

114TH CONGRESS
1ST SESSION

H. R. 3622

To amend the Internal Revenue Code of 1986 to provide incentives for the expansion of manufacturing in the United States.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 28, 2015

Mr. MCKINLEY (for himself and Mr. RUSH) 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 provide incentives for the expansion of manufacturing in the United States.

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. SHORT TITLE.**

4 This Act may be cited as the “Manufacturing Eco-
5 nomic Recovery Act of 2015”.

6 **SEC. 2. CREDIT FOR ACQUISITION OF MANUFACTURING**
7 **PROPERTY.**

8 (a) IN GENERAL.—Subpart E of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of
10 1986 (relating to rules for computing credit for investment

1 in certain depreciable property) is amended by inserting
2 after section 48D the following new section:

3 **“SEC. 48E. ACQUISITION OF MANUFACTURING PROPERTY.**

4 “(a) IN GENERAL.—For purposes of section 46, the
5 manufacturing recovery credit for any taxable year is an
6 amount equal to—

7 “(1) the applicable percentage of the taxpayer’s
8 basis in manufacturing real property placed in serv-
9 ice by the taxpayer during the taxable year, and

10 “(2) the applicable percentage of the taxpayer’s
11 basis in manufacturing tangible personal property
12 placed in service by the taxpayer during the taxable
13 year.

14 “(b) APPLICABLE PERCENTAGES.—For purposes of
15 this section—

16 “(1) REAL PROPERTY.—In the case of manu-
17 facturing real property, the applicable percentage
18 is—

19 “(A) 10 percent in the case of property lo-
20 cated on existing manufacturing property,

21 “(B) 15 percent in the case property of lo-
22 cated on former manufacturing property, and

23 “(C) 20 percent in the case of property lo-
24 cated on future manufacturing property.

1 “(2) TANGIBLE PERSONAL PROPERTY.—In the
 2 case of manufacturing tangible personal property,
 3 the applicable percentage shall be determined in ac-
 4 cordance with the following table:

“If the aggregate manufacturing tangible personal property placed in service during the taxable year is:	To the extent located on existing manufacturing property, the applicable percentage is:	To the extent located on former manufacturing property, the applicable percentage is:	To the extent located on future manufacturing property, the applicable percentage is:
Not over \$250,000	5 percent	10 percent	15 percent
Over \$250,000 but not over \$1,000,000	7.5 percent	12.5 percent	17.5 percent
Over \$1,000,000	10 percent	15 percent	20 percent.

5 “(3) INCREASED CREDIT FOR PROPERTY LO-
 6 CATED IN ECONOMICALLY DISADVANTAGED
 7 AREAS.—

8 “(A) IN GENERAL.—If the manufacturing
 9 property is located in an economically disadvan-
 10 taged area, each of the percentages under para-
 11 graphs (1) and (2) shall be increased by 5 per-
 12 centage points.

13 “(B) EXTREMELY ECONOMICALLY DIS-
 14 ADVANTAGED AREAS.—If the manufacturing
 15 property is located in an extremely economically
 16 disadvantaged area, each of the percentages
 17 under paragraphs (1) and (2) shall, in lieu of
 18 an increase under subparagraph (A), be in-
 19 creased by 10 percentage points.

1 “(C) ECONOMICALLY DISADVANTAGED
2 AREAS.—For purposes of this paragraph—

3 “(i) IN GENERAL.—The term ‘eco-
4 nomically disadvantaged area’ means any
5 area—

6 “(I) for which there is a single 5-
7 digit postal zip code, and

8 “(II) which includes any portion
9 of a census tract in which the median
10 annual household income is less than
11 \$40,000 per year.

12 “(ii) EXTREMELY ECONOMICALLY DIS-
13 ADVANTAGED AREAS.—The term ‘ex-
14 tremely economically disadvantaged area’
15 means any area which would be described
16 in clause (i) if ‘\$32,000’ were substituted
17 for ‘\$40,000’ in subclause (II) thereof.

18 “(iii) HOUSEHOLD INCOME.—Median
19 annual household income shall be deter-
20 mined using the 2010 census, as updated
21 by the American Community Survey of the
22 Bureau of the Census.

23 “(iv) AREAS NOT WITHIN CENSUS
24 TRACTS.—In the case of an area which is
25 not tracted for population census tracts,

1 the equivalent county divisions (as defined
2 by the Bureau of the Census for purposes
3 of defining poverty areas) shall be used for
4 purposes of determining median annual
5 household income.

6 “(c) MANUFACTURING PROPERTY.—For purposes of
7 this section—

8 “(1) MANUFACTURING PROPERTY.—

9 “(A) IN GENERAL.—The term ‘manufac-
10 turing property’ means tangible property used
11 in the United States in the trade or business of
12 manufacturing tangible personal property.

13 “(B) MANUFACTURING OF RESIDENTIAL
14 REAL PROPERTY NOT INCLUDED.—Such term
15 does not include property used to manufacture
16 residential real property, including such prop-
17 erty used on a transient basis.

18 “(2) EXISTING MANUFACTURING PROPERTY.—

19 The term ‘existing manufacturing property’ means
20 any property which was a manufacturing facility, or
21 a part of a manufacturing facility, at any time dur-
22 ing the period beginning 5 years before the date of
23 the enactment of this section and ending on the day
24 before its purchase by the taxpayer.

1 “(3) FORMER MANUFACTURING PROPERTY.—

2 The term ‘former manufacturing property’ means
3 any property (other than an existing manufacturing
4 property) which was a manufacturing facility, or a
5 part of a manufacturing facility, at any time before
6 the period described in paragraph (2).

7 “(4) FUTURE MANUFACTURING PROPERTY.—

8 The term ‘future manufacturing property’ means
9 any existing or former manufacturing property on
10 which there are no permanent vertical structures.

11 “(5) MANUFACTURING REAL PROPERTY.—The

12 term ‘manufacturing real property’ means manufac-
13 turing property which is land or section 1250 prop-
14 erty (as defined in section 1250(c)).

15 “(6) MANUFACTURING TANGIBLE PERSONAL

16 PROPERTY.—The term ‘manufacturing tangible per-
17 sonal property’ means manufacturing property which
18 is tangible property other than manufacturing real
19 property.

20 “(d) CREDIT NOT ALLOWABLE FOR CERTAIN RELO-

21 CATIONS OF MANUFACTURING FACILITIES.—This section
22 shall not apply to property acquired as part of a relocation
23 of a manufacturing facility unless the new location—

24 “(1) is in a different State than the prior loca-

25 tion, or

1 “(2) is more than 100 miles from the prior lo-
2 cation.

3 “(e) SPECIAL RULES.—

4 “(1) CREDIT NOT ALLOWABLE IF REMEDIATION
5 DEDUCTION CLAIMED.—This section shall not apply
6 to any property located on a site with respect to
7 which the taxpayer (or a related party) is allowed a
8 deduction under section 198 (relating to expensing
9 of environmental remediation costs).

10 “(2) BASIS ADJUSTMENT.—For purposes of
11 this subtitle, if a credit is allowed under this section
12 for an expenditure related to property, the basis of
13 such property shall be reduced by the amount of
14 such credit.

15 “(3) CONTROLLED GROUPS.—For purposes of
16 this section, all persons treated as a single employer
17 under subsection (a) or (b) of section 52 or sub-
18 section (m) or (o) of section 414 shall be treated as
19 a single taxpayer.”.

20 (b) INCLUSION AS PART OF INVESTMENT CREDIT.—
21 Section 46 of such Code is amended by striking “and”
22 at the end of paragraph (5), by striking the period at the
23 end of paragraph (6) and inserting “, and”, and by adding
24 at the end the following new paragraph:

25 “(7) the manufacturing recovery credit.”.

1 (c) CONFORMING AMENDMENTS.—

2 (1) Section 49(a)(1)(C) of such Code is amend-
3 ed—

4 (A) by striking “and” at the end of clause
5 (v),

6 (B) by striking the period at the end of
7 clause (vi) and inserting “, and”, and

8 (C) by adding at the end the following new
9 clause:

10 “(vii) the basis of any property which
11 is manufacturing property under section
12 48E.”.

13 (2) The table of sections for subpart E of part
14 IV of subchapter A of chapter 1 of such Code is
15 amended by inserting after the item relating to sec-
16 tion 48D the following new item:

“Sec. 48E. Acquisition of manufacturing property.”.

17 (d) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to property placed in service after
19 the date of the enactment of this Act in taxable years end-
20 ing after such date.

21 **SEC. 3. INCENTIVES FOR HIRING MANUFACTURING RECOV-**
22 **ERY EMPLOYEES.**

23 (a) IN GENERAL.—Paragraph (1) of section 51(d) of
24 the Internal Revenue Code of 1986 is amended by striking
25 “or” at the end of subparagraph (H), by striking the pe-

1 riod at the end of subparagraph (I) and inserting “, or”,
2 and by adding at the end the following new subparagraph:

3 “(J) a manufacturing recovery employee.”.

4 (b) MANUFACTURING RECOVERY EMPLOYEE.—Sub-
5 section (d) of section 51 of such Code is amended by re-
6 designating paragraphs (11) through (14) as paragraphs
7 (12) through (15), respectively, and by inserting after
8 paragraph (10) the following new paragraph:

9 “(11) MANUFACTURING RECOVERY EM-
10 PLOYEE.—

11 “(A) IN GENERAL.—The term ‘manufac-
12 turing recovery employee’ means any individual
13 who is certified by the designated local agency
14 as having a hiring date which is after the date
15 of the enactment of the Manufacturing Eco-
16 nomic Recovery Act of 2015 and before the
17 close of the 3-year period beginning on the date
18 that the employer first operated the manufac-
19 turing facility at which the individual is em-
20 ployed.

21 “(B) INCREASED CREDIT FOR HIRING UN-
22 EMPLOYED.—In the case of a manufacturing
23 recovery employee who is certified by the des-
24 ignated local agency as having received unem-
25 ployment compensation under State or Federal

1 law for not less than 4 weeks during the 3-year
2 period ending on the hiring date, subsection (a)
3 shall be applied by substituting ‘50 percent’ for
4 ‘40 percent’.

5 “(C) NO CREDIT FOR LESS THAN FULL-
6 TIME EMPLOYMENT.—An individual shall not be
7 treated as a manufacturing recovery employee
8 for any week during which—

9 “(i) the individual is employed by the
10 employer for less than 35 hours at a man-
11 ufacturing facility of the employer, or

12 “(ii) the individual performs less than
13 90 percent of individual’s services for the
14 employer at the manufacturing facility.

15 “(D) MANUFACTURING FACILITY MUST BE
16 IN UNITED STATES.—No credit shall be allow-
17 able by reason of this paragraph unless the
18 manufacturing facility is located in the United
19 States.”.

20 (e) PERMANENT CREDIT FOR MANUFACTURING RE-
21 COVERY EMPLOYEES.—Paragraph (4) of section 51(e) of
22 such Code (relating to termination) is amended by adding
23 at the end the following:

24 “The preceding sentence shall not apply to any man-
25 ufacturing recovery employee.”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to individuals who first begin work
3 for the employer after the date of the enactment of this
4 Act.

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