

**AMENDMENT TO H.R. 582, AS REPORTED
OFFERED BY MISS GONZÁLEZ-COLÓN OF PUERTO
RICO**

Add at the end the following:

1 **SEC. ____ . ECONOMICALLY DISTRESSED ZONES.**

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

5 **“Subchapter AA—Economically Distressed**
6 **Zones**

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

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

7 **“SEC. 1400AA-1. ECONOMICALLY DISTRESSED ZONE CRED-**
8 **IT.**

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

12 “(1) an amount equal to 40 percent of the sum
13 of—

14 “(A) the aggregate amount of the tax-
15 payer’s economically distressed zone wages for
16 such taxable year, plus

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

3 “(2) an amount equal to 40 percent of the de-
4 preciation and amortization allowances for the tax-
5 able year with respect to property of the taxpayer
6 which are located and used in the active conduct of
7 a trade or business within an economically distressed
8 zone, and

9 “(3) an amount equal to 30 percent of the pay-
10 ments made by the taxpayer in course of a trade or
11 business for purchases of services or tangible prop-
12 erty from an unrelated person (40 percent in the
13 case of such a purchase from an unrelated minority
14 business) located within an economically distressed
15 zone.

16 “(b) DENIAL OF DOUBLE BENEFIT.—Any wages or
17 other expenses taken into account in determining the cred-
18 it under this section may not be taken into account in de-
19 termining the credit under sections 41, and any other pro-
20 vision determined by the Secretary to be substantially
21 similar.

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

24 “(1) QUALIFIED ECONOMICALLY DISTRESSED
25 ZONE WAGES.—

1 “(A) IN GENERAL.—The term ‘qualified
2 economically distressed zone wages’ means
3 amounts paid or incurred by the taxpayer for
4 the taxable year which are—

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

8 “(ii) for wages of an employee for
9 services provided, and the principal place
10 of employment of whom is, in such eco-
11 nomically distressed zone.

12 “(B) LIMITATION ON AMOUNT OF WAGES
13 TAKEN INTO ACCOUNT.—

14 “(i) IN GENERAL.—The amount of
15 wages which may be taken into account
16 under subparagraph (A) with respect to
17 any employee for any taxable year shall
18 not exceed the contribution and benefit
19 base determined under section 230 of the
20 Social Security Act for the calendar year
21 in which such taxable year begins.

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

24 “(I) any employee is not em-
25 ployed by the taxpayer on a substan-

1 tially full-time basis at all times dur-
2 ing the taxable year, or

3 “(II) the principal place of em-
4 ployment of any employee is not with-
5 in an economically distressed zone at
6 all times during the taxable year,

7 the limitation applicable under clause (i)
8 with respect to such employee shall be the
9 appropriate portion (as determined by the
10 Secretary) of the limitation which would
11 otherwise be in effect under clause (i).

12 “(C) TREATMENT OF CERTAIN EMPLOY-
13 EES.—The term ‘qualified economically dis-
14 tressed zone wages’ shall not include any wages
15 paid to employees who are assigned by the em-
16 ployer to perform services for another person,
17 unless the principal trade or business of the
18 employer is to make employees available for
19 temporary periods to other persons in return
20 for compensation.

21 “(2) ALLOCABLE EMPLOYEE FRINGE BENEFIT
22 EXPENSES.—

23 “(A) IN GENERAL.—The term ‘allocable
24 employee fringe benefit expenses’ means the ag-
25 gregate amount allowable as a deduction under

1 this chapter to the taxpayer for the taxable year
2 for the following amounts which are allocable to
3 employment in an economically distressed zone:

4 “(i) Employer contributions under a
5 stock bonus, pension, profit-sharing, or an-
6 nuity plan.

7 “(ii) Employer-provided coverage
8 under any accident or health plan for em-
9 ployees.

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

12 “(B) ALLOCATION.—For purposes of sub-
13 paragraph (A), an amount shall be treated as
14 allocable to an economically distressed zone only
15 if such amount is with respect to employment
16 of an individual for services provided, and the
17 principal place of employment of whom is, in
18 such zone.

19 “(3) MINORITY BUSINESS.—

20 “(A) IN GENERAL.—The term ‘minority
21 business’ means—

22 “(i) a sole proprietorship carried on
23 by a qualified individual, or

24 “(ii) a corporation or partnership—

1 “(I) at least 50 percent of the
2 ownership interests in which are held
3 by one or more qualified individuals,
4 and

5 “(II) of which a qualified indi-
6 vidual is the president or chief execu-
7 tive officer (or a substantially equiva-
8 lent position).

9 “(B) QUALIFIED INDIVIDUAL.—The term
10 ‘qualified individual’ means any individual
11 who—

12 “(i) is of Asian-Indian, Asian-Pacific,
13 Black, Hispanic or Native American origin
14 or descent, and

15 “(ii) is a United States citizen or legal
16 resident of the United States or any of its
17 territories or possessions.

18 “(4) AGGREGATION RULES.—

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

21 “(B) AFFILIATED GROUP.—The term
22 ‘qualified group’ means an affiliated group (as
23 defined in section 1504(a), determined without
24 regard to section 1504(b)(3)) one or more
25 members of which are engaged in the active

1 conduct of a trade or business within an eco-
2 nomically distressed zone.

3 “(C) RELATED PERSONS.—Persons shall
4 be treated as related to each other if such per-
5 sons would be treated as a single employer
6 under the regulations prescribed under section
7 52(b).

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

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

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

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

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

22 “(b) APPLICATION FOR DESIGNATION.—

23 “(1) IN GENERAL.—An application for designa-
24 tion as an economically distressed zone may be filed
25 by a State or local government in which the popu-

1 lation census tract to which the application applies
2 is located.

3 “(2) REQUIREMENTS.—Such application shall
4 include—

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

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

10 “(i) describes the coordinated eco-
11 nomic, human, community, and physical
12 development plan and related activities
13 proposed for the nominated area,

14 “(ii) describes the process by which
15 the affected community is a full partner in
16 the process of developing and imple-
17 menting the plan and the extent to which
18 local institutions and organizations have
19 contributed to the planning process,

20 “(iii) identifies the amount of State,
21 local, and private resources that will be
22 available in the nominated area and the
23 private/public partnerships to be used,
24 which may include participation by, and

1 cooperation with, universities, medical cen-
2 ters, and other private and public entities,

3 “(iv) identifies the funding requested
4 under any Federal program in support of
5 the proposed economic, human, commu-
6 nity, and physical development and related
7 activities,

8 “(v) identifies baselines, methods, and
9 benchmarks for measuring the success of
10 carrying out the strategic plan, including
11 the extent to which poor persons and fami-
12 lies will be empowered to become economi-
13 cally self-sufficient, and

14 “(vi) does not include any action to
15 assist any establishment in relocating from
16 one area outside the nominated area to the
17 nominated area, except that assistance for
18 the expansion of an existing business enti-
19 ty through the establishment of a new
20 branch, affiliate, or subsidiary is permitted
21 if—

22 “(I) the establishment of the new
23 branch, affiliate, or subsidiary will not
24 result in a decrease in employment in
25 the area of original location or in any

1 other area where the existing business
2 entity conducts business operations,

3 “(II) there is no reason to believe
4 that the new branch, affiliate, or sub-
5 sidiary is being established with the
6 intention of closing down the oper-
7 ations of the existing business entity
8 in the area of its original location or
9 in any other area where the existing
10 business entity conducts business op-
11 eration, and

12 “(III) includes such other infor-
13 mation as may be required by the Sec-
14 retary and the Secretary of Com-
15 merce.

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

22 “(d) TERRITORIES AND POSSESSIONS.—The term
23 ‘State’ includes territories and possessions of the United
24 States.”.

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

