hiring date which is after the date of the enactment of the Manufacturing Economic Recovery Act of 2013 and before the close of the 3-year period beginning on the date that the employer first operated the manufacturing facility at which the individual is employed.

“(B) INCREASED CREDIT FOR HIRING UNEMPLOYED.—In the case of a manufacturing recovery employee who is certified by the designated local agency as having received unemployment compensation under State or Federal law for not less than 4 weeks during the 3-year period ending on the hiring date, subsection (a) shall be applied by substituting '50 percent' for '40 percent'.

"(C) NO CREDIT FOR LESS THAN FULL-TIME EMPLOYMENT.—An individual shall not be treated as a manufacturing recovery employee for any week during which—

"(i) the individual is employed by the employer for less than 35 hours at a manufacturing facility of the employer, or

"(ii) the individual performs less than 90 percent of individual's services for the employer at the manufacturing facility.

"(D) MANUFACTURING FACILITY MUST BE IN UNITED STATES.—No credit shall be allowable by reason of this paragraph unless the manufacturing facility is located in the United States.".

(c) PERMANENT CREDIT FOR MANUFACTURING RECOVERY EMPLOYEES.—Paragraph (4) of section 51(c) of such Code (relating to termination) is amended by adding at the end the following flush sentence:

"The preceding sentence shall not apply to any manufacturing recovery employee.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who first begin work for the employer after the date of the enactment of this Act.

○