AMENDMENT

OFFERED BY MR. LARSON OF CONNECTICUT

At the end, add the following:

TITLE VI—PROMISE ZONES

SEC. 6001. PROMISE ZONES.

(a) In General.—Subchapter Y of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new part:

“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.

“SEC. 1400V–1. DESIGNATION OF PROMISE ZONES.

“(a) In General.—For purposes of this part, the term ‘Promise Zone’ means any area—

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

“(2) which has a continuous boundary,
“(3) the population of which does not exceed 200,000, and

“(4) which the Secretary of Housing and Urban Development and the Secretary of Agriculture, acting jointly, designate as a Promise Zone, after consultation with the Secretary of Commerce, the Secretary of Education, the Attorney General, the Secretary of Health and Human Services, the Secretary of Labor, the Secretary of the Treasury, the Secretary of Transportation, and other agencies as appropriate.

“(b) NUMBER OF DESIGNATIONS.—

“(1) IN GENERAL.—Not more than 20 nominated areas may be designated as Promise Zones.

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

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

“(B) which are determined by the Secretary of Agriculture to be rural areas.

“(c) PERIOD OF DESIGNATIONS.—

“(1) IN GENERAL.—The Secretary of Housing and Urban Development and the Secretary of Agri-
culture shall, acting jointly, designate 20 areas as Promise Zones before January 1, 2018.

“(2) Effective dates of designations.— The designation of any Promise Zone shall take effect—

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

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

“(3) Termination of designations.—The designation of any Promise Zone shall end on the earlier of—

“(A) the end of the 10-year period beginning on the date that such designation takes effect, or

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

“(4) Application to certain zones already designated.—In the case of any area designated as a Promise Zone by the Secretary of Housing and Urban Development and the Secretary
of Agriculture before the date of the enactment of this section, such area shall be taken into account as a Promise Zone designated under this section and shall reduce the number of Promise Zones remaining to be designated under paragraph (1).

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

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

“(2) such entities provide written assurances satisfactory to the Secretary of Housing and Urban Development and the Secretary of Agriculture that the competitiveness plan described in the application under subsection (e) for such area will be implemented and that such entities will provide the Secretary of Housing and Urban Development and the Secretary of Agriculture with such data regarding the economic conditions of the area (before, during, and after the area’s period of designation as a Promise Zone) as such Secretary may require, and

“(3) the Secretary of Housing and Urban Development and the Secretary of Agriculture determine that any information furnished is reasonably accurate.
“(e) APPLICATION.—No area may be designated under this section unless the application for such designation—

“(1) demonstrates that the nominated area satisfies the eligibility criteria described in subsection (a), and

“(2) includes a competitiveness plan which—

“(A) addresses the need of the nominated area to attract investment and jobs and improve educational opportunities,

“(B) leverages the nominated area’s economic strengths and outlines targeted investments to develop competitive advantages,

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

“(D) outlines a strategy which connects the nominated area to drivers of regional economic growth, and

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

“(f) SELECTION CRITERIA.—From among the nominated areas eligible for designation under this section, the Secretary of Housing and Urban Development and the
Secretary of Agriculture shall designate Promise Zones on the basis of—

“(1) the effectiveness of the competitiveness plan submitted under subsection (e) and the assurances made under subsection (d),

“(2) unemployment rates, poverty rates, household income, home ownership, labor force participation, educational attainment, and such other factors as the Secretary of Housing and Urban Development and the Secretary of Agriculture may identify, and

“(3) other criteria as determined by the Secretary of Housing and Urban Development and the Secretary of Agriculture.

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

“SEC. 1400V–2. PROMISE ZONE EMPLOYMENT CREDIT.

“(a) AMOUNT OF CREDIT.—For purposes of section 38, the amount of the Promise Zone employment credit determined under this section with respect to any employer for any taxable year is the applicable percentage of the qualified wages paid or incurred during the calendar year which ends with or within such taxable year.
“(b) APPLICABLE PERCENTAGE.—For purposes of this section, the term ‘applicable percentage’ means—

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

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

“(c) QUALIFIED WAGES.—For purposes of this section—

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

“(A) a qualified zone employee, or

“(B) a qualified resident employee.

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

“(3) COORDINATION WITH WORK OPPORTUNITY CREDIT.—

“(A) IN GENERAL.—The term ‘qualified wages’ shall not include wages taken into account in determining the credit under section 51.
“(B) COORDINATION WITH DOLLAR LIMITATION.—The $15,000 amount in paragraph (2) shall be reduced for any calendar year by the amount of wages paid or incurred during such year which are taken into account in determining the credit under section 51.

“(4) WAGES.—The term ‘wages’ has the meaning given such term by section 1397(a).

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

“(1) QUALIFIED EMPLOYEE.—The term ‘qualified employee’ means any employee who is a qualified zone employee or a qualified resident employee.

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

“(A) substantially all of the services performed during such period by such employee for such employer are performed within a Promise Zone in a trade or business of the employer, and

“(B) the principal place of abode of such employee while performing such services is within a Promise Zone.
“(3) QUALIFIED RESIDENT EMPLOYEE.—Except as otherwise provided in this subsection, the term ‘qualified resident employee’ means, with respect to any period, an employee of an employer if the principal place of abode of such employee during such period is within a Promise Zone, but substantially all of the services performed during such period by such employee for such employer are not performed within a Promise Zone in a trade or business of the employer.

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

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

“(f) TAXPAYER REPORTING.—No credit shall be determined under this section with respect to any taxpayer for any taxable year unless such taxpayer provides the Secretary with such information as the Secretary may require to allow the Secretary to evaluate the effectiveness of the program established under this part.
"SEC. 1400V–3. EXPENSING OF PROMISE ZONE PROPERTY.

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

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

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the term ‘Promise Zone property’ means property—

“(A) which is—

“(i) tangible property (to which section 168 applies) with an applicable recovery period (within the meaning of section 168) of 20 years or less,

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

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

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

“(B) which is acquired by purchase (as defined in section 179(d)(2)) for use in the active conduct of a trade or business, and
“(C) which is originally placed in service by the taxpayer in a Promise Zone.

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

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

“(d) COORDINATION WITH SECTION 179.—For purposes of section 179, Promise Zone property shall not be treated as section 179 property.

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

“(f) TAXPAYER REPORTING.—This section shall not apply with respect to any taxpayer for any taxable year unless such taxpayer provides the Secretary with such information as the Secretary may require to allow the Secretary to evaluate the effectiveness of the program established under this part.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) of such Code is amended by striking “plus” at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting “, plus”, and by adding at the end the following new paragraph:
“(37) the Promise Zone employment credit determined under section 1400V–2.”.

(2) The table of parts for subchapter Y of chapter 1 of such Code is amended by adding at the end the following new item:

“PART IV—Promise Zones”.

(e) Effective Date.—

(1) In General.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) Promise Zone Employment Credit.—

Section 1400V-2 of the Internal Revenue Code of 1986, as added by this section, shall apply to wages paid after the date of the enactment of this Act, in taxable years ending after such date.

(3) Expensing of Promise Zone Property.—Section 1400V-3 of such Code, as so added, shall apply to property placed in service after the date of the enactment of this Act, in taxable years ending after such date.

SEC. 6002. CORPORATE RATE INCREASE TO ACHIEVE REVENUE NEUTRALITY.

(a) In General.—The rate of tax specified in section 11(b)(1) of the Internal Revenue Code of 1986 (after the amendment made by section 3001(a)) shall be in—
increased by such number of percentage points as is necessary to fully offset the reduction in Federal revenues which result from the amendments by section 6001.

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