SEC. 206. ECONOMICALLY DISTRESSED ZONES.

(a) IN GENERAL.—Chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subchapter:

“Subchapter AA—Economically Distressed Zones

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

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

“(A) the aggregate amount of the taxpayer’s economically distressed zone wages for such taxable year, plus
“(B) the allocable employee fringe benefit expenses of the taxpayer for such taxable year,

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

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

“(b) Denial of Double Benefit.—Any wages or other expenses taken into account in determining the cred-
it under this section may not be taken into account in de-
termining the credit under sections 41, and any other pro-
vision determined by the Secretary to be substantially similar.

“(c) Definitions and Special Rules.—For pur-
poses of this section—

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

“(i) in connection with the active conduct of a trade or business of the taxpayer within an economically distressed zone, and

“(ii) for wages of an employee for services provided, and the principal place of employment of whom is, in such economically distressed zone.

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

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

“(ii) TREATMENT OF PART-TIME EMPLOYEES, ETC.—If—

“(I) any employee is not employed by the taxpayer on a substan-
(II) the principal place of employment of any employee is not within an economically distressed zone at all times during the taxable year,

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

(C) TREATMENT OF CERTAIN EMPLOYEES.—The term ‘qualified economically distressed zone wages’ shall not include any wages paid to employees who are assigned by the employer to perform services for another person, unless the principal trade or business of the employer is to make employees available for temporary periods to other persons in return for compensation.

(2) ALLOCABLE EMPLOYEE FRINGE BENEFIT EXPENSES.—

(A) IN GENERAL.—The term ‘allocable employee fringe benefit expenses’ means the aggregate amount allowable as a deduction under
this chapter to the taxpayer for the taxable year for the following amounts which are allocable to employment in an economically distressed zone:

“(i) Employer contributions under a stock bonus, pension, profit-sharing, or annuity plan.

“(ii) Employer-provided coverage under any accident or health plan for employees.

“(iii) The cost of life or disability insurance provided to employees.

“(B) Allocation.—For purposes of subparagraph (A), an amount shall be treated as allocable to an economically distressed zone only if such amount is with respect to employment of an individual for services provided, and the principal place of employment of whom is, in such zone.

“(3) Minority business.—

“(A) In general.—The term ‘minority business’ means—

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

“(ii) a corporation or partnership—
“(I) at least 50 percent of the ownership interests in which are held by one or more qualified individuals, and

“(II) of which a qualified individual is the president or chief executive officer (or a substantially equivalent position).

“(B) Qualified Individual.—The term ‘qualified individual’ means any individual who—

“(i) is of Asian-Indian, Asian-Pacific, Black, Hispanic or native American origin or descent, and

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

“(4) Aggregation Rules.—

“(A) In General.—Members of an affiliated group shall be treated as a single taxpayer.

“(B) Affiliated Group.—The term ‘qualified group’ means an affiliated group (as defined in section 1504(a), determined without regard to section 1504(b)(3)) one or more members of which are engaged in the active
conduct of a trade or business within an economically distressed zone.

“(C) RELATED PERSONS.—Persons shall be treated as related to each other if such persons would be treated as a single employer under the regulations prescribed under section 52(b).

“SEC. 1400AA–2. DESIGNATION OF ECONOMICALLY DISTRESSED ZONES.

“(a) IN GENERAL.—For purposes of this subchapter, the term ‘economically distressed zone’ means any population census tract which—

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

“(2) has a poverty rate of not less than 35 percent, and

“(3) has been designated as such by the Secretary and the Secretary of Commerce pursuant to an application under subsection (b).

“(b) APPLICATION FOR DESIGNATION.—

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

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

“(A) a Fiscal Plan submitted pursuant to section 201 of the Puerto Rico Oversight, Management, and Economic Stability Act, or

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

“(i) describes the coordinated economic, human, community, and physical development plan and related activities proposed for the nominated area,

“(ii) describes the process by which the affected community is a full partner in the process of developing and implementing the plan and the extent to which local institutions and organizations have contributed to the planning process,

“(iii) identifies the amount of State, local, and private resources that will be available in the nominated area and the private/public partnerships to be used, which may include participation by, and
cooperation with, universities, medical centers, and other private and public entities,

“(iv) identifies the funding requested under any Federal program in support of the proposed economic, human, community, and physical development and related activities,

“(v) identifies baselines, methods, and benchmarks for measuring the success of carrying out the strategic plan, including the extent to which poor persons and families will be empowered to become economically self-sufficient, and

“(vi) does not include any action to assist any establishment in relocating from one area outside the nominated area to the nominated area, except that assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary is permitted if—

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

“(II) there is no reason to believe
that the new branch, affiliate, or sub-

sidiary is being established with the

intention of closing down the oper-

ations of the existing business entity

in the area of its original location or

in any other area where the existing

business entity conducts business op-

eration, and

“(III) includes such other infor-

mation as may be required by the Sec-

retary and the Secretary of Com-

merce.

“(c) PERIOD FOR WHICH DESIGNATIONS IN EF-

FECT.—Designation as an economically distressed zone

may be made at any time during the 10-year period begin-

ning on the date of the enactment of this section, and shall

remain in effect with respect to such zone during the 15-

year period beginning on the date of such designation.

“(d) TERRITORIES AND POSSESSIONS.—The term

‘State’ includes territories and possessions of the United

States.”.
(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.