

116TH CONGRESS
1ST SESSION

H. R. 2238

To amend the Internal Revenue Code of 1986 to extend certain tax benefits related to empowerment zones.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2019

Mr. ESPAILLAT (for himself and Mr. ROGERS of Kentucky) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to extend certain tax benefits related to empowerment 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. EXTENSION OF EMPOWERMENT ZONES.**

4 (a) IN GENERAL.—Section 1391(d)(1)(A)(i) of the
5 Internal Revenue Code of 1986 is amended by striking
6 “December 31, 2017” and inserting “December 31,
7 2029”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall take effect on January 1, 2018.

1 (c) TREATMENT OF CERTAIN TERMINATION DATES
2 SPECIFIED IN NOMINATIONS.—In the case of a designa-
3 tion of an empowerment zone the nomination for which
4 included a termination date which is contemporaneous
5 with the date specified in subparagraph (A)(i) of section
6 1391(d)(1) of the Internal Revenue Code of 1986 (as in
7 effect before the enactment of this Act), subparagraph (B)
8 of such section shall not apply with respect to such des-
9 ignation if, after the date of the enactment of this section,
10 the entity which made such nomination amends the nomi-
11 nation to provide for a new termination date in such man-
12 ner as the Secretary of the Treasury (or the Secretary’s
13 designee) may provide.

14 **SEC. 2. REINSTATEMENT OF QUALIFIED ZONE ACADEMY**
15 **BONDS.**

16 (a) IN GENERAL.—Part IV of subchapter A of chap-
17 ter 1 of the Internal Revenue Code of 1986 is amended
18 by adding at the end the following new subpart:

19 **“Subpart H—Credit to Holders of Qualified Zone**
20 **Academy Bonds**

“Sec. 54. Credit to holders.

“Sec. 54A. Qualified zone academy bonds.

21 **“SEC. 54. CREDIT TO HOLDERS.**

22 “(a) ALLOWANCE OF CREDIT.—If a taxpayer holds
23 a qualified zone academy bond on one or more credit al-
24 lowance dates of the bond during any taxable year, there

1 shall be allowed as a credit against the tax imposed by
2 this chapter for the taxable year an amount equal to the
3 sum of the credits determined under subsection (b) with
4 respect to such dates.

5 “(b) AMOUNT OF CREDIT.—

6 “(1) IN GENERAL.—The amount of the credit
7 determined under this subsection with respect to any
8 credit allowance date for a qualified zone academy
9 bond is 25 percent of the annual credit determined
10 with respect to such bond.

11 “(2) ANNUAL CREDIT.—The annual credit de-
12 termined with respect to any qualified zone academy
13 bond is the product of—

14 “(A) the applicable credit rate, multiplied
15 by

16 “(B) the outstanding face amount of the
17 bond.

18 “(3) APPLICABLE CREDIT RATE.—For purposes
19 of paragraph (2), the applicable credit rate is the
20 rate which the Secretary estimates will permit the
21 issuance of qualified zone academy bonds with a
22 specified maturity or redemption date without dis-
23 count and without interest cost to the qualified
24 issuer. The applicable credit rate with respect to any
25 qualified zone academy bond shall be determined as

1 of the first day on which there is a binding, written
2 contract for the sale or exchange of the bond.

3 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
4 DEMPTION.—In the case of a bond which is issued
5 during the 3-month period ending on a credit allow-
6 ance date, the amount of the credit determined
7 under this subsection with respect to such credit al-
8 lowance date shall be a ratable portion of the credit
9 otherwise determined based on the portion of the 3-
10 month period during which the bond is outstanding.
11 A similar rule shall apply when the bond is redeemed
12 or matures.

13 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

14 “(1) IN GENERAL.—The credit allowed under
15 subsection (a) for any taxable year shall not exceed
16 the excess of—

17 “(A) the sum of the regular tax liability
18 (as defined in section 26(b)) plus the tax im-
19 posed by section 55, over

20 “(B) the sum of the credits allowable
21 under this part (other than subparts C and J
22 and this subpart).

23 “(2) CARRYOVER OF UNUSED CREDIT.—If the
24 credit allowable under subsection (a) exceeds the
25 limitation imposed by paragraph (1) for such taxable

1 year, such excess shall be carried to the succeeding
2 taxable year and added to the credit allowable under
3 subsection (a) for such taxable year (determined be-
4 fore the application of paragraph (1) for such suc-
5 ceeding taxable year).

6 “(d) DEFINITIONS.—For purposes of this sub-
7 chapter—

8 “(1) CREDIT ALLOWANCE DATE.—The term
9 ‘credit allowance date’ means—

10 “(A) March 15,

11 “(B) June 15,

12 “(C) September 15, and

13 “(D) December 15.

14 Such term includes the last day on which the bond
15 is outstanding.

16 “(2) BOND.—The term ‘bond’ includes any ob-
17 ligation.

18 “(3) STATE.—The term ‘State’ includes the
19 District of Columbia and any possession of the
20 United States.

21 “(4) AVAILABLE PROJECT PROCEEDS.—The
22 term ‘available project proceeds’ means—

23 “(A) the excess of—

24 “(i) the proceeds from the sale of an
25 issue, over

1 “(ii) the issuance costs financed by
2 the issue (to the extent that such costs do
3 not exceed 2 percent of such proceeds),
4 and

5 “(B) the proceeds from any investment of
6 the excess described in subparagraph (A).

7 “(e) CREDIT TREATED AS INTEREST.—For purposes
8 of this subtitle, the credit determined under subsection (a)
9 shall be treated as interest which is includible in gross in-
10 come.

11 “(f) S CORPORATIONS AND PARTNERSHIPS.—In the
12 case of a qualified zone academy bond held by an S cor-
13 poration or partnership, the allocation of the credit al-
14 lowed by this section to the shareholders of such corpora-
15 tion or partners of such partnership shall be treated as
16 a distribution.

17 “(g) BONDS HELD BY REAL ESTATE INVESTMENT
18 TRUSTS.—If any qualified zone academy bond is held by
19 a real estate investment trust, the credit determined under
20 subsection (a) shall be allowed to beneficiaries of such
21 trust (and any gross income included under subsection (e)
22 with respect to such credit shall be distributed to such
23 beneficiaries) under procedures prescribed by the Sec-
24 retary.

1 “(h) CREDITS MAY BE STRIPPED.—Under regula-
2 tions prescribed by the Secretary—

3 “(1) IN GENERAL.—There may be a separation
4 (including at issuance) of the ownership of a quali-
5 fied zone academy bond and the entitlement to the
6 credit under this section with respect to such bond.
7 In case of any such separation, the credit under this
8 section shall be allowed to the person who on the
9 credit allowance date holds the instrument evidenc-
10 ing the entitlement to the credit and not to the hold-
11 er of the bond.

12 “(2) CERTAIN RULES TO APPLY.—In the case
13 of a separation described in paragraph (1), the rules
14 of section 1286 shall apply to the qualified zone
15 academy bond as if it were a stripped bond and to
16 the credit under this section as if it were a stripped
17 coupon.

18 **“SEC. 54A. QUALIFIED ZONE ACADEMY BONDS.**

19 “(a) IN GENERAL.—For purposes of this subchapter,
20 the term ‘qualified zone academy bond’ means any bond
21 issued as part of an issue if—

22 “(1) 100 percent of the available project pro-
23 ceeds of such issue are to be used for a qualified
24 purpose with respect to a qualified zone academy es-
25 tablished by an eligible local education agency,

1 “(2) the bond is issued by a State or local gov-
2 ernment within the jurisdiction of which such acad-
3 emy is located, and

4 “(3) the issuer—

5 “(A) designates such bond for purposes of
6 this section,

7 “(B) certifies that it has written assur-
8 ances that the private business contribution re-
9 quirement of subsection (b) will be met with re-
10 spect to such academy, and

11 “(C) certifies that it has the written ap-
12 proval of the eligible local education agency for
13 such bond issuance.

14 “(b) PRIVATE BUSINESS CONTRIBUTION REQUIRE-
15 MENT.—For purposes of subsection (a), the private busi-
16 ness contribution requirement of this subsection is met
17 with respect to any issue if the eligible local education
18 agency that established the qualified zone academy has
19 written commitments from private entities to make quali-
20 fied contributions having a present value (as of the date
21 of issuance of the issue) of not less than 10 percent of
22 the proceeds of the issue.

23 “(c) LIMITATION ON AMOUNT OF BONDS DES-
24 IGNATED.—

1 “(1) NATIONAL LIMITATION.—There is a na-
2 tional zone academy bond limitation for each cal-
3 endar year. Such limitation is \$400,000,000 for each
4 of calendar years 2020 through 2029 and, except as
5 provided in paragraph (4), zero thereafter.

6 “(2) ALLOCATION OF LIMITATION.—The na-
7 tional zone academy bond limitation for a calendar
8 year shall be allocated by the Secretary among the
9 States on the basis of their respective populations of
10 individuals below the poverty line (as defined by the
11 Office of Management and Budget). The limitation
12 amount allocated to a State under the preceding
13 sentence shall be allocated by the State education
14 agency to qualified zone academies within such
15 State.

16 “(3) DESIGNATION SUBJECT TO LIMITATION
17 AMOUNT.—The maximum aggregate face amount of
18 bonds issued during any calendar year which may be
19 designated under subsection (a) with respect to any
20 qualified zone academy shall not exceed the limita-
21 tion amount allocated to such academy under para-
22 graph (2) for such calendar year.

23 “(4) CARRYOVER OF UNUSED LIMITATION.—

24 “(A) IN GENERAL.—If for any calendar
25 year—

1 “(i) the limitation amount for any
2 State, exceeds

3 “(ii) the amount of bonds issued dur-
4 ing such year which are designated under
5 subsection (a) with respect to qualified
6 zone academies within such State,

7 the limitation amount for such State for the fol-
8 lowing calendar year shall be increased by the
9 amount of such excess.

10 “(B) LIMITATION ON CARRYOVER.—Any
11 carryforward of a limitation amount may be
12 carried only to the first 2 years following the
13 unused limitation year. For purposes of the pre-
14 ceding sentence, a limitation amount shall be
15 treated as used on a first-in first-out basis.

16 “(d) DEFINITIONS.—For purposes of this section—

17 “(1) QUALIFIED ZONE ACADEMY.—The term
18 ‘qualified zone academy’ means any public school (or
19 academic program within a public school) which is
20 established by and operated under the supervision of
21 an eligible local education agency to provide edu-
22 cation or training below the postsecondary level if—

23 “(A) such public school or program (as the
24 case may be) is designed in cooperation with
25 business to enhance the academic curriculum,

1 increase graduation and employment rates, and
2 better prepare students for the rigors of college
3 and the increasingly complex workforce,

4 “(B) students in such public school or pro-
5 gram (as the case may be) will be subject to the
6 same academic standards and assessments as
7 other students educated by the eligible local
8 education agency,

9 “(C) the comprehensive education plan of
10 such public school or program is approved by
11 the eligible local education agency, and

12 “(D)(i) such public school is located in an
13 empowerment zone or enterprise community
14 (including any such zone or community des-
15 ignated after the date of the enactment of this
16 section), or

17 “(ii) there is a reasonable expectation
18 (as of the date of issuance of the bonds)
19 that at least 35 percent of the students at-
20 tending such school or participating in
21 such program (as the case may be) will be
22 eligible for free or reduced-cost lunches
23 under the school lunch program established
24 under the National School Lunch Act.

1 “(2) ELIGIBLE LOCAL EDUCATION AGENCY.—
2 For purposes of this section, the term ‘eligible local
3 education agency’ means any local educational agen-
4 cy as defined in section 8101 of the Elementary and
5 Secondary Education Act of 1965.

6 “(3) QUALIFIED PURPOSE.—The term ‘quali-
7 fied purpose’ means, with respect to any qualified
8 zone academy—

9 “(A) rehabilitating or repairing the public
10 school facility in which the academy is estab-
11 lished,

12 “(B) providing equipment for use at such
13 academy,

14 “(C) developing course materials for edu-
15 cation to be provided at such academy, and

16 “(D) training teachers and other school
17 personnel in such academy.

18 “(4) QUALIFIED CONTRIBUTIONS.—The term
19 ‘qualified contribution’ means any contribution (of a
20 type and quality acceptable to the eligible local edu-
21 cation agency) of—

22 “(A) equipment for use in the qualified
23 zone academy (including state-of-the-art tech-
24 nology and vocational equipment),

1 “(B) technical assistance in developing
2 curriculum or in training teachers in order to
3 promote appropriate market driven technology
4 in the classroom,

5 “(C) services of employees as volunteer
6 mentors,

7 “(D) internships, field trips, or other edu-
8 cational opportunities outside the academy for
9 students, or

10 “(E) any other property or service speci-
11 fied by the eligible local education agency.”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Section 6401(b)(1) of such Code is amend-
14 ed by striking “and G” and inserting “G, and H”.

15 (2) The table of subparts for part IV of sub-
16 chapter A of chapter 1 of such Code is amended by
17 at the end the following new item:

“SUBPART H—CREDIT TO HOLDERS OF QUALIFIED ZONE ACADEMY BONDS”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years ending after De-
20 cember 31, 2019.

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