

113TH CONGRESS
1ST SESSION

S. 1852

To provide for the establishment of free market enterprise zones in order to help facilitate the creation of new jobs, entrepreneurial opportunities, enhanced and renewed educational opportunities, and increased community involvement in bankrupt or economically distressed areas.

IN THE SENATE OF THE UNITED STATES

DECEMBER 18, 2013

Mr. PAUL (for himself and Mr. McCONNELL) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To provide for the establishment of free market enterprise zones in order to help facilitate the creation of new jobs, entrepreneurial opportunities, enhanced and renewed educational opportunities, and increased community involvement in bankrupt or economically distressed 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Economic Freedom Zones Act of 2013”.

1 (b) TABLE OF CONTENTS.—The table of contents for
 2 this Act is as follows:

Sec. 1. Short title; table of contents.
 Sec. 2. Definitions.

TITLE I—PROHIBITION AGAINST A FEDERAL GOVERNMENT
 BAILOUT OF A STATE, CITY, OR MUNICIPALITY

Sec. 101. Prohibition of Federal Government Bailouts.

TITLE II—DESIGNATION OF ECONOMIC FREEDOM ZONES (EFZ)

Sec. 201. Eligibility requirements for Economic Freedom Zone Status.
 Sec. 202. Area and regional requirements.
 Sec. 203. Application and duration of designation.

TITLE III—FEDERAL TAX INCENTIVES

Sec. 301. Tax incentives related to Economic Freedom Zones.

TITLE IV—FEDERAL REGULATORY REDUCTIONS

Sec. 401. Suspension of certain laws and regulations.

TITLE V—EDUCATIONAL ENHANCEMENTS

Sec. 501. Educational opportunity tax credit.
 Sec. 502. School choice through portability.
 Sec. 503. Special Economic Freedom Zone visas.
 Sec. 504. Economic Freedom Zone educational savings accounts.

TITLE VI—COMMUNITY ASSISTANCE AND REBUILDING

Sec. 601. Nonapplication of Davis-Bacon.
 Sec. 602. Economic Freedom Zone charitable tax credit.

TITLE VII—STATE AND COMMUNITY POLICY RECOMMENDATIONS

Sec. 701. Sense of the Senate concerning policy recommendations.

3 **SEC. 2. DEFINITIONS.**

4 In this Act:

5 (1) CITY.—The term “city” means any unit of
 6 general local government that is classified as a mu-
 7 nicipality by the United States Census Bureau, or is
 8 a town or township as determined jointly by the Di-
 9 rector of the Office of Management and Budget and
 10 the Secretary of the Treasury.

1 (2) COUNTY.—The term “County” means any
2 unit of local general government that is classified as
3 a county by the United States Census Bureau.

4 (3) ELIGIBLE ENTITY.—The term “eligible enti-
5 ty” means a State, municipality, zip code, or rural
6 area.

7 (4) MUNICIPALITY.—The term “municipality”
8 has the meaning given that term in section 101(40)
9 of title 11, United States Code.

10 (5) RURAL AREA.—The term “rural area”
11 means any area not in an urbanized area, as that
12 term is defined by the Census Bureau.

13 (6) SECRETARY.—The term “Secretary” means
14 the Secretary of the Treasury.

15 (7) ZIP CODE.—The term “zip code” means
16 any area or region associated with or covered by a
17 United States Postal zip code of not less than 5 dig-
18 its.

19 **TITLE I—PROHIBITION AGAINST**
20 **A FEDERAL GOVERNMENT**
21 **BAILOUT OF A STATE, CITY,**
22 **OR MUNICIPALITY**

23 **SEC. 101. PROHIBITION OF FEDERAL GOVERNMENT BAIL-**
24 **OUTS.**

25 (a) DEFINITIONS.—In this section—

1 (1) the term “credit rating” has the meaning
2 given that term in section 3(a)(60) of the Securities
3 Exchange Act of 1934 (15 U.S.C. 78c(a)(60));

4 (2) the term “credit rating agency” has the
5 meaning given that term in section 3(a)(61) of the
6 Securities Exchange Act of 1934 (15 U.S.C.
7 78c(a)(61));

8 (3) the term “Federal assistance” means the
9 use of any advances from the Federal Reserve credit
10 facility or discount window that is not part of a pro-
11 gram or facility with broad-based eligibility under
12 section 13(3)(A) of the Federal Reserve Act (12
13 U.S.C. 343(3)(A)), Federal Deposit Insurance Cor-
14 poration insurance, or guarantees for the purpose
15 of—

16 (A) making a loan to, or purchasing any
17 interest or debt obligation of, a municipality;

18 (B) purchasing the assets of a munic-
19 ipality;

20 (C) guaranteeing a loan or debt issuance
21 of a municipality; or

22 (D) entering into an assistance arrange-
23 ment, including a grant program, with an eligi-
24 ble entity;

1 (4) the term “insolvent” means, with respect to
2 an eligible entity, a financial condition such that the
3 eligible entity—

4 (A) has any debt that has been given a
5 credit rating lower than a “B” by a nationally
6 recognized statistical rating organization or a
7 credit rating agency;

8 (B) is not paying its debts as they become
9 due, unless such debts are the subject of a bona
10 fide dispute; or

11 (C) is unable to pay its debts as they be-
12 come due; and

13 (5) the term “nationally recognized statistical
14 rating organization” has the meaning given that
15 term in section 3(a)(62) of the Securities Exchange
16 Act of 1934 (15 U.S.C. 78c(a)(62)).

17 (b) PROHIBITION OF FEDERAL GOVERNMENT BAIL-
18 OUTS.—

19 (1) PROHIBITION OF FEDERAL ASSISTANCE.—
20 Notwithstanding any other provision of law, no Fed-
21 eral assistance may be provided to an eligible entity
22 (other than the assistance provided for in this Act
23 for an area that is designated as an Economic Free
24 Zone).

1 (2) PROHIBITION OF FINANCIAL ASSISTANCE
2 TO BANKRUPT OR INSOLVENT ELIGIBLE ENTITIES.—

3 Except as provided in paragraph (1), the Federal
4 Government may not provide financial assistance—

5 (A) to a municipality that is a debtor
6 under chapter 9 of title 11, United States Code;

7 or

8 (B) to State or municipality that is insol-
9 vent.

10 **TITLE II—DESIGNATION OF ECO-**
11 **NOMIC FREEDOM ZONES**
12 **(EFZ)**

13 **SEC. 201. ELIGIBILITY REQUIREMENTS FOR ECONOMIC**
14 **FREEDOM ZONE STATUS.**

15 (a) IN GENERAL.—In order to be eligible for designa-
16 tion as an Economic Freedom Zone by the Secretary, an
17 eligible entity shall meet one or more of the following re-
18 quirements (in order of priority) and the requirements of
19 section 202:

20 (1) ELIGIBLE CHAPTER 9 DEBTOR.—An eligible
21 entity that satisfies the requirements under section
22 109(c) of title 11, United States Code.

23 (2) ELIGIBLE ENTITY AT RISK OF INSOL-
24 VENCY.—

1 (A) IN GENERAL.—An eligible entity that
 2 is at risk of insolvency, as described in subpara-
 3 graph (B).

4 (B) REQUIREMENTS.—An eligible entity is
 5 at risk of insolvency if—

6 (i) an independent actuarial firm that
 7 has been engaged by the eligible entity and
 8 that does not have a conflict of interest
 9 with the eligible entity, including any pre-
 10 vious relationship with the eligible entity,
 11 as determined by the Secretary—

12 (I) determines that the eligible
 13 entity is insolvent (as defined in sec-
 14 tion 101(a)(4)); and

15 (II) submits its analysis regard-
 16 ing the insolvency of the eligible entity
 17 to the Secretary; and

18 (ii) the Secretary has reviewed and
 19 approved the determination of insolvency
 20 by the actuarial firm.

21 (3) LOW ECONOMIC AND HIGH POVERTY
 22 ZONES.—

23 (A) IN GENERAL.—An eligible entity that
 24 is designated as a low economic or high poverty
 25 zone under subparagraph (B).

1 (B) DESIGNATION.—The Secretary, after
2 reviewing supporting data as deemed appro-
3 priate, shall designate an eligible entity as a low
4 economic or high poverty area if—

5 (i) the State or local government with
6 jurisdiction over the entity certifies that—

7 (I) the entity is one of pervasive
8 poverty, unemployment, and general
9 distress;

10 (II) the average rate of unem-
11 ployment within such entity during
12 the most recent 3-month period for
13 which data is available is at least 1.5
14 times the national unemployment rate
15 for the period involved;

16 (III) during the most recent 3-
17 month period, at least 30 percent of
18 the area residents have incomes below
19 the national poverty level; or

20 (IV) at least 70 percent of the
21 are residents have incomes below 80
22 percent of the median income of
23 households within the jurisdiction of
24 the local government (as determined
25 in the same manner as under section

1 119(b)(2) of the Housing and Com-
2 munity Development Act of 1974);
3 and

4 (ii) the Secretary determines that
5 such a designation is appropriate.

6 (4) SPECIAL HIGH POVERTY REQUIREMENT FOR
7 DESIGNATION.—An eligible entity shall be des-
8 ignated as a low economic or high poverty zone if
9 the Secretary determines that—

10 (A) the State in which the entity is located
11 within one of the 10 most impoverished States,
12 as determined using United States Census Bu-
13 reau data;

14 (B) the entity is one of pervasive poverty,
15 unemployment, and general distress;

16 (C) the average rate of unemployment
17 within such entity during the most recent 3-
18 month period for which data is available is at
19 least 1.25 times the national unemployment
20 rate for the period involved;

21 (D) during the most recent 3-month pe-
22 riod, at least 25 percent of the area residents
23 have income below the national poverty level; or

24 (E) at least 65 percent of the residents
25 have incomes below 80 percent of the median

1 income of households within the jurisdiction of
2 the local government (as determined in the
3 same manner as under section 119(b)(2) of the
4 Housing and Community Development Act of
5 1974).

6 (b) REFUSAL TO GRANT STATUS.—The Secretary
7 may refuse to designate an eligible entity as an Economic
8 Freedom Zone if the Secretary determines that any re-
9 quirement under this Act, including any requirement
10 under subsection (a)(2)(B), has not been satisfied.

11 **SEC. 202. AREA AND REGIONAL REQUIREMENTS.**

12 (a) IN GENERAL.—To be designated as an Economic
13 Freedom Zone by the Secretary, an eligible entity shall—

14 (1) meet one or more of the requirements under
15 section 201; and

16 (2) be an entity described in subsection (b).

17 (b) ENTITY DESCRIBED.—An entity is described in
18 this subsection if such entity—

19 (1) is a metropolitan statistical area (as defined
20 by the Director of the Office of Management and
21 Budget) that—

22 (A) is located within the jurisdiction of a
23 local government; and

24 (B) has a continuous boundary;

1 (2) is a non-metropolitan statistical area (as de-
2 fined by the Director of the Office of Management
3 and Budget) if (based on the following order of pri-
4 ority) such area—

5 (A) is an official county geographical area
6 in any State that meets any of the eligibility re-
7 quirements of section 201;

8 (B) is an official city geographical area in
9 any State that meets any of the eligibility re-
10 quirements of section 201; or

11 (C) is an official zip code geographical area
12 in any State that meets any of the eligibility re-
13 quirements of section 201; or

14 (3) is a zip code area that—

15 (A) is within a metropolitan statistical
16 area; and

17 (B) meets other eligibility criteria as deter-
18 mined by the Secretary after consultation with
19 the United States Census Bureau, the Bureau
20 of Labor Statistics, and the Office of Manage-
21 ment and Budget.

22 **SEC. 203. APPLICATION AND DURATION OF DESIGNATION.**

23 (a) APPLICATION.—The Secretary shall develop pro-
24 cedures to enable an eligible entity to submit to the Sec-

1 return an application for designation as an Economic
2 Freedom Zone under this title.

3 (b) DURATION.—The designation by the Secretary of
4 an eligible entity as a Economic Freedom Zone shall be
5 for a period of 10 years.

6 **TITLE III—FEDERAL TAX**
7 **INCENTIVES**

8 **SEC. 301. TAX INCENTIVES RELATED TO ECONOMIC FREE-**
9 **DOM ZONES.**

10 (a) IN GENERAL.—Chapter 1 of the Internal Rev-
11 enue Code of 1986 is amended by adding at the end the
12 following new subchapter:

13 **“Subchapter Z—Economic Freedom Zones**

“PART I—TAX INCENTIVES

“PART II—DEFINITIONS

14 **“PART I—TAX INCENTIVES**

“Sec. 1400V-1. Economic Freedom Zone individual flat tax.

“Sec. 1400V-2. Economic Freedom Zone corporate flat tax.

“Sec. 1400V-3. Zero percent capital gains rate.

“Sec. 1400V-4. Reduced payroll taxes.

“Sec. 1400V-5. Increase in expensing under section 179.

15 **“SEC. 1400V-1. ECONOMIC FREEDOM ZONE INDIVIDUAL**
16 **FLAT TAX.**

17 “(a) IN GENERAL.—In the case of any individual
18 whose principal residence (within the meaning of section
19 121) is located in an Economic Freedom Zone for the tax-
20 able year, in lieu of the tax imposed by section 1, there
21 shall be imposed a tax equal to 5 percent of the taxable

1 income of such taxpayer. For purposes of this title, the
2 tax imposed by the preceding sentence shall be treated as
3 a tax imposed by section 1.

4 “(b) JOINT RETURNS.—In the case of a joint return
5 under section 6013, subsection (a) shall apply so long as
6 either spouse has a principal residence (within the mean-
7 ing of section 121) in an Economic Freedom Zone for the
8 taxable year.

9 “(c) ALTERNATIVE MINIMUM TAX NOT TO APPLY.—
10 The tax imposed by section 55 shall not apply to any tax-
11 payer to whom subsection (a) applies.

12 **“SEC. 1400V-2. ECONOMIC FREEDOM ZONE CORPORATE**
13 **FLAT TAX.**

14 “(a) IN GENERAL.—In the case of any corporation
15 located in an Economic Freedom Zone for the taxable
16 year, in lieu of the tax imposed by section 11, there shall
17 be imposed a tax equal to 5 percent of the taxable income
18 of such corporation. For purposes of this title, the tax im-
19 posed by the preceding sentence shall be treated as a tax
20 imposed by section 11.

21 “(b) LIMITATION.—Subsection (a) shall not apply to
22 any corporation for any taxable year if the adjusted gross
23 income of such corporation for such taxable year exceeds
24 \$500,000,000.

1 “(c) LOCATED.—For purposes of this section, a cor-
 2 poration shall be considered to be located in an Economic
 3 Freedom Zone if—

4 “(1) not less than 10 percent of the total gross
 5 income of such corporation is derived from the active
 6 conduct of a trade or business within an Economic
 7 Freedom Zone, or

8 “(2) at least 25 percent of the employees of
 9 such corporation are residents of an Economic Free-
 10 dom Zone.

11 “(d) ALTERNATIVE MINIMUM TAX NOT TO
 12 APPLY.—The tax imposed by section 55 shall not apply
 13 to any taxpayer to whom subsection (a) applies.

14 **“SEC. 1400V-3. ZERO PERCENT CAPITAL GAINS RATE.**

15 “(a) EXCLUSION.—Gross income shall not include
 16 qualified capital gain from the sale or exchange of—

17 “(1) any Economic Freedom Zone asset held
 18 for more than 5 years,

19 “(2) any real property located in an Economic
 20 Freedom Zone.

21 “(b) ECONOMIC FREEDOM ZONE ASSET.—For pur-
 22 poses of this section—

23 “(1) IN GENERAL.—The term ‘Economic Free-
 24 dom Zone asset’ means—

1 “(A) any Economic Freedom Zone busi-
2 ness stock,

3 “(B) any Economic Freedom Zone part-
4 nership interest, and

5 “(C) any Economic Freedom Zone busi-
6 ness property.

7 “(2) ECONOMIC FREEDOM ZONE BUSINESS
8 STOCK.—

9 “(A) IN GENERAL.—The term ‘Economic
10 Freedom Zone business stock’ means any stock
11 in a domestic corporation if—

12 “(i) such stock is acquired by the tax-
13 payer, before the date on which such cor-
14 poration no longer qualifies as an Eco-
15 nomic Freedom Zone business due to the
16 lapse of 1 or more Economic Freedom
17 Zones, at its original issue (directly or
18 through an underwriter) solely in exchange
19 for cash,

20 “(ii) as of the time such stock was
21 issued, such corporation was an Economic
22 Freedom Zone business (or, in the case of
23 a new corporation, such corporation was
24 being organized for purposes of being an
25 Economic Freedom Zone business), and

1 “(iii) during substantially all of the
2 taxpayer’s holding period for such stock,
3 such corporation qualified as an Economic
4 Freedom Zone business.

5 “(B) REDEMPTIONS.—A rule similar to
6 the rule of section 1202(c)(3) shall apply for
7 purposes of this paragraph.

8 “(3) ECONOMIC FREEDOM ZONE PARTNERSHIP
9 INTEREST.—The term ‘Economic Freedom Zone
10 partnership interest’ means any capital or profits in-
11 terest in a domestic partnership if—

12 “(A) such interest is acquired by the tax-
13 payer, before the date on which such partner-
14 ship no longer qualifies as an Economic Free-
15 dom Zone business due to the lapse of 1 or
16 more Economic Freedom Zones, from the part-
17 nership solely in exchange for cash,

18 “(B) as of the time such interest was ac-
19 quired, such partnership was an Economic
20 Freedom Zone business (or, in the case of a
21 new partnership, such partnership was being
22 organized for purposes of being an Economic
23 Freedom Zone business), and

24 “(C) during substantially all of the tax-
25 payer’s holding period for such interest, such

1 partnership qualified as an Economic Freedom
2 Zone business.

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

5 “(4) ECONOMIC FREEDOM ZONE BUSINESS
6 PROPERTY.—

7 “(A) IN GENERAL.—The term ‘Economic
8 Freedom Zone business property’ means tan-
9 gible property if—

10 “(i) such property was acquired by
11 the taxpayer by purchase (as defined in
12 section 179(d)(2)) after the date on such
13 taxpayer qualifies as an Economic Free-
14 dom Zone business and before the date on
15 which such taxpayer no longer qualifies as
16 an Economic Freedom Zone business due
17 to the lapse of 1 or more Economic Free-
18 dom Zones,

19 “(ii) the original use of such property
20 in the Economic Freedom Zone commences
21 with the taxpayer, and

22 “(iii) during substantially all of the
23 taxpayer’s holding period for such prop-
24 erty, substantially all of the use of such

1 property was in an Economic Freedom
2 Zone business of the taxpayer.

3 “(B) SPECIAL RULE FOR BUILDINGS
4 WHICH ARE SUBSTANTIALLY IMPROVED.—

5 “(i) IN GENERAL.—The requirements
6 of clauses (i) and (ii) of subparagraph (A)
7 shall be treated as met with respect to—

8 “(I) property which is substan-
9 tially improved by the taxpayer before
10 the date on which such taxpayer no
11 longer qualifies as an Economic Free-
12 dom Zone business due to the lapse of
13 1 or more Economic Freedom Zones,
14 and

15 “(II) any land on which such
16 property is located.

17 “(ii) SUBSTANTIAL IMPROVEMENT.—
18 For purposes of clause (i), property shall
19 be treated as substantially improved by the
20 taxpayer only if, during any 24-month pe-
21 riod beginning after the date on which the
22 taxpayer qualifies as an Economic Free-
23 dom Zone business additions to basis with
24 respect to such property in the hands of
25 the taxpayer exceed the greater of—

1 “(I) an amount equal to the ad-
2 justed basis of such property at the
3 beginning of such 24-month period in
4 the hands of the taxpayer, or

5 “(II) \$5,000.

6 “(5) TREATMENT OF ECONOMIC FREEDOM
7 ZONE TERMINATION.—Except as otherwise provided
8 in this subsection, the termination of the designation
9 of the Economic Freedom Zone shall be disregarded
10 for purposes of determining whether any property is
11 an Economic Freedom Zone asset.

12 “(6) TREATMENT OF SUBSEQUENT PUR-
13 CHASERS, ETC.—The term ‘Economic Freedom Zone
14 asset’ includes any property which would be an Eco-
15 nomic Freedom Zone asset but for paragraph
16 (2)(A)(i), (3)(A), or (4)(A)(i) or (ii) in the hands of
17 the taxpayer if such property was an Economic
18 Freedom Zone asset in the hands of a prior holder.

19 “(7) 5-YEAR SAFE HARBOR.—If any property
20 ceases to be an Economic Freedom Zone asset by
21 reason of paragraph (2)(A)(iii), (3)(C), or (4)(A)(iii)
22 after the 5-year period beginning on the date the
23 taxpayer acquired such property, such property shall
24 continue to be treated as meeting the requirements
25 of such paragraph; except that the amount of gain

1 to which subsection (a) applies on any sale or ex-
2 change of such property shall not exceed the amount
3 which would be qualified capital gain had such prop-
4 erty been sold on the date of such cessation.

5 “(c) ECONOMIC FREEDOM ZONE BUSINESS.—For
6 purposes of this section, the term ‘Economic Freedom
7 Zone business’ means any enterprise zone business (as de-
8 fined in section 1397C), determined—

9 “(1) after the application of section 1400(e),

10 “(2) by substituting ‘80 percent’ for ‘50 per-
11 cent’ in subsections (b)(2) and (c)(1) of section
12 1397C, and

13 “(3) by treating only areas that are Economic
14 Freedom Zones as an empowerment zone or enter-
15 prise community.

16 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—
17 For purposes of this section—

18 “(1) QUALIFIED CAPITAL GAIN.—Except as
19 otherwise provided in this subsection, the term
20 ‘qualified capital gain’ means any gain recognized on
21 the sale or exchange of—

22 “(A) a capital asset, or

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

1 “(2) CERTAIN GAIN NOT QUALIFIED.—The
2 term ‘qualified capital gain’ shall not include any
3 gain attributable to periods before the date on which
4 the a business qualifies as an Economic Freedom
5 Zone business or after the date that is 4 years after
6 the date on which such business no longer qualifies
7 as an Economic Freedom Zone business due to the
8 lapse of 1 or more Economic Freedom Zones.

9 “(3) CERTAIN GAIN NOT QUALIFIED.—The
10 term ‘qualified capital gain’ shall not include any
11 gain which would be treated as ordinary income
12 under section 1245 or under section 1250 if section
13 1250 applied to all depreciation rather than the ad-
14 ditional depreciation.

15 “(4) INTANGIBLES NOT INTEGRAL PART OF
16 ECONOMIC FREEDOM ZONE BUSINESS.—In the case
17 of gain described in subsection (a)(1), the term
18 ‘qualified capital gain’ shall not include any gain
19 which is attributable to an intangible asset which is
20 not an integral part of an Economic Freedom Zone
21 business.

22 “(5) RELATED PARTY TRANSACTIONS.—The
23 term ‘qualified capital gain’ shall not include any
24 gain attributable, directly or indirectly, in whole or
25 in part, to a transaction with a related person. For

1 purposes of this paragraph, persons are related to
2 each other if such persons are described in section
3 267(b) or 707(b)(1).

4 “(e) SALES AND EXCHANGES OF INTERESTS IN
5 PARTNERSHIPS AND S CORPORATIONS WHICH ARE ECO-
6 NOMIC FREEDOM ZONE BUSINESSES.—In the case of the
7 sale or exchange of an interest in a partnership, or of
8 stock in an S corporation, which was an Economic Free-
9 dom Zone business during substantially all of the period
10 the taxpayer held such interest or stock, the amount of
11 qualified capital gain shall be determined without regard
12 to—

13 “(1) any gain which is attributable to an intan-
14 gible asset which is not an integral part of an Eco-
15 nomic Freedom Zone business, and

16 “(2) any gain attributable to periods before the
17 date on which the a business qualifies as an Eco-
18 nomic Freedom Zone business or after the date that
19 is 4 years after the date on which such business no
20 longer qualifies as an Economic Freedom Zone busi-
21 ness due to the lapse of 1 or more Economic Free-
22 dom Zones.

23 **“SEC. 1400V-4. REDUCED PAYROLL TAXES.**

24 “(a) IN GENERAL.—

1 “(1) EMPLOYEES.—The rate of tax under
2 3101(a) (including for purposes of determining the
3 applicable percentage under sections 3201(a) and
4 3211(a)(1)) shall be 4.2 percent for any remunera-
5 tion received during any period in which the individ-
6 ual’s principal residence (within the meaning of sec-
7 tion 121) is located in an Economic Freedom Zone.

8 “(2) EMPLOYERS.—

9 “(A) IN GENERAL.—The rate of tax under
10 section 3111(a) (including for purposes of de-
11 termining the applicable percentage under sec-
12 tions 3221(a)) shall be 4.2 percent with respect
13 to remuneration paid for qualified services dur-
14 ing any period in which the employer is located
15 in an Economic Freedom Zone.

16 “(B) QUALIFIED SERVICES.—For purposes
17 of this section, the term ‘qualified services’
18 means services performed—

19 “(i) in a trade or business of a quali-
20 fied employer, or

21 “(ii) in the case of a qualified em-
22 ployer exempt from tax under section
23 501(a) of the Internal Revenue Code of
24 1986, in furtherance of the activities re-
25 lated to the purpose or function consti-

1 tuting the basis of the employer’s exemp-
2 tion under section 501 of such Code.

3 “(C) LOCATION OF EMPLOYER.—For pur-
4 poses of this paragraph, the location of an em-
5 ployer shall be determined in the same manner
6 as under section 1400V–2(c).

7 “(3) SELF-EMPLOYED INDIVIDUALS.—The rate
8 of tax under section 1401(a) shall be 8.40 percent
9 any taxable year in which such individual was lo-
10 cated (determined under section 1400V–2(c) as if
11 such individual were a corporation) in an Economic
12 Freedom Zone.

13 “(b) TRANSFERS OF FUNDS.—

14 “(1) TRANSFERS TO FEDERAL OLD-AGE AND
15 SURVIVORS INSURANCE TRUST FUND.—There are
16 hereby appropriated to the Federal Old-Age and
17 Survivors Trust Fund and the Federal Disability In-
18 surance Trust Fund established under section 201
19 of the Social Security Act (42 U.S.C. 401) amounts
20 equal to the reduction in revenues to the Treasury
21 by reason of the application of subsection (a).
22 Amounts appropriated by the preceding sentence
23 shall be transferred from the general fund at such
24 times and in such manner as to replicate to the ex-
25 tent possible the transfers which would have oc-

1 curred to such Trust Fund had such amendments
2 not been enacted.

3 “(2) TRANSFERS TO SOCIAL SECURITY EQUIVA-
4 LENT BENEFIT ACCOUNT.—There are hereby appro-
5 priated to the Social Security Equivalent Benefit Ac-
6 count established under section 15A(a) of the Rail-
7 road Retirement Act of 1974 (45 U.S.C. 231n–1(a))
8 amounts equal to the reduction in revenues to the
9 Treasury by reason of the application of paragraphs
10 (1) and (2) of subsection (a). Amounts appropriated
11 by the preceding sentence shall be transferred from
12 the general fund at such times and in such manner
13 as to replicate to the extent possible the transfers
14 which would have occurred to such Account had
15 such amendments not been enacted.

16 “(3) COORDINATION WITH OTHER FEDERAL
17 LAWS.—For purposes of applying any provision of
18 Federal law other than the provisions of the Internal
19 Revenue Code of 1986, the rate of tax in effect
20 under section 3101(a) shall be determined without
21 regard to the reduction in such rate under this sec-
22 tion.

1 **“SEC. 1400V-5. INCREASE IN EXPENSING UNDER SECTION**
2 **179.**

3 “(a) IN GENERAL.—In the case of an Economic
4 Freedom Zone business, for purposes of section 179—

5 “(1) the limitation under section 179(b)(1)
6 shall be increased by the lesser of—

7 “(A) 200 percent of the amount in effect
8 under such section (determined without regard
9 to this section), or

10 “(B) the cost of section 179 property
11 which is Economic Freedom Zone business
12 property placed in service during the taxable
13 year, and

14 “(2) the amount taken into account under sec-
15 tion 179(b)(2) with respect to any section 179 prop-
16 erty which is Economic Freedom Zone business
17 property shall be 50 percent of the cost thereof.

18 “(b) ECONOMIC FREEDOM ZONE BUSINESS PROP-
19 ERTY.—For purposes of this section, the term ‘Economic
20 Freedom Zone business property’ has the meaning given
21 such term under section 1400V-3(b)(4), except that for
22 purposes of subparagraph (A)(ii) thereof, if property is
23 sold and leased back by the taxpayer within 3 months
24 after the date such property was originally placed in serv-
25 ice, such property shall be treated as originally placed in

1 service not earlier than the date on which such property
 2 is used under the leaseback

3 “(c) RECAPTURE.—Rules similar to the rules under
 4 section 179(d)(10) shall apply with respect to any quali-
 5 fied zone property which ceases to be used in an empower-
 6 ment zone by an enterprise zone business.

7 **“PART II—DEFINITIONS**

“Sec. 1400V-6. Economic Freedom Zone.

8 **“SEC. 1400V-6. ECONOMIC FREEDOM ZONE.**

9 “For purposes of this subchapter, the term ‘Eco-
 10 nomic Freedom Zone’ means any area which is an Eco-
 11 nomic Freedom Zone under title II of the Economic Free-
 12 dom Zone Act.”.

13 (b) CLERICAL AMENDMENT.—The table of sub-
 14 chapters for chapter 1 of such Code is amended by insert-
 15 ing after the item relating to subchapter Y the following
 16 new item:

“SUBCHAPTER Z—ECONOMIC FREEDOM ZONES”.

17 (c) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to taxable years beginning after
 19 the date of the enactment of this Act.

1 **TITLE IV—FEDERAL**
2 **REGULATORY REDUCTIONS**

3 **SEC. 401. SUSPENSION OF CERTAIN LAWS AND REGULA-**
4 **TIONS.**

5 (a) ENVIRONMENTAL PROTECTION AGENCY.—For
6 each area designated as an Economic Freedom Zone
7 under this Act, the Administrator of the Environmental
8 Protection Agency shall not enforce, with respect to that
9 Economic Freedom Zone, and the Economic Freedom
10 Zone shall be exempt from compliance with—

11 (1) part D of the Clean Air Act (42 U.S.C.
12 7501 et seq.) (including any regulations promul-
13 gated under that part);

14 (2) section 402 of the Federal Water Pollution
15 Control Act (33 U.S.C. 1342);

16 (3) sections 139, 168, 169, 326, and 327 of
17 title 23, United States Code;

18 (4) section 304 of title 49, United States Code;
19 and

20 (5) sections 1315 through 1320 of Public Law
21 112–141 (126 Stat. 549).

22 (b) DEPARTMENT OF THE INTERIOR.—

23 (1) WILD AND SCENIC RIVERS.—For each area
24 designated as an Economic Freedom Zone under
25 this Act, the Secretary of the Interior shall not en-

1 force, with respect to that Economic Freedom Zone,
 2 and the Economic Freedom Zone shall be exempt
 3 from compliance with the Wild and Scenic Rivers
 4 Act (16 U.S.C. 1271 et seq.).

5 (2) NATIONAL HERITAGE AREAS.—For the pe-
 6 riod beginning on the date of enactment of this Act
 7 and ending on the date on which an area is removed
 8 from designation as an Economic Freedom Zone,
 9 any National Heritage Area located within that Eco-
 10 nomic Freedom Zone shall not be considered to be
 11 a National Heritage Area and any applicable Fed-
 12 eral law (including regulations) relating to that Na-
 13 tional Heritage Area shall not apply.

14 **TITLE V—EDUCATIONAL** 15 **ENHANCEMENTS**

16 **SEC. 501. EDUCATIONAL OPPORTUNITY TAX CREDIT.**

17 (a) IN GENERAL.—Subpart A of part IV of sub-
 18 chapter A of chapter 1 of the Internal Revenue Code of
 19 1986 is amended by inserting after section 25D the fol-
 20 lowing new section:

21 **“SEC. 25E. CREDIT FOR QUALIFIED ELEMENTARY AND SEC-** 22 **ONDARY EDUCATION EXPENSES.**

23 “(a) IN GENERAL.—In the case of an individual,
 24 there shall be allowed as a credit against the tax imposed
 25 by this chapter for the taxable year an amount equal to

1 the qualified elementary and secondary education expenses
2 of an eligible student.

3 “(b) LIMITATION.—The amount taken into account
4 under subsection (a) with respect to any student for any
5 taxable year shall not exceed \$5,000.

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

7 “(1) QUALIFIED ELEMENTARY AND SECONDARY
8 EDUCATION EXPENSES.—The term ‘qualified ele-
9 mentary and secondary education expenses’ has the
10 meaning given such term under section 530(b)(3).

11 “(2) ELIGIBLE STUDENT.—The term ‘eligible
12 student’ means any student who—

13 “(A) is enrolled in, or attends, any public,
14 private, or religious school (as defined in section
15 530(b)(3)(B)), and

16 “(B) whose principal residence (within the
17 meaning of section 123) is located in an Eco-
18 nomic Freedom Zone.

19 “(3) ECONOMIC FREEDOM ZONE.—The term
20 ‘Economic Freedom Zone’ means any area which is
21 an Economic Freedom Zone under title II of the
22 Economic Freedom Zone Act.”.

23 (b) CLERICAL AMENDMENT.—The table of sections
24 for subpart A of part IV of subchapter A of chapter 1

1 of such Code is amended by inserting after the item relat-
 2 ing to section 25D the following new item:

“Sec. 25E. Credit for qualified elementary and secondary education expenses.”.

3 (c) **EFFECTIVE DATE.**—The amendments made by
 4 this section shall apply to expenditures made in taxable
 5 years beginning after the date of the enactment of this
 6 Act.

7 **SEC. 502. SCHOOL CHOICE THROUGH PORTABILITY.**

8 (a) **IN GENERAL.**—Subpart 2 of part A of title I of
 9 the Elementary and Secondary Education Act of 1965 (20
 10 U.S.C. 6331 et seq.) is amended by adding at the end
 11 the following:

12 **“SEC. 1128. SCHOOL CHOICE THROUGH PORTABILITY.**

13 “(a) **AUTHORIZATION.**—

14 “(1) **IN GENERAL.**—Notwithstanding sections
 15 1124, 1124A, and 1125 and any other provision of
 16 law, and to the extent permitted under State law, a
 17 State educational agency may allocate grant funds
 18 under this subpart among the local educational
 19 agencies in the State based on the formula described
 20 in paragraph (2).

21 “(2) **FORMULA.**—A State educational agency
 22 may allocate grant funds under this subpart for a
 23 fiscal year among the local educational agencies in
 24 the State in proportion to the number of eligible
 25 children enrolled in public schools served by the local

1 educational agency and enrolled in State-accredited
2 private schools within the local educational agency's
3 geographic jurisdiction, for the most recent fiscal
4 year for which satisfactory data are available, com-
5 pared to the number of such children in all such
6 local educational agencies for that fiscal year.

7 “(b) ELIGIBLE CHILD.—

8 “(1) IN GENERAL.—In this section, the term
9 ‘eligible child’ means a child—

10 “(A) from a family with an income below
11 the poverty level, on the basis of the most re-
12 cent satisfactory data published by the Depart-
13 ment of Commerce; and

14 “(B) who resides in an Economic Freedom
15 Zone as designated under title II of the Eco-
16 nomic Freedom Zones Act of 2013.

17 “(2) CRITERIA OF POVERTY.—In determining
18 the families with incomes below the poverty level for
19 the purposes of paragraph (2), a State educational
20 agency shall use the criteria of poverty used by the
21 Census Bureau in compiling the most recent decen-
22 nial census.

23 “(3) IDENTIFICATION OF ELIGIBLE CHIL-
24 DREN.—On an annual basis, on a date to be deter-
25 mined by the State educational agency, each local

1 educational agency that receives grant funding in ac-
2 cordance with subsection (a) shall inform the State
3 educational agency of the number of eligible children
4 enrolled in public schools served by the local edu-
5 cational agency and enrolled in State-accredited pri-
6 vate schools within the local educational agency's ge-
7 ographic jurisdiction.

8 “(c) DISTRIBUTION TO SCHOOLS.—Each local edu-
9 cational agency that receives grant funding under sub-
10 section (a) shall distribute such funds to the public schools
11 served by the local educational agency and State-accred-
12 ited private schools with the local educational agency's ge-
13 ographic jurisdiction—

14 “(1) based on the number of eligible children
15 enrolled in such schools; and

16 “(2) in the manner that would, in the absence
17 of such Federal funds, supplement the funds made
18 available from the non-Federal resources for the
19 education of pupils participating in programs under
20 this part, and not to supplant such funds.”.

21 (b) TABLE OF CONTENTS.—The table of contents in
22 section 2 of the Elementary and Secondary Education Act
23 of 1965 is amended by inserting after the item relating
24 to section 1127 the following:

“Sec. 1128. School choice through portability.”.

1 **SEC. 503. SPECIAL ECONOMIC FREEDOM ZONE VISAS.**

2 (a) DEFINITIONS.—In this section:

3 (1) ABANDONED; DILAPIDATED.—The terms
4 “abandoned” and “dilapidated” shall be defined by
5 the States in accordance with the provisions of this
6 Act.

7 (2) FULL-TIME EMPLOYMENT.—The term “full-
8 time employment” means employment in a position
9 that requires at least 35 hours of service per week
10 at any time, regardless of who fills the position.

11 (b) PURPOSE.—The purpose of this section is to fa-
12 cilitate increased investment and enhanced human capital
13 in Economic Freedom Zones through the issuance of spe-
14 cial regional visas.

15 (c) AUTHORIZATION.—The Secretary of Homeland
16 Security, in collaboration with the Secretary of Labor,
17 may issue Special Economic Freedom Zone Visas, in a
18 number determined by the Governor of each State, in con-
19 sultation with local officials in regions designated by the
20 Secretary of the Treasury as Economic Freedom Zones,
21 to authorize qualified aliens to enter the United States for
22 the purpose of—

23 (1) engaging in a new commercial enterprise
24 (including a limited partnership)—

25 (A) in which such alien has invested, or is
26 actively in the process of investing, capital in an

1 amount not less than the amount specified in
2 subsection (d); and

3 (B) which will benefit the region des-
4 ignated as an Economic Freedom Zone by cre-
5 ating full-time employment of not fewer than 5
6 United States citizens, aliens lawfully admitted
7 for permanent residence, or other immigrants
8 lawfully authorized to be employed in the
9 United States (excluding the alien and the
10 alien's immediate family);

11 (2) engaging in the purchase and renovation of
12 dilapidated or abandoned properties or residences
13 (as determined by State and local officials) in which
14 such alien has invested, or is actively in the process
15 of investing, in the ownership of such properties or
16 residences; or

17 (3) residing and working in an Economic Free-
18 dom Zone.

19 (d) EFFECTIVE PERIOD.—A visa issued to an alien
20 under this section shall expire on the later of—

21 (1) the date on which the relevant Economic
22 Freedom Zone loses such designation; or

23 (2) the date that is 5 years after the date on
24 which such visa was issued to such alien.

25 (e) CAPITAL AND EDUCATIONAL REQUIREMENTS.—

1 (1) NEW COMMERCIAL ENTERPRISES.—Except
2 as otherwise provided under this section, the min-
3 imum amount of capital required to comply with
4 subsection (c)(1)(A) shall be \$50,000.

5 (2) RENOVATION OF DILAPIDATED OR ABAN-
6 DONED PROPERTIES.—An alien is not in compliance
7 with subsection (c)(2) unless the alien—

8 (A) purchases a dilapidated or abandoned
9 property in an Economic Freedom Zone; and

10 (B) not later than 18 months after such
11 purchase, invests not less than \$25,000 to re-
12 build, rehabilitate, or repurpose the property.

13 (3) VERIFICATION.—A visa issued under sub-
14 section (c) shall not remain in effect for more than
15 2 years unless the Secretary of Homeland Security
16 has verified that the alien has complied with the re-
17 quirements described in subsection (c).

18 (4) EDUCATION AND SKILL REQUIREMENTS.—
19 An alien is not in compliance with subsection (c)(3)
20 unless the alien possesses—

21 (A) a bachelor's degree (or its equivalent)
22 or an advanced degree;

23 (B) a degree or specialty certification
24 that—

1 (i) is required for the job the alien will
2 be performing; and

3 (ii) is specific to an industry or job
4 that is so complex or unique that it can be
5 performed only by an individual with the
6 specialty certification;

7 (C)(i) the knowledge required to perform
8 the duties of the job the alien will be per-
9 forming; and

10 (ii) the nature of the specific duties is so
11 specialized and complex that such knowledge is
12 usually associated with attainment of a bach-
13 elor's or higher degree; or

14 (D) a skill or talent that would benefit the
15 Economic Freedom Zone.

16 (f) ADDITIONAL PROVISIONS.—

17 (1) GEOGRAPHIC LIMITATION.—An alien who
18 has been issued a visa under this section is not per-
19 mitted to live or work outside of an Economic Free-
20 dom Zone.

21 (2) RESCISSION.—A visa issued under this sec-
22 tion shall be rescinded if the visa holder resides or
23 works outside of an Economic Freedom Zone or oth-
24 erwise fails to comply with the provisions of this sec-
25 tion.

1 (3) OTHER VISAS.—An alien who has been
2 issued a visa under this section may apply for any
3 other visa for which the alien is eligible in order to
4 pursue employment outside of an Economic Freedom
5 Zone.

6 (g) ADJUSTMENT OF STATUS.—The Secretary of
7 Homeland Security may adjust the status of an alien who
8 has been issued a visa under this section to that of an
9 alien lawfully admitted for permanent residence, without
10 numerical limitation, if the alien—

11 (1) has fully complied with the requirements set
12 forth in this section for at least 5 years;

13 (2) submits a completed application to the Sec-
14 retary; and

15 (3) is not inadmissible to the United States
16 based on any of the factors set forth in section
17 212(a) of the Immigration and Nationality Act (8
18 U.S.C. 1182(a)).

19 **SEC. 504. ECONOMIC FREEDOM ZONE EDUCATIONAL SAV-**
20 **INGS ACCOUNTS.**

21 (a) IN GENERAL.—Part VIII of subchapter F of
22 chapter 1 of the Internal Revenue Code of 1986 is amend-
23 ed by adding at the end the following new section:

1 **“SEC. 530A. ECONOMIC FREEDOM ZONE EDUCATIONAL SAV-**
2 **INGS ACCOUNTS.**

3 “(a) IN GENERAL.—Except as provided in this sec-
4 tion, an Economic Freedom Zone educational savings ac-
5 count shall be treated for purposes of this title in the same
6 manner as a Coverdell education savings account.

7 “(b) DEFINITIONS.—For purposes of this section—

8 “(1) ECONOMIC FREEDOM ZONE EDUCATIONAL
9 SAVINGS ACCOUNT.—The term ‘Economic Freedom
10 Zone educational savings account’ means a trust cre-
11 ated or organized in the United States exclusively
12 for the purpose of paying the qualified education ex-
13 penses (as defined in section 530(b)(2)) of an indi-
14 vidual who is the designated beneficiary of the trust
15 (and designated as an Economic Freedom Zone edu-
16 cational saving account at the time created or orga-
17 nized) and who is a qualified individual at the time
18 such trust is established, but only if the written gov-
19 erning instrument creating the trust meets the fol-
20 lowing requirements:

21 “(A) No contribution will be accepted—

22 “(i) unless it is in cash,

23 “(ii) after the date on which such ben-
24 eficiary attains age 25, or

25 “(iii) except in the case of rollover
26 contributions, if such contribution would

1 result in aggregate contributions for the
2 taxable year exceeding \$10,000.

3 “(B) No contribution shall be accepted at
4 any time in which the designated beneficiary is
5 not a qualified individual.

6 “(C) The trust meets the requirements of
7 subparagraphs (B), (C), (D), and (E) of section
8 530(b)(1).

9 The age limitations in subparagraphs (A)(ii), sub-
10 paragraph (E) of section 530(b)(1), and paragraphs
11 (5) and (6) of section 530(d), shall not apply to any
12 designated beneficiary with special needs (as deter-
13 mined under regulations prescribed by the Sec-
14 retary).

15 “(2) QUALIFIED INDIVIDUAL.—The term ‘quali-
16 fied individual’ means any individual whose principal
17 residence (within the meaning of section 121) is lo-
18 cated in an Economic Freedom Zone (as defined in
19 section 1400V–6).

20 “(c) DEDUCTION FOR CONTRIBUTIONS.—

21 “(1) IN GENERAL.—There shall be allowed as a
22 deduction under part VII of subchapter B of this
23 chapter an amount equal to the aggregate amount of
24 contributions made by the taxpayer to any Economic

1 Freedom Zone educational savings account during
2 the taxable year.

3 “(2) LIMITATION.—The amount of the deduc-
4 tion allowed under paragraph (1) for any taxpayer
5 for any taxable year shall not exceed \$40,000.

6 “(3) NO DEDUCTION FOR ROLLOVER CON-
7 TRIBUTIONS.—No deduction shall be allowed under
8 paragraph (1) for any rollover contribution described
9 in section 530(d)(5).

10 “(d) OTHER RULES.—

11 “(1) NO INCOME LIMIT.—In the case of an
12 Economic Freedom Zone educational savings ac-
13 count, subsection (c) of section 530 shall not apply.

14 “(2) CHANGE IN BENEFICIARIES.—Notwith-
15 standing paragraph (6) of section 530(b), a change
16 in the beneficiary of an Economic Freedom Zone
17 education savings account shall be treated as a dis-
18 tribution unless the new beneficiary is a qualified in-
19 dividual.”.

20 (b) CLERICAL AMENDMENT.—The table of sections
21 for part VIII of subchapter F of chapter 1 of such Code
22 is amended by adding at the end the following new item:

“Sec. 530A. Economic Freedom Zone educational savings accounts.”.

1 **TITLE VI—COMMUNITY**
 2 **ASSISTANCE AND REBUILDING**

3 **SEC. 601. NONAPPLICATION OF DAVIS-BACON.**

4 The wage rate requirements of subchapter IV of
 5 chapter 31 of title 40, United States Code (commonly re-
 6 ferred to as the “Davis-Bacon Act”), shall not apply with
 7 respect to any area designated as an Economic Freedom
 8 Zone under this Act.

9 **SEC. 602. ECONOMIC FREEDOM ZONE CHARITABLE TAX**
 10 **CREDIT.**

11 (a) **IN GENERAL.**—Section 170 is amended by redес-
 12 ignating subsection (p) as subsection (q) and by inserting
 13 after subsection (o) the following new subsection:

14 “(o) **ELECTION TO TREAT CONTRIBUTIONS FOR**
 15 **ECONOMIC FREEDOM ZONE CHARITIES AS A CREDIT.**—

16 “(1) **IN GENERAL.**—In the case of an indi-
 17 vidual, at the election of the taxpayer, so much of
 18 the deduction allowed under subsection (a) (deter-
 19 mined without regard to this subsection) which is at-
 20 tributable to Economic Freedom Zone charitable
 21 contributions—

22 “(A) shall be allowed as a credit against
 23 the tax imposed by this chapter for the taxable
 24 year, and

1 “(B) shall not be allowed as a deduction
2 for such taxable year under subsection (a).

3 Any amount allowable as a credit under this sub-
4 section shall be treated as a credit allowed under
5 subpart A of part IV of subchapter A for purposes
6 of this title.

7 “(2) AMOUNT ATTRIBUTABLE TO ECONOMIC
8 FREEDOM ZONE CHARITABLE CONTRIBUTIONS.—For
9 purposes of paragraph (1)—

10 “(A) IN GENERAL.—In any case in which
11 the total charitable contributions of a taxpayer
12 for a taxable year exceed the contribution base,
13 the amount of Economic Freedom Zone chari-
14 table contributions taken into account under
15 paragraph (1) shall be the amount which bears
16 the same ratio to the total charitable contribu-
17 tions made by the taxpayer during such taxable
18 year as the amount of the deduction allowed
19 under subsection (a) (determined without re-
20 gard to this subsection and after application of
21 subsection (b)) bears to the total charitable con-
22 tributions made by the taxpayer for such tax-
23 able year.

24 “(B) CARRYOVERS.—In the case of any
25 contribution carried from a preceding taxable

1 year under subsection (d), such amount shall be
2 treated as attributable to an Economic Free-
3 dom Zone charitable contribution in the amount
4 that bears the same ratio to the total amount
5 carried from preceding taxable years under sub-
6 section (d) as the amount of Economic Free-
7 dom Zone charitable contributions not allowed
8 as a deduction under subsection (a) (other than
9 by reason of this subsection) for the preceding
10 5 taxable year bears to total amount carried
11 from preceding taxable years under subsection
12 (d).

13 “(3) ECONOMIC FREEDOM ZONE CHARITABLE
14 CONTRIBUTION.—The term ‘Economic Freedom
15 Zone charitable contribution’ means any contribu-
16 tion to a corporation, trust, or community chest
17 fund, or foundation described in subsection (c)(2),
18 but only if—

19 “(A) such entity is created or organized
20 exclusively for—

21 “(i) religious purposes,

22 “(ii) educational purposes, or

23 “(iii) any of the following charitable
24 purposes: providing educational scholar-
25 ships, providing shelters for homeless indi-

1 viduals, or setting up or maintaining food
2 banks,

3 “(B) the primary mission of such entity is
4 serving individuals in an Economic Freedom
5 Zone,

6 “(C) the entity maintains accountability to
7 residents of such Economic Freedom Zone
8 through their representation on any governing
9 board of the entity or any advisory board to the
10 entity, and

11 “(D) the entity is certified by the Sec-
12 retary for purposes of this subsection.

13 Such term shall not include any contribution made
14 to an entity described in the preceding sentence
15 after the date in which the designation of the Eco-
16 nomic Freedom Zone serviced by such entity lapses.

17 “(4) ECONOMIC FREEDOM ZONE.—The term
18 ‘Economic Freedom Zone’ means any area which is
19 an Economic Freedom Zone under title II of the
20 Economic Freedom Zone Act.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 the date of the enactment of this Act.

1 **TITLE VII—STATE AND COMMU-**
2 **NITY POLICY RECOMMENDA-**
3 **TIONS**

4 **SEC. 701. SENSE OF THE SENATE CONCERNING POLICY**
5 **RECOMMENDATIONS.**

6 It is the sense of the Senate that State and local gov-
7 ernments should review and adopt the following policy rec-
8 ommendations:

9 (1) PENSION REFORM.—State and local govern-
10 ments should—

11 (A) implement reforms to address any fis-
12 cal shortfall in public pension funding, includ-
13 ing utilizing accrual accounting methods, such
14 as those reforms undertaken by the private sec-
15 tor pension funds; and

16 (B) restructure and renegotiate any public
17 pension fund that is deemed to be insolvent or
18 underfunded, including adopting defined con-
19 tribution retirement systems.

20 (2) TAXES.—State and local governments
21 should reduce jurisdictional tax rates below the na-
22 tional average in order to help facilitate capital in-
23 vestment and economic growth, particularly in com-
24 bination with the provisions of this Act.

1 (3) EDUCATION.—State and local governments
2 should adopt school choice options to provide chil-
3 dren and parents more educational choices, particu-
4 larly in impoverished areas.

5 (4) COMMUNITIES.—State and local govern-
6 ments should adopt right-to-work laws to allow more
7 competitiveness and more flexibility for businesses to
8 expand.

9 (5) REGULATIONS.—State and local govern-
10 ments should streamline the regulatory burden on
11 families and businesses, including streamlining the
12 opportunities for occupational licensing.

13 (6) ABANDONED STRUCTURES.—State and local
14 governments should consider the following options to
15 reduce or fix areas with abandoned properties or
16 residences:

17 (A) In the case of foreclosures, tax notifi-
18 cations should be sent to both the lien holder (if
19 different than the homeowner) and the home-
20 owner.

21 (B) Where State constitutions permit,
22 property tax abatement or credits should be
23 provided for individuals who purchase or invest
24 in abandoned or dilapidated properties.

1 (C) Non-profit or charity demolition enti-
2 ties should be permitted or encouraged to help
3 remove abandoned properties.

4 (D) Government or municipality fees and
5 penalties should be limited, and be proportional
6 to the outstanding tax amount and the ability
7 to pay.

8 (E) The sale of tax liens to third parties
9 should be reviewed, and where available, should
10 prohibit the selling of tax liens below a certain
11 threshold (for example the prohibition of the
12 sale of tax liens to third parties under \$1,000).

○