

AMENDMENT

OFFERED BY MR. LARSON OF CONNECTICUT

At the end, add the following:

1 **TITLE VI—PROMISE ZONES**

2 **SEC. 6001. PROMISE ZONES.**

3 (a) IN GENERAL.—Subchapter Y of chapter 1 of the
4 Internal Revenue Code of 1986 is amended by adding at
5 the end the following new part:

6 **“PART IV—PROMISE ZONES**

“Sec. 1400V-1. Designation of Promise Zones.

“Sec. 1400V-2. Promise Zone employment credit.

“Sec. 1400V-3. Expensing of Promise Zone property.

7 **“SEC. 1400V-1. DESIGNATION OF PROMISE ZONES.**

8 “(a) IN GENERAL.—For purposes of this part, the
9 term ‘Promise Zone’ means any area—

10 “(1) which is nominated by 1 or more local gov-
11 ernments or Indian Tribes (as defined in section
12 4(13) of the Native American Housing Assistance
13 and Self-Determination Act of 1996 (25 U.S.C.
14 4103(13))) for designation as a Promise Zone (here-
15 after in this section referred to as a ‘nominated
16 area’),

17 “(2) which has a continuous boundary,

1 “(3) the population of which does not exceed
2 200,000, and

3 “(4) which the Secretary of Housing and Urban
4 Development and the Secretary of Agriculture, act-
5 ing jointly, designate as a Promise Zone, after con-
6 sultation with the Secretary of Commerce, the Sec-
7 retary of Education, the Attorney General, the Sec-
8 retary of Health and Human Services, the Secretary
9 of Labor, the Secretary of the Treasury, the Sec-
10 retary of Transportation, and other agencies as ap-
11 propriate.

12 “(b) NUMBER OF DESIGNATIONS.—

13 “(1) IN GENERAL.—Not more than 20 nomi-
14 nated areas may be designated as Promise Zones.

15 “(2) NUMBER OF DESIGNATIONS IN RURAL
16 AREAS.—Of the areas designated under paragraph
17 (1), 6 of such areas shall be areas—

18 “(A) which are outside of a metropolitan
19 statistical area (within the meaning of section
20 143(k)(2)(B)), or

21 “(B) which are determined by the Sec-
22 retary of Agriculture to be rural areas.

23 “(c) PERIOD OF DESIGNATIONS.—

24 “(1) IN GENERAL.—The Secretary of Housing
25 and Urban Development and the Secretary of Agri-

1 culture shall, acting jointly, designate 20 areas as
2 Promise Zones before January 1, 2018.

3 “(2) EFFECTIVE DATES OF DESIGNATIONS.—

4 The designation of any Promise Zone shall take ef-
5 fect—

6 “(A) for purposes of priority consideration
7 in Federal grant programs and initiatives
8 (other than this part), upon execution of the
9 Promise Zone agreement, and

10 “(B) for purposes of this part, on January
11 1 of the first calendar year beginning after the
12 date of the execution of the Promise Zone
13 agreement.

14 “(3) TERMINATION OF DESIGNATIONS.—The
15 designation of any Promise Zone shall end on the
16 earlier of—

17 “(A) the end of the 10-year period begin-
18 ning on the date that such designation takes ef-
19 fect, or

20 “(B) the date of the revocation of such
21 designation.

22 “(4) APPLICATION TO CERTAIN ZONES AL-
23 READY DESIGNATED.—In the case of any area des-
24 igned as a Promise Zone by the Secretary of
25 Housing and Urban Development and the Secretary

1 of Agriculture before the date of the enactment of
2 this section, such area shall be taken into account as
3 a Promise Zone designated under this section and
4 shall reduce the number of Promise Zones remaining
5 to be designated under paragraph (1).

6 “(d) LIMITATIONS ON DESIGNATIONS.—No area may
7 be designated under this section unless—

8 “(1) the entities nominating the area have the
9 authority to nominate the area of designation under
10 this section,

11 “(2) such entities provide written assurances
12 satisfactory to the Secretary of Housing and Urban
13 Development and the Secretary of Agriculture that
14 the competitiveness plan described in the application
15 under subsection (e) for such area will be imple-
16 mented and that such entities will provide the Sec-
17 retary of Housing and Urban Development and the
18 Secretary of Agriculture with such data regarding
19 the economic conditions of the area (before, during,
20 and after the area’s period of designation as a
21 Promise Zone) as such Secretary may require, and

22 “(3) the Secretary of Housing and Urban De-
23 velopment and the Secretary of Agriculture deter-
24 mine that any information furnished is reasonably
25 accurate.

1 “(e) APPLICATION.—No area may be designated
2 under this section unless the application for such designa-
3 tion—

4 “(1) demonstrates that the nominated area sat-
5 isfies the eligibility criteria described in subsection
6 (a), and

7 “(2) includes a competitiveness plan which—

8 “(A) addresses the need of the nominated
9 area to attract investment and jobs and im-
10 prove educational opportunities,

11 “(B) leverages the nominated area’s eco-
12 nomic strengths and outlines targeted invest-
13 ments to develop competitive advantages,

14 “(C) demonstrates collaboration across a
15 wide range of stakeholders,

16 “(D) outlines a strategy which connects
17 the nominated area to drivers of regional eco-
18 nomic growth, and

19 “(E) proposes a strategy for focusing on
20 increased access to high quality affordable
21 housing and improved public safety.

22 “(f) SELECTION CRITERIA.—From among the nomi-
23 nated areas eligible for designation under this section, the
24 Secretary of Housing and Urban Development and the

1 Secretary of Agriculture shall designate Promise Zones on
2 the basis of—

3 “(1) the effectiveness of the competitiveness
4 plan submitted under subsection (e) and the assur-
5 ances made under subsection (d),

6 “(2) unemployment rates, poverty rates, house-
7 hold income, home ownership, labor force participa-
8 tion, educational attainment, and such other factors
9 as the Secretary of Housing and Urban Develop-
10 ment and the Secretary of Agriculture may identify,
11 and

12 “(3) other criteria as determined by the Sec-
13 retary of Housing and Urban Development and the
14 Secretary of Agriculture.

15 The Secretary of Housing and Urban Development and
16 the Secretary of Agriculture may set minimal standards
17 for the levels of unemployment and poverty that must be
18 satisfied for designation as a Promise Zone.

19 **“SEC. 1400V-2. PROMISE ZONE EMPLOYMENT CREDIT.**

20 “(a) AMOUNT OF CREDIT.—For purposes of section
21 38, the amount of the Promise Zone employment credit
22 determined under this section with respect to any em-
23 ployer for any taxable year is the applicable percentage
24 of the qualified wages paid or incurred during the calendar
25 year which ends with or within such taxable year.

1 “(b) APPLICABLE PERCENTAGE.—For purposes of
2 this section, the term ‘applicable percentage’ means—

3 “(1) in the case of qualified wages described in
4 subsection (c)(1)(A), 20 percent, and

5 “(2) in the case of qualified wages described in
6 subsection (c)(1)(B), 10 percent.

7 “(c) QUALIFIED WAGES.—For purposes of this sec-
8 tion—

9 “(1) IN GENERAL.—The term ‘qualified wages’
10 means any wages paid or incurred by an employer
11 for services performed by an employee while such
12 employee is—

13 “(A) a qualified zone employee, or

14 “(B) a qualified resident employee.

15 “(2) ONLY FIRST \$15,000 OF WAGES PER YEAR
16 TAKEN INTO ACCOUNT.—With respect to each quali-
17 fied employee, the amount of qualified wages taken
18 into account for a calendar year shall not exceed
19 \$15,000.

20 “(3) COORDINATION WITH WORK OPPORTUNITY
21 CREDIT.—

22 “(A) IN GENERAL.—The term ‘qualified
23 wages’ shall not include wages taken into ac-
24 count in determining the credit under section
25 51.

1 “(B) COORDINATION WITH DOLLAR LIM-
2 TATION.—The \$15,000 amount in paragraph
3 (2) shall be reduced for any calendar year by
4 the amount of wages paid or incurred during
5 such year which are taken into account in de-
6 termining the credit under section 51.

7 “(4) WAGES.—The term ‘wages’ has the mean-
8 ing given such term by section 1397(a).

9 “(d) QUALIFIED EMPLOYEE.—For purposes of this
10 section—

11 “(1) QUALIFIED EMPLOYEE.—The term ‘quali-
12 fied employee’ means any employee who is a quali-
13 fied zone employee or a qualified resident employee.

14 “(2) QUALIFIED ZONE EMPLOYEE.—Except as
15 otherwise provided in this subsection, the term
16 ‘qualified zone employee’ means, with respect to any
17 period, any employee of an employer if—

18 “(A) substantially all of the services per-
19 formed during such period by such employee for
20 such employer are performed within a Promise
21 Zone in a trade or business of the employer,
22 and

23 “(B) the principal place of abode of such
24 employee while performing such services is
25 within a Promise Zone.

1 “(3) QUALIFIED RESIDENT EMPLOYEE.—Ex-
2 cept as otherwise provided in this subsection, the
3 term ‘qualified resident employee’ means, with re-
4 spect to any period, an employee of an employer if
5 the principal place of abode of such employee during
6 such period is within a Promise Zone, but substan-
7 tially all of the services performed during such pe-
8 riod by such employee for such employer are not
9 performed within a Promise Zone in a trade or busi-
10 ness of the employer.

11 “(4) CERTAIN INDIVIDUALS NOT ELIGIBLE.—
12 The terms ‘qualified zone employee’ and ‘qualified
13 resident employee’ shall not include any individual
14 described in paragraph (2) of section 1396(d)(2)
15 (determined after application of paragraph (3)
16 thereof).

17 “(e) SPECIAL RULES.—Rules similar to the rules of
18 section 1397 shall apply for purposes of this section.

19 “(f) TAXPAYER REPORTING.—No credit shall be de-
20 termined under this section with respect to any taxpayer
21 for any taxable year unless such taxpayer provides the
22 Secretary with such information as the Secretary may re-
23 quire to allow the Secretary to evaluate the effectiveness
24 of the program established under this part.

1 **“SEC. 1400V-3. EXPENSING OF PROMISE ZONE PROPERTY.**

2 “(a) IN GENERAL.—A taxpayer may elect to treat the
3 cost of any Promise Zone property as an expense which
4 is not chargeable to capital account. Any cost so treated
5 shall be allowed as a deduction for the taxable year in
6 which the Promise Zone property is placed in service.

7 “(b) PROMISE ZONE PROPERTY.—For purposes of
8 this section—

9 “(1) IN GENERAL.—Except as otherwise pro-
10 vided in this subsection, the term ‘Promise Zone
11 property’ means property—

12 “(A) which is—

13 “(i) tangible property (to which sec-
14 tion 168 applies) with an applicable recov-
15 ery period (within the meaning of section
16 168) of 20 years or less,

17 “(ii) water utility property described
18 in section 168(e)(5),

19 “(iii) computer software described in
20 section 179(d)(1)(A)(ii), or

21 “(iv) qualified leasehold improvement
22 property (as defined in section 168(e)),

23 “(B) which is acquired by purchase (as de-
24 fined in section 179(d)(2)) for use in the active
25 conduct of a trade or business, and

1 “(C) which is originally placed in service
2 by the taxpayer in a Promise Zone.

3 “(2) EXCEPTION FOR CERTAIN PROPERTY.—
4 Such term shall not include any property to which
5 section 168(g) applies.

6 “(c) ELECTION.—An election under this section shall
7 be made under rules similar to the rules of section 179(c).

8 “(d) COORDINATION WITH SECTION 179.—For pur-
9 poses of section 179, Promise Zone property shall not be
10 treated as section 179 property.

11 “(e) APPLICATION OF OTHER RULES.—Rules similar
12 to the rules of paragraphs (3), (4), (5), (7), (9), and (10)
13 of section 179(d) shall apply for purposes of this section.

14 “(f) TAXPAYER REPORTING.—This section shall not
15 apply with respect to any taxpayer for any taxable year
16 unless such taxpayer provides the Secretary with such in-
17 formation as the Secretary may require to allow the Sec-
18 retary to evaluate the effectiveness of the program estab-
19 lished under this part.”.

20 (b) CONFORMING AMENDMENTS.—

21 (1) Section 38(b) of such Code is amended by
22 striking “plus” at the end of paragraph (35), by
23 striking the period at the end of paragraph (36) and
24 inserting “, plus”, and by adding at the end the fol-
25 lowing new paragraph:

1 “(37) the Promise Zone employment credit de-
2 termined under section 1400V-2.”.

3 (2) The table of parts for subchapter Y of chap-
4 ter 1 of such Code is amended by adding at the end
5 the following new item:

 “PART IV—PROMISE ZONES”.

6 (c) EFFECTIVE DATE.—

7 (1) IN GENERAL.—Except as otherwise pro-
8 vided in this subsection, the amendments made by
9 this section shall take effect on the date of the en-
10 actment of this Act.

11 (2) PROMISE ZONE EMPLOYMENT CREDIT.—
12 Section 1400V-2 of the Internal Revenue Code of
13 1986, as added by this section, shall apply to wages
14 paid after the date of the enactment of this Act, in
15 taxable years ending after such date.

16 (3) EXPENSING OF PROMISE ZONE PROP-
17 ERTY.—Section 1400V-3 of such Code, as so added,
18 shall apply to property placed in service after the
19 date of the enactment of this Act, in taxable years
20 ending after such date.

21 **SEC. 6002. CORPORATE RATE INCREASE TO ACHIEVE REV-**
22 **ENUE NEUTRALITY.**

23 (a) IN GENERAL.—The rate of tax specified in sec-
24 tion 11(b)(1) of the Internal Revenue Code of 1986 (after
25 the amendment made by section 3001(a)) shall be in-

1 creased by such number of percentage points as is nec-
2 essary to fully offset the reduction in Federal revenues
3 which result from the amendments by section 6001.

4 (b) EFFECTIVE DATE.—Subsection (a) shall apply as
5 if such provision were an amendment made by section
6 3001(a).

