

115TH CONGRESS
1ST SESSION

S. 1551

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

JULY 13, 2017

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 2017”.

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 OF FEDERAL GOVERNMENT BAILOUTS

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. 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.

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.

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 municipality or a zip code.

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

9 (5) SECRETARY.—The term “Secretary” means
10 the Secretary of the Treasury.

11 (6) ZIP CODE.—The term “zip code” means
12 any area or region associated with or covered by a
13 United States Postal zip code of not less than 5 dig-
14 its.

15 **TITLE I—PROHIBITION OF FED-** 16 **ERAL GOVERNMENT BAIL-** 17 **OUTS**

18 **SEC. 101. PROHIBITION OF FEDERAL GOVERNMENT BAIL-** 19 **OUTS.**

20 (a) DEFINITIONS.—In this section—

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

24 (2) the term “credit rating agency” has the
25 meaning given that term in section 3(a)(61) of the

1 Securities Exchange Act of 1934 (15 U.S.C.
2 78c(a)(61));

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

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

13 (B) purchasing the assets of a munici-
14 pality;

15 (C) guaranteeing a loan or debt issuance
16 of a municipality; or

17 (D) entering into an assistance arrange-
18 ment, including a grant program, with an eligi-
19 ble entity;

20 (4) the term “insolvent” means, with respect to
21 an eligible entity, a financial condition such that the
22 eligible entity—

23 (A) has any debt that has been given a
24 credit rating lower than a “B” by a nationally

1 recognized statistical rating organization or a
2 credit rating agency;

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

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

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

12 (b) PROHIBITION OF FEDERAL GOVERNMENT BAIL-
13 OUTS.—

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

20 (2) PROHIBITION OF FINANCIAL ASSISTANCE
21 TO BANKRUPT OR INSOLVENT ELIGIBLE ENTITIES.—
22 Except as provided in paragraph (1), the Federal
23 Government may not provide financial assistance—

1 (A) to a municipality that is a debtor
2 under chapter 9 of title 11, United States Code;
3 or

4 (B) to a municipality that is insolvent.

5 **TITLE II—DESIGNATION OF ECO-**
6 **NOMIC FREEDOM ZONES**
7 **(EFZ)**

8 **SEC. 201. ELIGIBILITY REQUIREMENTS FOR ECONOMIC**
9 **FREEDOM ZONE STATUS.**

10 (a) DESIGNATION OF MUNICIPALITIES AS ECONOMIC
11 FREEDOM ZONES.—

12 (1) IN GENERAL.—An eligible entity that is a
13 municipality may be designated by the Secretary as
14 an Economic Freedom Zone if the municipality—

15 (A) meets the requirements under section
16 109(c) of title 11, United States Code;

17 (B) is at risk of insolvency, as determined
18 under paragraph (2);

19 (C) has been subject to receivership by the
20 State within the last 3 years;

21 (D) has been a debtor under chapter 9 of
22 title 11, United States Code, within the last 3
23 years;

(E) has been subject to a financial advisory board, emergency manager, or similar entity that—

(i) has arisen from the legislative or executive authority of the State; and

(ii) exercises significant financial control over the finances of the entity within the last 3 years; or

(F) is in receivership or is being overseen by the Federal Government.

(2) AT RISK OF INSOLVENCY.—A municipality is at risk of insolvency if—

(A) an independent actuarial firm that has been engaged by the municipality and that does not have a conflict of interest with the municipality, including any previous relationship with the municipality, as determined by the Secretary—

(i) determines that the municipality is insolvent (as defined in section 101(a)(4) of title 11, United States Code); and

(ii) submits its analysis regarding the insolvency of the municipality to the Secretary; and

1 (B) the Secretary has reviewed and ap-
 2 proved the determination of insolvency by the
 3 actuarial firm.

4 (b) DESIGNATION OF COUNTIES, CITIES, AND ZIP
 5 CODES AS ECONOMIC FREEDOM ZONES.—

6 (1) IN GENERAL.—An eligible entity may be
 7 designated by the Secretary as an Economic Free-
 8 dom Zone if the eligible entity—

9 (A) is a county or city that—

10 (i) is located in a non-metropolitan
 11 statistical area (as defined by the Director
 12 of the Office of Management and Budget);
 13 and

14 (ii) meets the requirements under
 15 paragraph (2); or

16 (B) is a zip code that meets the require-
 17 ments under paragraph (2).

18 (2) LOW ECONOMIC AND HIGH POVERTY
 19 AREA.—

20 (A) IN GENERAL.—An eligible entity shall
 21 be eligible for designation as an Economic Free-
 22 dom Zone under paragraph (1) if the eligible
 23 entity is designated by the Secretary as a low
 24 economic or high poverty area under subpara-
 25 graph (B).

1 (B) DESIGNATION AS LOW ECONOMIC AND
2 HIGH POVERTY AREA.—The Secretary, after re-
3 viewing supporting data as determined appro-
4 priate, shall designate an eligible entity as a low
5 economic or high poverty area if—

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

9 (I) the eligible entity is one of
10 pervasive poverty, unemployment, and
11 general distress;

12 (II) the average rate of unem-
13 ployment within such eligible entity
14 during the most recent 3-month pe-
15 riod for which data is available is at
16 least 1.5 times the national unemploy-
17 ment rate for the period involved;

18 (III) during the most recent 3-
19 month period, at least 30 percent of
20 the residents of the eligible entity
21 have incomes below the national pov-
22 erty level; or

23 (IV) at least 70 percent of the
24 residents of the eligible entity have in-
25 comes below 80 percent of the median

1 income of households within the juris-
2 diction of the local government (as de-
3 termined in the same manner as
4 under section 119(b)(2) of the Hous-
5 ing and Community Development Act
6 of 1974); and

7 (ii) the Secretary determines that
8 such a designation is appropriate.

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

14 **SEC. 202. APPLICATION AND DURATION OF DESIGNATION.**

15 (a) APPLICATION.—The Secretary shall develop pro-
16 cedures to enable an eligible entity to submit to the Sec-
17 retary an application for designation as an Economic
18 Freedom Zone under this title.

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

1 **TITLE III—FEDERAL TAX**
 2 **INCENTIVES**

3 **SEC. 301. TAX INCENTIVES RELATED TO ECONOMIC FREE-**
 4 **DOM ZONES.**

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

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

 “PART I—TAX INCENTIVES

 “PART II—DEFINITIONS

9 **“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.

10 **“SEC. 1400V-1. ECONOMIC FREEDOM ZONE INDIVIDUAL**
 11 **FLAT TAX.**

12 “(a) IN GENERAL.—In the case of any individual
 13 whose principal residence (within the meaning of section
 14 121) is located in an Economic Freedom Zone for the tax-
 15 able year, in lieu of the tax imposed by section 1, there
 16 shall be imposed a tax equal to 5 percent of the taxable
 17 income of such taxpayer. For purposes of this title, the
 18 tax imposed by the preceding sentence shall be treated as
 19 a tax imposed by section 1.

20 “(b) JOINT RETURNS.—In the case of a joint return
 21 under section 6013, subsection (a) shall apply so long as

1 either spouse has a principal residence (within the mean-
 2 ing of section 121) in an Economic Freedom Zone for the
 3 taxable year.

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

7 **“SEC. 1400V-2. ECONOMIC FREEDOM ZONE CORPORATE**
 8 **FLAT TAX.**

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

16 “(b) LIMITATION.—Subsection (a) shall not apply to
 17 any corporation for any taxable year if the adjusted gross
 18 income of such corporation for such taxable year exceeds
 19 \$500,000,000.

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

23 “(1) not less than 10 percent of the total gross
 24 income of such corporation is derived from the active

1 conduct of a trade or business within an Economic
2 Freedom Zone, or

3 “(2) at least 25 percent of the employees of
4 such corporation are residents of an Economic Free-
5 dom Zone.

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

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

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

12 “(1) any Economic Freedom Zone asset held
13 for more than 5 years, or

14 “(2) any real property located in an Economic
15 Freedom Zone.

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

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

20 “(A) any Economic Freedom Zone busi-
21 ness stock,

22 “(B) any Economic Freedom Zone part-
23 nership interest, and

24 “(C) any Economic Freedom Zone busi-
25 ness property.

1 “(2) ECONOMIC FREEDOM ZONE BUSINESS
2 STOCK.—

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

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

14 “(ii) as of the time such stock was
15 issued, such corporation was an Economic
16 Freedom Zone business (or, in the case of
17 a new corporation, such corporation was
18 being organized for purposes of being an
19 Economic Freedom Zone), and

20 “(iii) during substantially all of the
21 taxpayer’s holding period for such stock,
22 such corporation qualified as an Economic
23 Freedom Zone business.

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

4 “(3) ECONOMIC FREEDOM ZONE PARTNERSHIP
 5 INTEREST.—The term ‘Economic Freedom Zone
 6 partnership interest’ means any capital or profits in-
 7 terest in a domestic partnership if—

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

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

20 “(C) during substantially all of the tax-
 21 payer’s holding period for such interest, such
 22 partnership qualified as an Economic Freedom
 23 Zone business. A rule similar to the rule of
 24 paragraph (2)(B) shall apply for purposes of
 25 this paragraph.

1 “(4) ECONOMIC FREEDOM ZONE BUSINESS
2 PROPERTY.—

3 “(A) IN GENERAL.—The term ‘Economic
4 Freedom Zone business property’ means tan-
5 gible property if—

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

15 “(ii) the original use of such property
16 in the Economic Freedom Zone commences
17 with the taxpayer, and

18 “(iii) during substantially all of the
19 taxpayer’s holding period for such prop-
20 erty, substantially all of the use of such
21 property was in an Economic Freedom
22 Zone business of the taxpayer.

23 “(B) SPECIAL RULE FOR BUILDINGS
24 WHICH ARE SUBSTANTIALLY IMPROVED.—

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

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

11 “(II) any land on which such
 12 property is located.

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

22 “(I) an amount equal to the ad-
 23 justed basis of such property at the
 24 beginning of such 24-month period in
 25 the hands of the taxpayer, or

“(II) \$5,000.

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

“(6) TREATMENT OF SUBSEQUENT PURCHASERS, ETC.—The term ‘Economic Freedom Zone asset’ includes any property which would be an Economic Freedom Zone asset but for paragraph (2)(A)(i), (3)(A), or (4)(A) (i) or (ii) in the hands of the taxpayer if such property was an Economic Freedom Zone asset in the hands of a prior holder.

“(7) 5-YEAR SAFE HARBOR.—If any property ceases to be an Economic Freedom Zone asset by reason of paragraph (2)(A)(iii), (3)(C), or (4)(A)(iii) after the 5-year period beginning on the date the taxpayer acquired such property, such property shall continue to be treated as meeting the requirements of such paragraph; except that the amount of gain to which subsection (a) applies on any sale or exchange of such property shall not exceed the amount which would be qualified capital gain had such property been sold on the date of such cessation.

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

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

6 “(2) by substituting ‘80 percent’ for ‘50 per-
 7 cent’ in subsections (b)(2) and (c)(1) of section
 8 1397C, and

9 “(3) by treating only areas that are Economic
 10 Freedom Zones as an empowerment zone or enter-
 11 prise community.

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

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

18 “(A) a capital asset, or

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

21 “(2) CERTAIN GAIN NOT QUALIFIED.—The
 22 term ‘qualified capital gain’ shall not include any
 23 gain attributable to periods before the date on which
 24 the a business qualifies as an Economic Freedom
 25 Zone business or after the date that is 4 years after

1 the date on which such business no longer qualifies
 2 as an Economic Freedom Zone business due to the
 3 lapse of 1 or more Economic Freedom Zones.

4 “(3) CERTAIN GAIN NOT QUALIFIED.—The
 5 term ‘qualified capital gain’ shall not include any
 6 gain which would be treated as ordinary income
 7 under section 1245 or under section 1250 if section
 8 1250 applied to all depreciation rather than the ad-
 9 ditional depreciation.

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

17 “(5) RELATED PARTY TRANSACTIONS.—The
 18 term ‘qualified capital gain’ shall not include any
 19 gain attributable, directly or indirectly, in whole or
 20 in part, to a transaction with a related person. For
 21 purposes of this paragraph, persons are related to
 22 each other if such persons are described in section
 23 267(b) or 707(b)(1).

24 “(e) SALES AND EXCHANGES OF INTERESTS IN
 25 PARTNERSHIPS AND S CORPORATIONS WHICH ARE ECO-

1 ECONOMIC FREEDOM ZONE BUSINESSES.—In the case of the
 2 sale or exchange of an interest in a partnership, or of
 3 stock in an S corporation, which was an Economic Free-
 4 dom Zone business during substantially all of the period
 5 the taxpayer held such interest or stock, the amount of
 6 qualified capital gain shall be determined without regard
 7 to—

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

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

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

19 “(a) IN GENERAL.—

20 “(1) EMPLOYEES.—The rate of tax under
 21 3101(a) (including for purposes of determining the
 22 applicable percentage under sections 3201(a) and
 23 3211(a)(1)) shall be 4.2 percent for any remunera-
 24 tion received during any period in which the individ-

1 ual’s principal residence (within the meaning of sec-
2 tion 121) is located in an Economic Freedom Zone.

3 “(2) EMPLOYERS.—

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

11 “(B) QUALIFIED SERVICES.—For purposes
12 of this section, the term ‘qualified services’
13 means services performed—

14 “(i) in a trade or business of a quali-
15 fied employer, or

16 “(ii) in the case of a qualified em-
17 ployer exempt from tax under section
18 501(a) of the Internal Revenue Code of
19 1986, in furtherance of the activities re-
20 lated to the purpose or function consti-
21 tuting the basis of the employer’s exemp-
22 tion under section 501 of such Code.

23 “(C) LOCATION OF EMPLOYER.—For pur-
24 poses of this paragraph, the location of an em-

1 ployer shall be determined in the same manner
2 as under section 1400V-2(c).

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

9 “(b) TRANSFERS OF FUNDS.—

10 “(1) TRANSFERS TO FEDERAL OLD-AGE AND
11 SURVIVORS INSURANCE TRUST FUND.—There are
12 hereby appropriated to the Federal Old-Age and
13 Survivors Trust Fund and the Federal Disability In-
14 surance Trust Fund established under section 201
15 of the Social Security Act (42 U.S.C. 401) amounts
16 equal to the reduction in revenues to the Treasury
17 by reason of the application of subsection (a).
18 Amounts appropriated by the preceding sentence
19 shall be transferred from the general fund at such
20 times and in such manner as to replicate to the ex-
21 tent possible the transfers which would have oc-
22 curred to such Trust Fund had such amendments
23 not been enacted.

24 “(2) TRANSFERS TO SOCIAL SECURITY EQUIVA-
25 LENT BENEFIT ACCOUNT.—There are hereby appro-

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

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

19 **“SEC. 1400V-5. INCREASE IN EXPENSING UNDER SECTION**
 20 **179.**

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

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

1 “(A) 200 percent of the amount in effect
2 under such section (determined without regard
3 to this section), or

4 “(B) the cost of section 179 property
5 which is Economic Freedom Zone business
6 property placed in service during the taxable
7 year, and

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

12 “(b) ECONOMIC FREEDOM ZONE BUSINESS PROP-
13 ERTY.—For purposes of this section, the term ‘Economic
14 Freedom Zone business property’ has the meaning given
15 such term under section 1400V–3(b)(4), except that for
16 purposes of subparagraph (A)(ii) thereof, if property is
17 sold and leased back by the taxpayer within 3 months
18 after the date such property was originally placed in serv-
19 ice, such property shall be treated as originally placed in
20 service not earlier than the date on which such property
21 is used under the leaseback.

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

1 **“PART II—DEFINITIONS**

“Sec. 1400V–6. Economic Freedom Zone.

2 **“SEC. 1400V–6. ECONOMIC FREEDOM ZONE.**

3 “For purposes of this subchapter, the term ‘Eco-
4 nomic Freedom Zone’ means any area which is an Eco-
5 nomic Freedom Zone under title II of the Economic Free-
6 dom Zone Act.”.

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

“SUBCHAPTER Z—ECONOMIC FREEDOM ZONES”.

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

14 **TITLE IV—FEDERAL**
15 **REGULATORY REDUCTIONS**

16 **SEC. 401. SUSPENSION OF CERTAIN LAWS AND REGULA-**
17 **TIONS.**

18 (a) ENVIRONMENTAL PROTECTION AGENCY.—For
19 each area designated as an Economic Freedom Zone
20 under this Act, the Administrator of the Environmental
21 Protection Agency shall not enforce, with respect to that
22 Economic Freedom Zone, and the Economic Freedom
23 Zone shall be exempt from compliance with—

1 (1) part D of the Clean Air Act (42 U.S.C.
2 7501 et seq.) (including any regulations promul-
3 gated under that part);

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

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

8 (4) section 304 of title 49, United States Code;
9 and

10 (5) sections 1315 through 1320 of Public Law
11 112–141 (126 Stat. 549).

12 (b) DEPARTMENT OF THE INTERIOR.—

13 (1) WILD AND SCENIC RIVERS.—For each area
14 designated as an Economic Freedom Zone under
15 this Act, the Secretary of the Interior shall not en-
16 force, with respect to that Economic Freedom Zone,
17 and the Economic Freedom Zone shall be exempt
18 from compliance with the Wild and Scenic Rivers
19 Act (16 U.S.C. 1271 et seq.).

20 (2) NATIONAL HERITAGE AREAS.—For the pe-
21 riod beginning on the date of enactment of this Act
22 and ending on the date on which an area is removed
23 from designation as an Economic Freedom Zone,
24 any National Heritage Area located within that Eco-
25 nomic Freedom Zone shall not be considered to be

1 a National Heritage Area and any applicable Fed-
 2 eral law (including regulations) relating to that Na-
 3 tional Heritage Area shall not apply.

4 **TITLE V—EDUCATIONAL**
 5 **ENHANCEMENTS**

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

7 (a) IN GENERAL.—Subpart A of part IV of sub-
 8 chapter A of chapter 1 of the Internal Revenue Code of
 9 1986 is amended by inserting after section 25D the fol-
 10 lowing new section:

11 **“SEC. 25E. CREDIT FOR QUALIFIED ELEMENTARY AND SEC-**
 12 **ONDARY EDUCATION EXPENSES.**

13 “(a) IN GENERAL.—In the case of an individual,
 14 there shall be allowed as a credit against the tax imposed
 15 by this chapter for the taxable year an amount equal to
 16 the qualified elementary and secondary education expenses
 17 of an eligible student.

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

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

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

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

3 “(A) is enrolled in, or attends, any public,
4 private, or religious school (as defined in section
5 530(b)(3)(B)), and

6 “(B) whose principal residence (within the
7 meaning of section 123) is located in an Eco-
8 nomic Freedom Zone.

9 “(3) ECONOMIC FREEDOM ZONE.—The term
10 ‘Economic Freedom Zone’ means any area which is
11 an Economic Freedom Zone under title II of the
12 Economic Freedom Zone Act.”.

13 (b) CLERICAL AMENDMENT.—The table of sections
14 for subpart A of part IV of subchapter A of chapter 1
15 of such Code is amended by inserting after the item relat-
16 ing to section 25D the following new item:

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

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

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

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

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

2 “(a) AUTHORIZATION.—

3 “(1) IN GENERAL.—Notwithstanding sections
4 1124, 1124A, and 1125 and any other provision of
5 law, and to the extent permitted under State law, a
6 State educational agency may allocate grant funds
7 under this subpart among the local educational
8 agencies in the State based on the formula described
9 in paragraph (2).

10 “(2) FORMULA.—A State educational agency
11 may allocate grant funds under this subpart for a
12 fiscal year among the local educational agencies in
13 the State in proportion to the number of eligible
14 children enrolled in public schools served by the local
15 educational agency and enrolled in State-accredited
16 private schools within the local educational agency’s
17 geographic jurisdiction, for the most recent fiscal
18 year for which satisfactory data are available, com-
19 pared to the number of such children in all such
20 local educational agencies for that fiscal year.

21 “(b) ELIGIBLE CHILD.—

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

24 “(A) from a family with an income below
25 the poverty level, on the basis of the most re-

1 cent satisfactory data published by the Depart-
2 ment of Commerce; and

3 “(B) who resides in an Economic Freedom
4 Zone as designated under title II of the Eco-
5 nomic Freedom Zones Act of 2017.

6 “(2) CRITERIA OF POVERTY.—In determining
7 the families with incomes below the poverty level for
8 the purposes of paragraph (2), a State educational
9 agency shall use the criteria of poverty used by the
10 Census Bureau in compiling the most recent decen-
11 nial census.

12 “(3) IDENTIFICATION OF ELIGIBLE CHIL-
13 DREN.—On an annual basis, on a date to be deter-
14 mined by the State educational agency, each local
15 educational agency that receives grant funding in ac-
16 cordance with subsection (a) shall inform the State
17 educational agency of the number of eligible children
18 enrolled in public schools served by the local edu-
19 cational agency and enrolled in State-accredited pri-
20 vate schools within the local educational agency’s ge-
21 ographic jurisdiction.

22 “(c) DISTRIBUTION TO SCHOOLS.—Each local edu-
23 cational agency that receives grant funding under sub-
24 section (a) shall distribute such funds to the public schools
25 served by the local educational agency and State-accred-

1 ited private schools with the local educational agency’s ge-
 2 ographic jurisdiction—

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

5 “(2) in the manner that would, in the absence
 6 of such Federal funds, supplement the funds made
 7 available from the non-Federal resources for the
 8 education of pupils participating in programs under
 9 this part, and not to supplant such funds.”.

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

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

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

15 (a) DEFINITIONS.—In this section:

16 (1) ABANDONED; DILAPIDATED.—The terms
 17 “abandoned” and “dilapidated” shall be defined by
 18 the States in accordance with the provisions of this
 19 Act.

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

24 (b) PURPOSE.—The purpose of this section is to fa-
 25 cilitate increased investment and enhanced human capital

1 in Economic Freedom Zones through the issuance of spe-
2 cial regional visas.

3 (c) AUTHORIZATION.—The Secretary of Homeland
4 Security, in collaboration with the Secretary of Labor,
5 may issue Special Economic Freedom Zone Visas, in a
6 number determined by the Governor of each State, in con-
7 sultation with local officials in regions designated by the
8 Secretary of the Treasury as Economic Freedom Zones,
9 to authorize qualified aliens to enter the United States for
10 the purpose of—

11 (1) engaging in a new commercial enterprise
12 (including a limited partnership)—

13 (A) in which such alien has invested, or is
14 actively in the process of investing, capital in an
15 amount not less than the amount specified in
16 subsection (d); and

17 (B) which will benefit the region des-
18 ignated as an Economic Freedom Zone by cre-
19 ating full-time employment of not fewer than 5
20 United States citizens, aliens lawfully admitted
21 for permanent residence, or other immigrants
22 lawfully authorized to be employed in the
23 United States (excluding the alien and the
24 alien's immediate family);

1 (2) engaging in the purchase and renovation of
 2 dilapidated or abandoned properties or residences
 3 (as determined by State and local officials) in which
 4 such alien has invested, or is actively in the process
 5 of investing, in the ownership of such properties or
 6 residences; or

7 (3) residing and working in an Economic Free-
 8 dom Zone.

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

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

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

15 (e) CAPITAL AND EDUCATIONAL REQUIREMENTS.—

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

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

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

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

4 (3) VERIFICATION.—A visa issued under sub-
5 section (c) shall not remain in effect for more than
6 2 years unless the Secretary of Homeland Security
7 has verified that the alien has complied with the re-
8 quirements described in subsection (c).

9 (4) EDUCATION AND SKILL REQUIREMENTS.—
10 An alien is not in compliance with subsection (c)(3)
11 unless the alien possesses—

12 (A) a bachelor's degree (or its equivalent)
13 or an advanced degree;

14 (B) a degree or specialty certification
15 that—

16 (i) is required for the job the alien will
17 be performing; and

18 (ii) is specific to an industry or job
19 that is so complex or unique that it can be
20 performed only by an individual with the
21 specialty certification;

22 (C)(i) the knowledge required to perform
23 the duties of the job the alien will be per-
24 forming; and

1 (ii) the nature of the specific duties is so
2 specialized and complex that such knowledge is
3 usually associated with attainment of a bach-
4 elor's or higher degree; or

5 (D) a skill or talent that would benefit the
6 Economic Freedom Zone.

7 (f) ADDITIONAL PROVISIONS.—

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

12 (2) RESCISSION.—A visa issued under this sec-
13 tion shall be rescinded if the visa holder resides or
14 works outside of an Economic Freedom Zone or oth-
15 erwise fails to comply with the provisions of this sec-
16 tion.

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

22 (g) ADJUSTMENT OF STATUS.—The Secretary of
23 Homeland Security may adjust the status of an alien who
24 has been issued a visa under this section to that of an

1 alien lawfully admitted for permanent residence, without
 2 numerical limitation, if the alien—

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

5 (2) submits a completed application to the Sec-
 6 retary; and

7 (3) is not inadmissible to the United States
 8 based on any of the factors set forth in section
 9 212(a) of the Immigration and Nationality Act (8
 10 U.S.C. 1182(a)).

11 **SEC. 504. ECONOMIC FREEDOM ZONE EDUCATIONAL SAV-**
 12 **INGS ACCOUNTS.**

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

16 **“SEC. 530A. ECONOMIC FREEDOM ZONE EDUCATIONAL SAV-**
 17 **INGS ACCOUNTS.**

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

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

23 “(1) ECONOMIC FREEDOM ZONE EDUCATIONAL
 24 SAVINGS ACCOUNT.—The term ‘Economic Freedom
 25 Zone educational savings account’ means a trust cre-

1 ated or organized in the United States exclusively
2 for the purpose of paying the qualified education ex-
3 penses (as defined in section 530(b)(2)) of an indi-
4 vidual who is the designated beneficiary of the trust
5 (and designated as an Economic Freedom Zone edu-
6 cational saving account at the time created or orga-
7 nized) and who is a qualified individual at the time
8 such trust is established, but only if the written gov-
9 erning instrument creating the trust meets the fol-
10 lowing requirements:

11 “(A) No contribution will be accepted—

12 “(i) unless it is in cash,

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

15 “(iii) except in the case of rollover
16 contributions, if such contribution would
17 result in aggregate contributions for the
18 taxable year exceeding \$10,000.

19 “(B) No contribution shall be accepted at
20 any time in which the designated beneficiary is
21 not a qualified individual.

22 “(C) The trust meets the requirements of
23 subparagraphs (B), (C), (D), and (E) of section
24 530(b)(1).

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

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

12 “(c) DEDUCTION FOR CONTRIBUTIONS.—

13 “(1) IN GENERAL.—There shall be allowed as a
 14 deduction under part VII of subchapter B of this
 15 chapter an amount equal to the aggregate amount of
 16 contributions made by the taxpayer to any Economic
 17 Freedom Zone educational savings account during
 18 the taxable year.

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

22 “(3) NO DEDUCTION FOR ROLLOVER CON-
 23 TRIBUTIONS.—No deduction shall be allowed under
 24 paragraph (1) for any rollover contribution described
 25 in section 530(d)(5).

1 “(d) OTHER RULES.—

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

5 “(2) CHANGE IN BENEFICIARIES.—Notwith-
6 standing paragraph (6) of section 530(b), a change
7 in the beneficiary of an Economic Freedom Zone
8 education savings account shall be treated as a dis-
9 tribution unless the new beneficiary is a qualified in-
10 dividual.”.

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

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

14 **TITLE VI—COMMUNITY** 15 **ASSISTANCE AND REBUILDING**

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

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

22 **SEC. 602. ECONOMIC FREEDOM ZONE CHARITABLE TAX** 23 **CREDIT.**

24 (a) IN GENERAL.—Section 170 of the Internal Rev-
25 enue Code of 1986 is amended by redesignating subsection

1 (p) as subsection (q) and by inserting after subsection (o)
 2 the following new subsection:

3 “(o) ELECTION TO TREAT CONTRIBUTIONS FOR
 4 ECONOMIC FREEDOM ZONE CHARITIES AS A CREDIT.—

5 “(1) IN GENERAL.—In the case of an indi-
 6 vidual, at the election of the taxpayer, so much of
 7 the deduction allowed under subsection (a) (deter-
 8 mined without regard to this subsection) which is at-
 9 tributable to Economic Freedom Zone charitable
 10 contributions—

11 “(A) shall be allowed as a credit against
 12 the tax imposed by this chapter for the taxable
 13 year, and

14 “(B) shall not be allowed as a deduction
 15 for such taxable year under subsection (a). Any
 16 amount allowable as a credit under this sub-
 17 section shall be treated as a credit allowed
 18 under subpart A of part IV of subchapter A for
 19 purposes of this title.

20 “(2) AMOUNT ATTRIBUTABLE TO ECONOMIC
 21 FREEDOM ZONE CHARITABLE CONTRIBUTIONS.—For
 22 purposes of paragraph (1)—

23 “(A) IN GENERAL.—In any case in which
 24 the total charitable contributions of a taxpayer
 25 for a taxable year exceed the contribution base,

1 the amount of Economic Freedom Zone chari-
2 table contributions taken into account under
3 paragraph (1) shall be the amount which bears
4 the same ratio to the total charitable contribu-
5 tions made by the taxpayer during such taxable
6 year as the amount of the deduction allowed
7 under subsection (a) (determined without re-
8 gard to this subsection and after application of
9 subsection (b)) bears to the total charitable con-
10 tributions made by the taxpayer for such tax-
11 able year.

12 “(B) CARRYOVERS.—In the case of any
13 contribution carried from a preceding taxable
14 year under subsection (d), such amount shall be
15 treated as attributable to an Economic Free-
16 dom Zone charitable contribution in the amount
17 that bears the same ratio to the total amount
18 carried from preceding taxable years under sub-
19 section (d) as the amount of Economic Free-
20 dom Zone charitable contributions not allowed
21 as a deduction under subsection (a) (other than
22 by reason of this subsection for the preceding 5
23 taxable years) bears to total amount carried
24 from preceding taxable years under subsection
25 (d).

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

7 “(A) such entity is created or organized
 8 exclusively for—

9 “(i) religious purposes,

10 “(ii) educational purposes, or

11 “(iii) any of the following charitable
 12 purposes: providing educational scholar-
 13 ships, providing shelters for homeless indi-
 14 viduals, or setting up or maintaining food
 15 banks,

16 “(B) the primary mission of such entity is
 17 serving individuals in an Economic Freedom
 18 Zone,

19 “(C) the entity maintains accountability to
 20 residents of such Economic Freedom Zone
 21 through their representation on any governing
 22 board of the entity or any advisory board to the
 23 entity, and

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

1 Such term shall not include any contribution made
2 to an entity described in the preceding sentence
3 after the date in which the designation of the Eco-
4 nomic Freedom Zone serviced by such entity lapses.

5 “(4) ECONOMIC FREEDOM ZONE.—The term
6 ‘Economic Freedom Zone’ means any area which is
7 an Economic Freedom Zone under title II of the
8 Economic Freedom Zone Act.”.

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

○