

114TH CONGRESS
1ST SESSION

H. R. 2608

To amend the Internal Revenue Code of 1986 to allow manufacturing businesses to establish tax-free manufacturing reinvestment accounts to assist them in providing for new equipment and facilities and workforce training.

IN THE HOUSE OF REPRESENTATIVES

JUNE 2, 2015

Ms. DELAURO (for herself, Mr. COLE, Mr. WELCH, Ms. DUCKWORTH, Ms. LEE, Mr. LIPINSKI, Mr. RYAN of Ohio, Ms. ESTY, and Ms. KUSTER) 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 allow manufacturing businesses to establish tax-free manufacturing reinvestment accounts to assist them in providing for new equipment and facilities and workforce training.

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 “Manufacturing Rein-
5 vestment Account Act of 2015”.

1 **SEC. 2. MANUFACTURING REINVESTMENT ACCOUNTS.**

2 (a) IN GENERAL.—Part VI of subchapter B of chap-
 3 ter 1 of the Internal Revenue Code of 1986 (relating to
 4 itemized deductions for individuals and corporations) is
 5 amended by inserting after section 199 the following new
 6 section:

7 **“SEC. 199A. MANUFACTURING REINVESTMENT ACCOUNTS.**

8 “(a) DEDUCTION ALLOWED.—In the case of a tax-
 9 payer engaged in a manufacturing business, there shall
 10 be allowed as a deduction for the taxable year the amount
 11 paid in cash by the taxpayer during the taxable year to
 12 a manufacturing reinvestment account (hereinafter re-
 13 ferred to as an ‘MRA’) for the taxpayer’s benefit.

14 “(b) LIMITATION.—

15 “(1) IN GENERAL.—The amount which a tax-
 16 payer may pay into an MRA for the taxable year
 17 shall not exceed the lesser of—

18 “(A) the domestic manufacturing gross re-
 19 cepts of the taxpayer for the taxable year, or

20 “(B) \$500,000.

21 “(2) CONTROLLED GROUPS.—

22 “(A) IN GENERAL.—For purposes of this
 23 subsection, all persons treated as a single em-
 24 ployer under subsection (a) or (b) of section 52
 25 or subsection (m) or (o) of section 414 shall be
 26 treated as a single manufacturer.

1 “(B) INCLUSION OF FOREIGN CORPORA-
2 TIONS.—For purposes of subparagraph (A), in
3 applying subsections (a) and (b) of section 52
4 to this section, section 1563 shall be applied
5 without regard to subsection (b)(2)(C) thereof.

6 “(c) MRA.—For purposes of this section, the term
7 ‘MRA’ means a trust created or organized in the United
8 States for the exclusive benefit of the taxpayer, but only
9 if the written governing instrument creating the trust
10 meets the following requirements:

11 “(1) No contribution will be accepted for any
12 taxable year unless it is in cash.

13 “(2) Contributions will not be accepted for any
14 taxable year in excess of the amount allowed as a
15 deduction under subsection (a) for such year.

16 “(3) The trustee is an eligible institution.

17 “(4) No part of the trust assets will be invested
18 in life insurance contracts.

19 “(5) No part of the trust assets will be invested
20 in any collectible (as defined in section 408(m)).

21 “(6) The assets of the trust will not be commin-
22 gled with other property except in a common trust
23 fund or common investment fund.

24 “(d) TAX TREATMENT OF ACCOUNTS.—

1 “(1) IN GENERAL.—An MRA is exempt from
 2 taxation under this subtitle unless the account has
 3 ceased to be an MRA. Notwithstanding the pre-
 4 ceding sentence, an MRA is subject to the taxes im-
 5 posed by section 511 (relating to imposition of tax
 6 on unrelated business income of charitable, etc. or-
 7 ganizations).

8 “(2) ACCOUNT TERMINATIONS.—Rules similar
 9 to the rules of paragraphs (2) and (4) of section
 10 408(e) shall apply to MRAs, and any amount treat-
 11 ed as distributed under such rules shall be treated
 12 as not used to pay qualified reinvestment expenses.

13 “(e) TREATMENT OF DISTRIBUTIONS.—

14 “(1) IN GENERAL.—Except as provided in para-
 15 graphs (3) and (4), there shall be includible in the
 16 gross income of the taxpayer for any taxable year—

17 “(A) any amount distributed from an MRA
 18 of the taxpayer during such taxable year, and

19 “(B) any deemed distribution under—

20 “(i) subsection (g)(1) (relating to de-
 21 posits not distributed within 7 years),

22 “(ii) subsection (g)(2) (relating to ces-
 23 sation in manufacturing business), and

1 “(iii) subparagraph (A) or (B) of sub-
2 section (g)(3) (relating to prohibited trans-
3 actions and pledging account as security).

4 “(2) ADDITIONAL TAX.—

5 “(A) IN GENERAL.—The tax imposed by
6 this chapter on the taxpayer for any taxable
7 year in which there is a distribution from an
8 MRA shall be increased by 10 percent of the
9 amount of such distribution which is includible
10 in gross income.

11 “(B) EXCEPTION.—Subparagraph (A)
12 shall not apply to distributions during the tax-
13 able year to the extent necessary, under regula-
14 tions prescribed by the Secretary, to avoid
15 bankruptcy.

16 “(3) REDUCED INCLUSION FOR AMOUNTS REIN-
17 VESTED.—Only 43 percent of the aggregate amount
18 distributed from an MRA during the taxable year
19 shall be includible in income under paragraph (1)(A)
20 to the extent that such aggregate amount does not
21 exceed the aggregate amount of qualified reinvest-
22 ment expenses paid or incurred by the taxpayer dur-
23 ing such year.

24 “(4) DISTRIBUTION OF EXCESS CONTRIBU-
25 TIONS.—Paragraph (1) shall not apply to the dis-

1 tribution of any contribution paid during a taxable
2 year to an MRA to the extent that such contribution
3 exceeds the limitation applicable under subsection
4 (b) if requirements similar to the requirements of
5 section 408(d)(4) are met.

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

7 “(1) MANUFACTURING BUSINESS.—The term
8 ‘manufacturing business’ means any trade or busi-
9 ness having domestic manufacturing gross receipts.

10 “(2) DOMESTIC MANUFACTURING GROSS RE-
11 CEIPTS.—The term ‘domestic manufacturing gross
12 receipts’ means gross receipts of the taxpayer which
13 are derived from any lease, rental, license, sale, ex-
14 change, or other disposition of tangible personal
15 property which was manufactured by the taxpayer in
16 whole or in significant part within the United
17 States. Rules similar to the rules of section 199
18 shall apply in determining the gross receipts of the
19 taxpayer for purposes of the preceding sentence.

20 “(3) QUALIFIED REINVESTMENT EXPENSES.—

21 The term ‘qualified reinvestment expenses’ means—

22 “(A) expenses for property to be used by
23 the taxpayer in a manufacturing business, and

1 “(B) expenses for job training and work-
2 force development for employees of the tax-
3 payer.

4 “(4) ELIGIBLE INSTITUTION.—

5 “(A) IN GENERAL.—The term ‘eligible in-
6 stitution’ means—

7 “(i) any insured depository institu-
8 tion, which—

9 “(I) is not controlled by a bank
10 holding company or savings and loan
11 holding company that is also an eligi-
12 ble institution,

13 “(II) has total assets of equal to
14 or less than \$25,000,000,000, as re-
15 ported in the call report as of the end
16 of the fourth quarter of calendar year
17 2014, and

18 “(III) is not directly or indirectly
19 controlled by any company or other
20 entity that has total consolidated as-
21 sets of more than \$25,000,000,000,
22 as so reported;

23 “(ii) any bank holding company which
24 has total consolidated assets of equal to or
25 less than \$25,000,000,000;

1 “(iii) any savings and loan holding
2 company which has total consolidated as-
3 sets of equal to or less than
4 \$25,000,000,000;

5 “(iv) any community development fi-
6 nancial institution loan fund which has
7 total assets of equal to or less than
8 \$25,000,000,000; and

9 “(v) any small business lending com-
10 pany that has total assets of equal to or
11 less than \$25,000,000,000.

12 “(B) INSURED DEPOSITORY INSTITU-
13 TION.—The term ‘insured depository institu-
14 tion’ has the meaning given such term under
15 section 3(c)(2) of the Federal Deposit Insur-
16 ance Act (12 U.S.C. 1813(c)(2)).

17 “(C) BANK HOLDING COMPANY.—The
18 term ‘bank holding company’ has the meaning
19 given such term under section 2(a)(1) of the
20 Bank Holding Company Act of 1956 (12
21 U.S.C. 1841(2)(a)(1)).

22 “(D) CALL REPORT.—The term ‘call re-
23 port’ means—

24 “(i) reports of Condition and Income
25 submitted to the Office of the Comptroller

1 of the Currency, the Board of Governors of
2 the Federal Reserve System, and the Fed-
3 eral Deposit Insurance Corporation;

4 “(ii) the Office of Thrift Supervision
5 Thrift Financial Report;

6 “(iii) any report that is designated by
7 the Office of the Comptroller of the Cur-
8 rency, the Board of Governors of the Fed-
9 eral Reserve System, the Federal Deposit
10 Insurance Corporation, or the Office of
11 Thrift Supervision, as applicable, as a suc-
12 cessor to any report referred to in clause
13 (i) or (ii);

14 “(iv) standard reports of Condition
15 and Income submitted by Community De-
16 velopment Financial Institution loan funds
17 to the Community Development Financial
18 Institutions Fund; and

19 “(v) with respect to an eligible institu-
20 tion for which no report exists that is de-
21 scribed under clause (i), (ii), or (iii), such
22 other report or set of information as the
23 Secretary, in consultation with the Admin-
24 istrator of the Small Business Administra-
25 tion, may prescribe.

1 “(g) SPECIAL RULES.—

2 “(1) TAX ON DEPOSITS IN ACCOUNT WHICH
3 ARE NOT DISTRIBUTED WITHIN 7 YEARS.—

4 “(A) IN GENERAL.—If, at the close of any
5 taxable year, there is a nonqualified balance in
6 any MRA—

7 “(i) there shall be deemed distributed
8 from the MRA during such taxable year an
9 amount equal to such balance, and

10 “(ii) the taxpayer’s tax imposed by
11 this chapter for such taxable year shall be
12 increased by 10 percent of such deemed
13 distribution.

14 “(B) NONQUALIFIED BALANCE.—For pur-
15 poses of subparagraph (A), the term ‘non-
16 qualified balance’ means any balance in the
17 MRA on the last day of the taxable year which
18 is attributable to amounts deposited in such ac-
19 count before the 6th preceding taxable year.

20 “(C) ORDERING RULE.—For purposes of
21 this paragraph, distributions from an MRA
22 shall be treated as made from deposits (and in-
23 come thereon) in the order in which such depos-
24 its were made, beginning with the earliest de-
25 posits.

1 “(2) CESSATION OF MANUFACTURING BUSI-
2 NESS.—If the taxpayer ceases to be engaged in a
3 manufacturing business, there shall be deemed dis-
4 tributed from the MRA of the taxpayer at the close
5 of the first taxable year beginning after such ces-
6 sation an amount equal to the balance in the MRA
7 (if any) at such close.

8 “(3) CERTAIN RULES TO APPLY.—Rules similar
9 to the following rules shall apply for purposes of this
10 section:

11 “(A) Section 408(e)(2) (relating to loss of
12 exemption of account where taxpayer engages
13 in prohibited transaction).

14 “(B) Section 408(e)(4) (relating to effect
15 of pledging account as security).

16 “(C) Section 408(h) (relating to custodial
17 accounts).

18 “(4) TIME WHEN PAYMENTS DEEMED MADE.—
19 For purposes of this section, a taxpayer shall be
20 deemed to have made a payment to an MRA on the
21 last day of a taxable year if such payment is made
22 on account of such taxable year and is made on or
23 before the due date (without regard to extensions)
24 for filing the return of tax for such taxable year.

1 “(5) DEDUCTION NOT ALLOWED FOR SELF-EM-
 2 PLOYMENT TAX.—The deduction allowable by reason
 3 of subsection (a) shall not be taken into account in
 4 determining an individual’s net earnings from self-
 5 employment (within the meaning of section 1402(a))
 6 for purposes of chapter 2.

7 “(h) REPORTS.—The trustee of an MRA shall make
 8 such reports regarding such account to the Secretary and
 9 to the person for whose benefit the account is maintained
 10 with respect to contributions, distributions, and such other
 11 matters as the Secretary may require under regulations.
 12 The reports required by this subsection shall be filed at
 13 such time and in such manner and furnished to such per-
 14 sons at such time and in such manner as may be required
 15 by such regulations.

16 “(i) TERMINATION.—No deduction shall be allowed
 17 under this section for any taxable year beginning more
 18 than 10 years after the date of the enactment of this sec-
 19 tion.”.

20 (b) TAX ON EXCESS CONTRIBUTIONS.—

21 (1) IN GENERAL.—Subsection (a) of section
 22 4973 of such Code (relating to tax on excess con-
 23 tributions to certain tax-favored accounts and annu-
 24 ities) is amended by striking “or” at the end of
 25 paragraph (5), by adding “or” at the end of para-

1 graph (6), and by inserting after paragraph (6) the
2 following new paragraph:

3 “(7) an MRA (within the meaning of section
4 199A(c)),”.

5 (2) EXCESS CONTRIBUTION DEFINED.—Section
6 4973 of such Code is amended by adding at the end
7 the following new subsection:

8 “(i) EXCESS CONTRIBUTIONS TO MRAs.—For pur-
9 poses of this section, in the case of MRAs (within the
10 meaning of section 199A(c)), the term ‘excess contribu-
11 tions’ means the amount by which the amount contributed
12 for the taxable year to the MRAs of the taxpayer exceeds
13 the amount which may be contributed to such MRAs
14 under section 199A(b) for such taxable year. For purposes
15 of this subsection, any contribution which is distributed
16 out of an MRA in a distribution to which section
17 199A(e)(3) applies shall be treated as an amount not con-
18 tributed.”.

19 (c) TAX ON PROHIBITED TRANSACTIONS.—

20 (1) IN GENERAL.—Paragraph (1) of section
21 4975(e) of such Code is amended by striking “or”
22 at the end of subparagraph (F), by redesignating
23 subparagraph (G) as subparagraph (H), and by in-
24 serting after subparagraph (F) the following:

1 “(G) an MRA described in section
2 199A(c), or”.

3 (2) SPECIAL RULE.—Subsection (c) of section
4 4975 of such Code (relating to tax on prohibited
5 transactions) is amended by adding at the end the
6 following:

7 “(7) SPECIAL RULE FOR MANUFACTURING RE-
8 INVESTMENT ACCOUNTS.—A person for whose ben-
9 efit an MRA (within the meaning of section
10 199A(c)) is established shall be exempt from the tax
11 imposed by this section with respect to any trans-
12 action concerning such account (which would other-
13 wise be taxable under this section) if, with respect
14 to such transaction, the account ceases to be an
15 MRA by reason of the application of section
16 199A(g)(3)(A) to such account.”.

17 (d) FAILURE TO PROVIDE REPORTS ON MRAS.—
18 Paragraph (2) of section 6693(a) of such Code (relating
19 to failure to provide reports on certain tax-favored ac-
20 counts or annuities) is amended by redesignating subpara-
21 graphs (A) through (F) as subparagraphs (B) through
22 (G), respectively, and by inserting before subparagraph
23 (B), as so redesignated, the following new subparagraph:

24 “(A) section 199A(h) (relating to manufac-
25 turing reinvestment accounts),”.

1 (e) CLERICAL AMENDMENT.—The table of sections
2 for part VI of subchapter B of chapter 1 of such Code
3 is amended by inserting after the item relating to section
4 199 the following new item:

“Sec. 199A. Manufacturing reinvestment accounts.”.

5 (f) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 the date of the enactment of this Act.

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