

116TH CONGRESS  
1ST SESSION

# H. R. 1525

To provide tax incentives to promote economic development in economically distressed zones.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 2019

Miss GONZÁLEZ-COLÓN of Puerto Rico (for herself and Mrs. KIRKPATRICK) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To provide tax incentives to promote economic development in economically distressed zones.

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 “Economic Development  
5 Act for Distressed Zones of 2019”.

6 **SEC. 2. ECONOMICALLY DISTRESSED ZONES.**

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

1     **“Subchapter AA—Economically Distressed**  
2                                     **Zones**

“Sec. 1400AA-1. Economically distressed zone credit.

“Sec. 1400AA-2. Designation of economically distressed zones.

3     **“SEC. 1400AA-1. ECONOMICALLY DISTRESSED ZONE CRED-**  
4                                     **IT.**

5             “(a) ALLOWANCE OF CREDIT.—There shall be al-  
6     lowed as a credit against the tax imposed by subtitle A  
7     for the taxable year an amount equal to the sum of—

8                     “(1) an amount equal to 40 percent of the sum  
9     of—

10                    “(A) the aggregate amount of the tax-  
11     payer’s economically distressed zone wages for  
12     such taxable year, plus

13                    “(B) the allocable employee fringe benefit  
14     expenses of the taxpayer for such taxable year,

15                    “(2) an amount equal to 40 percent of the de-  
16     preciation and amortization allowances for the tax-  
17     able year with respect to property of the taxpayer  
18     which are located and used in the active conduct of  
19     a trade or business within an economically distressed  
20     zone, and

21                    “(3) an amount equal to 30 percent of the pay-  
22     ments made by the taxpayer in course of a trade or  
23     business for purchases of services or tangible prop-  
24     erty from an unrelated person (40 percent in the

1 case of such a purchase from an unrelated minority  
2 business) located within an economically distressed  
3 zone.

4 “(b) DENIAL OF DOUBLE BENEFIT.—Any wages or  
5 other expenses taken into account in determining the cred-  
6 it under this section may not be taken into account in de-  
7 termining the credit under sections 41, and any other pro-  
8 vision determined by the Secretary to be substantially  
9 similar.

10 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-  
11 poses of this section—

12 “(1) QUALIFIED ECONOMICALLY DISTRESSED  
13 ZONE WAGES.—

14 “(A) IN GENERAL.—The term ‘qualified  
15 economically distressed zone wages’ means  
16 amounts paid or incurred by the taxpayer for  
17 the taxable year which are—

18 “(i) in connection with the active con-  
19 duct of a trade or business of the taxpayer  
20 within an economically distressed zone, and

21 “(ii) for wages of an employee for  
22 services provided, and the principal place  
23 of employment of whom is, in such eco-  
24 nomically distressed zone.

1                   “(B) LIMITATION ON AMOUNT OF WAGES  
2                   TAKEN INTO ACCOUNT.—

3                   “(i) IN GENERAL.—The amount of  
4                   wages which may be taken into account  
5                   under subparagraph (A) with respect to  
6                   any employee for any taxable year shall  
7                   not exceed the contribution and benefit  
8                   base determined under section 230 of the  
9                   Social Security Act for the calendar year  
10                  in which such taxable year begins.

11                  “(ii) TREATMENT OF PART-TIME EM-  
12                  PLOYEES, ETC.—If—

13                         “(I) any employee is not em-  
14                         ployed by the taxpayer on a substan-  
15                         tially full-time basis at all times dur-  
16                         ing the taxable year, or

17                         “(II) the principal place of em-  
18                         ployment of any employee is not with-  
19                         in an economically distressed zone at  
20                         all times during the taxable year,

21                   the limitation applicable under clause (i)  
22                   with respect to such employee shall be the  
23                   appropriate portion (as determined by the  
24                   Secretary) of the limitation which would  
25                   otherwise be in effect under clause (i).

1           “(C) TREATMENT OF CERTAIN EMPLOY-  
2           EES.—The term ‘qualified economically dis-  
3           tressed zone wages’ shall not include any wages  
4           paid to employees who are assigned by the em-  
5           ployer to perform services for another person,  
6           unless the principal trade or business of the  
7           employer is to make employees available for  
8           temporary periods to other persons in return  
9           for compensation.

10          “(2) ALLOCABLE EMPLOYEE FRINGE BENEFIT  
11          EXPENSES.—

12               “(A) IN GENERAL.—The term ‘allocable  
13               employee fringe benefit expenses’ means the ag-  
14               gregate amount allowable as a deduction under  
15               this chapter to the taxpayer for the taxable year  
16               for the following amounts which are allocable to  
17               employment in an economically distressed zone:

18                       “(i) Employer contributions under a  
19                       stock bonus, pension, profit-sharing, or an-  
20                       nuity plan.

21                       “(ii) Employer-provided coverage  
22                       under any accident or health plan for em-  
23                       ployees.

24                       “(iii) The cost of life or disability in-  
25                       surance provided to employees.

1           “(B) ALLOCATION.—For purposes of sub-  
2           paragraph (A), an amount shall be treated as  
3           allocable to an economically distressed zone only  
4           if such amount is with respect to employment  
5           of an individual for services provided, and the  
6           principal place of employment of whom is, in  
7           such zone.

8           “(3) MINORITY BUSINESS.—

9           “(A) IN GENERAL.—The term ‘minority  
10          business’ means—

11                  “(i) a sole proprietorship carried on  
12                  by a qualified individual, or

13                  “(ii) a corporation or partnership—

14                          “(I) at least 50 percent of the  
15                          ownership interests in which are held  
16                          by one or more qualified individuals,  
17                          and

18                          “(II) of which a qualified indi-  
19                          vidual is the president or chief execu-  
20                          tive officer (or a substantially equiva-  
21                          lent position).

22           “(B) QUALIFIED INDIVIDUAL.—The term  
23           ‘qualified individual’ means any individual  
24           who—

1 “(i) is of Asian-Indian, Asian-Pacific,  
2 Black, Hispanic or Native American origin  
3 or descent, and

4 “(ii) is a United States citizen or legal  
5 resident of the United States or any of its  
6 territories or possessions.

7 “(4) AGGREGATION RULES.—

8 “(A) IN GENERAL.—Members of an affili-  
9 ated group shall be treated as a single taxpayer.

10 “(B) AFFILIATED GROUP.—The term  
11 ‘qualified group’ means an affiliated group (as  
12 defined in section 1504(a), determined without  
13 regard to section 1504(b)(3)) one or more  
14 members of which are engaged in the active  
15 conduct of a trade or business within an eco-  
16 nomically distressed zone.

17 “(C) RELATED PERSONS.—Persons shall  
18 be treated as related to each other if such per-  
19 sons would be treated as a single employer  
20 under the regulations prescribed under section  
21 52(b).

1 **“SEC. 1400AA-2. DESIGNATION OF ECONOMICALLY DIS-**  
2 **TRESSED ZONES.**

3 “(a) IN GENERAL.—For purposes of this subchapter,  
4 the term ‘economically distressed zone’ means any popu-  
5 lation census tract which—

6 “(1) has pervasive poverty, unemployment, low  
7 labor force participation, and general distress meas-  
8 ured as a prolonged period of economic decline  
9 measured by real gross national product,

10 “(2) has a poverty rate of not less than 35 per-  
11 cent, and

12 “(3) has been designated as such by the Sec-  
13 retary and the Secretary of Commerce pursuant to  
14 an application under subsection (b).

15 “(b) APPLICATION FOR DESIGNATION.—

16 “(1) IN GENERAL.—An application for designa-  
17 tion as an economically distressed zone may be filed  
18 by a State or local government in which the popu-  
19 lation census tract to which the application applies  
20 is located.

21 “(2) REQUIREMENTS.—Such application shall  
22 include—

23 “(A) a Fiscal Plan submitted pursuant to  
24 section 201 of the Puerto Rico Oversight, Man-  
25 agement, and Economic Stability Act, or

1 “(B) a strategic plan for accomplishing the  
2 purposes of this subchapter, which—

3 “(i) describes the coordinated eco-  
4 nomic, human, community, and physical  
5 development plan and related activities  
6 proposed for the nominated area,

7 “(ii) describes the process by which  
8 the affected community is a full partner in  
9 the process of developing and imple-  
10 menting the plan and the extent to which  
11 local institutions and organizations have  
12 contributed to the planning process,

13 “(iii) identifies the amount of State,  
14 local, and private resources that will be  
15 available in the nominated area and the  
16 private/public partnerships to be used,  
17 which may include participation by, and  
18 cooperation with, universities, medical cen-  
19 ters, and other private and public entities,

20 “(iv) identifies the funding requested  
21 under any Federal program in support of  
22 the proposed economic, human, commu-  
23 nity, and physical development and related  
24 activities,

1 “(v) identifies baselines, methods, and  
2 benchmarks for measuring the success of  
3 carrying out the strategic plan, including  
4 the extent to which poor persons and fami-  
5 lies will be empowered to become economi-  
6 cally self-sufficient, and

7 “(vi) does not include any action to  
8 assist any establishment in relocating from  
9 one area outside the nominated area to the  
10 nominated area, except that assistance for  
11 the expansion of an existing business enti-  
12 ty through the establishment of a new  
13 branch, affiliate, or subsidiary is permitted  
14 if—

15 “(I) the establishment of the new  
16 branch, affiliate, or subsidiary will not  
17 result in a decrease in employment in  
18 the area of original location or in any  
19 other area where the existing business  
20 entity conducts business operations,

21 “(II) there is no reason to believe  
22 that the new branch, affiliate, or sub-  
23 sidiary is being established with the  
24 intention of closing down the oper-  
25 ations of the existing business entity

1 in the area of its original location or  
2 in any other area where the existing  
3 business entity conducts business op-  
4 eration, and

5 “(III) includes such other infor-  
6 mation as may be required by the Sec-  
7 retary and the Secretary of Com-  
8 merce.

9 “(c) PERIOD FOR WHICH DESIGNATIONS ARE IN EF-  
10 FECT.—Designation as an economically distressed zone  
11 may be made at any time during the 10-year period begin-  
12 ning on the date of the enactment of this section, and shall  
13 remain in effect with respect to such zone during the 15-  
14 year period beginning on the date of such designation.

15 “(d) TERRITORIES AND POSSESSIONS.—The term  
16 ‘State’ includes territories and possessions of the United  
17 States.”.

18 (b) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 December 31, 2018.

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