

111TH CONGRESS  
1ST SESSION

# H. R. 3500

To amend the Internal Revenue Code of 1986 to extend and modify the benefits available in empowerment zones and other tax-incentive areas.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 31, 2009

Mr. MAFFEI introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to extend and modify the benefits available in empowerment zones and other tax-incentive areas.

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 (a) SHORT TITLE.—This Act may be cited as the  
5 “Small and Medium Urban Regions Growth and Em-  
6 powerment Act of 2009” or the “SURGE Act of 2009”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-  
8 wise expressly provided, whenever in this Act an amend-  
9 ment or repeal is expressed in terms of an amendment  
10 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. FINDINGS.**

4 The Congress hereby finds the following:

5 (1) Businesses in Empowerment Zones with  
6 less population density are disadvantaged from  
7 reaching the 35 percent employment rule, making  
8 them significantly less likely to be eligible for tax-ex-  
9 empt facility bonds and section 179 expensing.

10 (2) Businesses in Empowerment Zones with  
11 less population density have a much smaller pool of  
12 eligible employees to choose from in order to access  
13 the employee wage credits.

14 (3) Increasing empowerment zone coverage area  
15 into disadvantaged communities that are not cur-  
16 rently covered by the zone is difficult, bureaucratic  
17 and lengthy.

18 (4) There are too many limitations placed on  
19 the type of businesses that are eligible for the credit,  
20 making places such as small biotech firms, spas, and  
21 family-owned and operated businesses ineligible.

22 (5) Workforce development and on-the-job  
23 training is needed to allow companies to transition  
24 to newer technologies or begin new hires for newly  
25 begun ventures.

1 **SEC. 3. EXTENSION OF BENEFITS.**

2 (a) **EMPOWERMENT ZONES.**—

3 (1) **ROUNDS I AND II DESIGNATIONS.**—Section  
4 1391(d)(1) is amended by striking “December 31,  
5 2009” in subparagraph (A)(i) and inserting “De-  
6 cember 31, 2019”.

7 (2) **ROUND III DESIGNATIONS.**—Section  
8 1391(h)(2) is amended by striking “December 31,  
9 2009” and inserting “December 31, 2019”.

10 (b) **RURAL ENTERPRISE COMMUNITIES.**—Section  
11 1391(d)(1)(A) is amended by striking “or” at the end of  
12 clause (i) and by striking clause (ii) and inserting the fol-  
13 lowing new clauses:

14 “(ii) in the case of an enterprise com-  
15 munity not described in clause (iii), the  
16 close of the 10th calendar year beginning  
17 on or after such date of designation, or

18 “(iii) in the case of an enterprise com-  
19 munity designated in a rural area pursuant  
20 to section 766 of division A of the Omni-  
21 bus Consolidated and Emergency Supple-  
22 mental Appropriations Act, 1999, Decem-  
23 ber 31, 2019.”.

24 (c) **RENEWAL COMMUNITIES.**—

25 (1) Sections 1400E(b) and 1400I(g) are each  
26 amended by striking “December 31, 2009” each

1 place it appears and inserting “December 31,  
2 2019”.

3 (2) Sections 1400E(b)(3), 1400F(b), and  
4 1400J(b) are each amended by striking “January 1,  
5 2010” each place it appears and inserting “January  
6 1, 2020”.

7 (3) Section 1400F(c)(2) amended by striking  
8 “December 31, 2014” and inserting “December 31,  
9 2024”.

10 (4) Section 1400F(d) is amended by striking  
11 “December 31, 2014” and inserting “December 31,  
12 2024”.

13 (5) Section 1400I(d)(2)(A) is amended by strik-  
14 ing “2010” and inserting “2020”.

15 (d) TREATMENT OF TERMINATION DATES SPECI-  
16 FIED IN NOMINATIONS.—

17 (1) Paragraph (1) of section 1391(d) is amend-  
18 ed by adding at the end the following new flush sen-  
19 tence:

20 “The termination date referred to in subparagraph  
21 (B) shall be treated as being no earlier than the ter-  
22 mination date under subparagraph (A) unless an  
23 earlier termination date is designated under sub-  
24 paragraph (B) after the date of the enactment of  
25 this sentence.”.

1           (2) Paragraph (1) of section 1400E(b) of such  
2 Code is amended by adding at the end the following  
3 new flush sentence:

4           “‘The termination date referred to in subparagraph  
5 (B) shall be treated as being no earlier than the ter-  
6 mination date under subparagraph (A) unless an  
7 earlier termination date is designated under sub-  
8 paragraph (B) after the date of the enactment of  
9 this sentence’”.

10 **SEC. 4. EXPANSION OF BUSINESSES ELIGIBLE FOR BENE-**  
11 **FITS; EXPANSION OF ELIGIBLE BUSINESS AC-**  
12 **TIVITIES.**

13           (a) EXPANSION OF QUALIFIED BUSINESS ENTI-  
14 TIES.—

15           (1) IN GENERAL.—Subsections (b) and (c) of  
16 section 1397C are amended to read as follows:

17           “(b) QUALIFIED BUSINESS ENTITY.—For purposes  
18 of this section, the term ‘qualified business entity’ means,  
19 with respect to any taxable year, any corporation or part-  
20 nership if for such year—

21           “(1) any trade or business of such entity is the  
22 active conduct of a qualified business within an em-  
23 powerment zone,

24           “(2) at least 35 percent of its employees are  
25 residents of an empowerment zone,

1           “(3) less than 5 percent of the average of the  
2           aggregate unadjusted bases of the property of such  
3           entity is attributable to collectibles (as defined in  
4           section 408(m)(2)) other than collectibles that are  
5           held primarily for sale to customers in the ordinary  
6           course of such business, and

7           “(4) less than 5 percent of the average of the  
8           aggregate unadjusted bases of the property of such  
9           entity is attributable to nonqualified financial prop-  
10          erty.

11          “(c) QUALIFIED PROPRIETORSHIP.—For purposes of  
12          this section, the term ‘qualified proprietorship’ means,  
13          with respect to any taxable year, any qualified business  
14          carried on by an individual as a proprietorship if for such  
15          year—

16               “(1) at least 35 percent of such employees are  
17               residents of an empowerment zone,

18               “(2) less than 5 percent of the average of the  
19               aggregate unadjusted bases of the property of such  
20               individual which is used in such business is attrib-  
21               utable to collectibles (as defined in section  
22               408(m)(2)) other than collectibles that are held pri-  
23               marily for sale to customers in the ordinary course  
24               of such business, and

1           “(3) less than 5 percent of the average of the  
2           aggregate unadjusted bases of the property of such  
3           individual which is used in such business is attrib-  
4           utable to nonqualified financial property.  
5 For purposes of this subsection, the term ‘employee’ in-  
6 cludes the proprietor.”.

7           (2) CONFORMING AMENDMENTS.—

8           (A) Subsection (e) of section 1400 is  
9           amended by striking “subsections (b)(6) and  
10           (c)(5)” and inserting “subsections (b)(2) and  
11           (c)(1)”.

12           (B) Paragraph (2) of section 1400B(e) is  
13           amended by inserting “(as in effect on the day  
14           before the date of the enactment of the Small  
15           and Medium Urban Regions Growth and Em-  
16           powerment Act of 2009)” after “1397C”.

17           (b) MODIFICATION OF EMPLOYMENT REQUIREMENT  
18 FOR BUSINESSES LOCATED IN AREAS WITH LOWER POP-  
19 ULATION DENSITY.—

20           (1) DEFINITION OF QUALIFIED BUSINESS ENTI-  
21 TY.—Section 1397C is amended by adding at the  
22           end the following new subsection:

23           “(g) MODIFICATION OF EMPLOYMENT REQUIRE-  
24 MENT FOR BUSINESSES LOCATED IN AREAS WITH  
25 LOWER POPULATION DENSITY.—

1           “(1) IN GENERAL.—In the case of businesses  
2 located in a lower-density empowerment zone, sub-  
3 sections (b)(2) and (c)(1) shall be applied by treat-  
4 ing employees as residents of the empowerment zone  
5 if they are residents of a census tract—

6                   “(A) which is an area of pervasive poverty,  
7 unemployment, and general distress (within the  
8 meaning of section 1400E(c)(3)(A)), and

9                   “(B) any point on the boundary of which  
10 is within 50 miles of any point on the boundary  
11 of the empowerment zone.

12           “(2) LOWER-DENSITY EMPOWERMENT ZONE.—  
13 For purposes of paragraph (1), the term ‘lower den-  
14 sity empowerment zone’ means any empowerment  
15 zone the average population of population census  
16 tracts within such zone is less than 3,000.’”.

17           (2) EMPLOYMENT CREDIT.—Paragraph (1) of  
18 section 1396(d) is amended by adding at the end the  
19 following new flush sentence:

20           “‘In the case of businesses located in a lower-density  
21 empowerment zone (as defined in section  
22 1397C(g)(2)), subparagraph (B) shall be applied by  
23 treating employees as residents of the empowerment  
24 zone if they are residents of a census tract which is  
25 an area of pervasive poverty, unemployment, and



1 general distress (within the meaning of section  
2 1400E(c)(3)(A)), and any point on the boundary of  
3 such tract is within 50 miles of any point on the  
4 boundary of the empowerment zone.”.

5 (c) EXPANSION OF ELIGIBLE BUSINESS ACTIVI-  
6 TIES.—

7 (1) RENTING REAL OR PERSONAL PROPERTY  
8 PERMITTED.—

9 (A) IN GENERAL.—Subsection (d) of sec-  
10 tion 1397C is amended by striking paragraphs  
11 (2) and (3).

12 (B) RECOVERY ZONE PROPERTY.—Para-  
13 graph (2) of section 1400U–3(c) is amended by  
14 striking subparagraph (A).

15 (C) CONFORMING AMENDMENT.—Para-  
16 graph (3) of section 45D(d) is amended by  
17 striking “; except that” and all that follows and  
18 inserting a period.

19 (2) DEVELOPING OR HOLDING INTANGIBLES  
20 PERMITTED.—

21 (A) IN GENERAL.—Subsection (d) of sec-  
22 tion 1397C is amended by striking paragraph  
23 (4).

1 (B) CONFORMING AMENDMENT.—Clause  
2 (iii) of section 1394(b)(3)(B) is amended by  
3 striking “, (4),”.

4 (3) CERTAIN OTHER BUSINESSES PER-  
5 MITTED.—

6 (A) Paragraph (5) of section 1397C(d) is  
7 amended—

8 (i) by striking “any facility described  
9 in section 144(c)(6)(B)” in subparagraph  
10 (A) and inserting “any excluded facility”,  
11 and

12 (ii) by inserting before the last sen-  
13 tence the following new sentence: “For  
14 purposes of subparagraph (A), the term  
15 ‘excluded facility’ means any facility de-  
16 scribed in section 144(c)(6)(B) other than  
17 any golf course, spa, or therapeutic mas-  
18 sage facility.”.

19 (B) Paragraph (2) of section 1400U–3(c),  
20 as amended by paragraph (1), is amended to  
21 read as follows:

22 “(2) QUALIFIED BUSINESS.—The term ‘quali-  
23 fied business’ means any trade or business other  
24 than any trade or business consisting of the oper-

1       ation of any excluded facility (as defined in section  
2       1397C(d)(5)).”.

3       (d) EMPOWERMENT ZONE EMPLOYMENT CREDIT TO  
4       APPLY TO EMPLOYEES AT CERTAIN ADDITIONAL BUSI-  
5       NESSES AND TO EMPLOYEES WHO ARE FAMILY MEM-  
6       BERS.—Subparagraph (D) of section 1396(d)(2) (defining  
7       qualified zone employee) is amended—

8               (1) by striking subparagraph (A),

9               (2) by redesignating subparagraphs (B), (C),  
10              (D), and (E) as subparagraphs (A), (B), (C), and  
11              (D), respectively, and

12              (3) by striking “any facility described in section  
13              144(c)(6)(B)” in subparagraph (C), as so redesign-  
14              ated, and inserting “any excluded facility (as de-  
15              fined in section 1397C(d)(5))”.

16       (e) CERTAIN BUSINESSES MAY BE FINANCED WITH  
17       GULF OPPORTUNITY ZONE BONDS.—

18              (1) IN GENERAL.—Subparagraph (E) of section  
19              1400N(a)(2) is amended by striking “any property  
20              described in section 144(c)(6)(B)” and inserting  
21              “any excluded facility (as defined in section  
22              1397C(d)(5))”.

23              (2) EFFECTIVE DATE.—The amendment made  
24              by this subsection shall apply to obligations issued  
25              after the date of the enactment of this Act.

1 **SEC. 5. MODIFICATIONS PERMITTING EXPANSION OF DES-**  
2 **IGNATED AREAS.**

3 (a) **AUTHORITY TO EXPAND BOUNDARIES OF ZONES**  
4 **AND COMMUNITIES.—**

5 (1) **EMPOWERMENT ZONES AND ENTERPRISE**  
6 **COMMUNITIES.—**Section 1391 is amended by adding  
7 at the end the following new subsection:

8 “(i) **AUTHORITY TO EXPAND BOUNDARIES OF DES-**  
9 **IGNATED AREAS.—**

10 “(1) **IN GENERAL.—**At the request of all gov-  
11 ernments which nominated an area as an empower-  
12 ment zone or enterprise community, the appropriate  
13 Secretary may expand the area of such zone or com-  
14 munity to include 1 or more contiguous or non-  
15 contiguous areas if such governments establish to  
16 the satisfaction of the appropriate Secretary that  
17 such expansion furthers the purposes of the designa-  
18 tion of the initial area as such a zone or community.

19 “(2) **RURAL AREAS.—**With respect to any em-  
20 powerment zone or enterprise community located in  
21 a rural area, at the request of the nominating local  
22 government, the appropriate Secretary shall expand  
23 the area of such zone or community to include the  
24 entire area of such nominating local government, but  
25 only if—

26 “(A) either—

1           “(i) the poverty rate and the unem-  
2           ployment rate for such entire area as de-  
3           termined by the 2000 decennial census  
4           data was at least 110 percent of such rate  
5           for the United States, or

6           “(ii) during the period beginning with  
7           the 1990 decennial census and ending with  
8           the 2000 decennial census, such entire  
9           area has a net out migration of inhabitants  
10          of at least 10 percent of the population of  
11          such area, and

12          “(B) such entire area meets 1 or more of  
13          the following criteria determined by the 2000  
14          decennial census data:

15               “(i) Median household income is not  
16               more than 70 percent of such income for  
17               the United States.

18               “(ii) Per capita income is not more  
19               than 75 percent of such income for the  
20               United States.

21               “(iii) The percentage of such area’s  
22               population which is disabled is at least 130  
23               percent of such percentage for the United  
24               States.”.

1           (2) RENEWAL COMMUNITIES.—Section 1400E  
2           is amended by adding at the end the following new  
3           subsection:

4           “(h) AUTHORITY TO EXPAND BOUNDARIES OF DES-  
5           IGNATED AREAS.—

6           “(1) IN GENERAL.—At the request of all gov-  
7           ernments which nominated an area as a renewal  
8           community, the Secretary of Housing and Urban  
9           Development may expand the area of such commu-  
10          nity to include 1 or more noncontiguous areas if  
11          such governments establish to the satisfaction of  
12          such Secretary that such expansion furthers the pur-  
13          poses of the designation of the initial area as a re-  
14          newal community.

15          “(2) RURAL AREAS.—With respect to any re-  
16          newal community located in a rural area, at the re-  
17          quest of the nominating local government, the Sec-  
18          retary of Housing and Urban Development shall ex-  
19          pand the area of such community to include the en-  
20          tire area of such nominating local government, but  
21          only if—

22                 “(A) either—

23                         “(i) the poverty rate and the unem-  
24                         ployment rate for such entire area as de-  
25                         termined by the 2000 decennial census

1 data was at least 110 percent of such rate  
2 for the United States, or

3 “(ii) during the period beginning with  
4 the 1990 decennial census and ending with  
5 the 2000 decennial census, such entire  
6 area has a net out migration of inhabitants  
7 of at least 10 percent of the population of  
8 such area, and

9 “(B) such entire area meets 1 or more of  
10 the following criteria determined by the 2000  
11 decennial census data:

12 “(i) Median household income is not  
13 more than 70 percent of such income for  
14 the United States.

15 “(ii) Per capita income is not more  
16 than 75 percent of such income for the  
17 United States.

18 “(iii) The percentage of such area’s  
19 population which is disabled is at least 130  
20 percent of such percentage for the United  
21 States.”.

22 (3) EFFECTIVE DATE.—The amendments made  
23 by this subsection shall take effect on the date of the  
24 enactment of this Act.

1 (b) MODIFICATION OF REQUIREMENT FOR EXPAND-  
2 ING DESIGNATED AREA BASED ON 2000 CENSUS.—

3 (1) IN GENERAL.—Clause (ii) of section  
4 1400E(g)(1)(A) is amended to read as follows:

5 “(ii) such tract has a poverty rate  
6 using 2000 census data—

7 “(I) which is at least 20 percent,

8 or

9 “(II) which exceeds the poverty  
10 rate for such tract using 1990 census  
11 data.”.

12 (2) EFFECTIVE DATE.—The amendment made  
13 by this subsection shall take effect on the date of the  
14 enactment of this Act.

15 (c) REPEAL OF EXCLUSION OF CENTRAL BUSINESS  
16 DISTRICT FROM ELIGIBILITY AS DESIGNATED AREA.—

17 (1) IN GENERAL.—Paragraph (3) of section  
18 1392(a) is amended by adding “and” at the end of  
19 subparagraph (B), by striking “, and” at the end of  
20 subparagraph (C) and inserting a period, and by  
21 striking subparagraph (D).

22 (2) EFFECTIVE DATE.—The amendments made  
23 by this subsection shall take effect on the date of the  
24 enactment of this Act.



1 **SEC. 6. EXPANDED USE OF TAX-EXEMPT BONDS.**

2 (a) ENTERPRISE FACILITY BOND LIMIT FOR SMALL  
3 CITIES TO BE THE SAME AS FOR LARGER CITIES.—Sub-  
4 paragraph (B) of section 1394(f)(2) is amended by adding  
5 “and” at the end of clause (i), by striking clause (iii), and  
6 by amending clause (ii) to read as follows:

7 “(ii) \$230,000,000 if such zone is in  
8 an urban area.”.

9 (b) ZONE EMPLOYMENT REQUIREMENT NEED NOT  
10 BE MET AFTER TESTING PERIOD UNDER ZONE FACIL-  
11 ITY BOND RULES.—

12 (1) IN GENERAL.—Clause (iii) of section  
13 1394(b)(3)(B) is amended by striking “if at least 35  
14 percent of the employees of such business for such  
15 year are residents of an empowerment zone or an  
16 enterprise community”.

17 (2) CONFORMING AMENDMENT.—Subsection (a)  
18 of section 1400A is amended by striking “and sec-  
19 tion 1394(b)(3)(B)(iii) shall be applied without re-  
20 gard to the employee residency requirement”.

21 (c) ZONE FACILITY BONDS FOR SMALL BUSINESSES  
22 MAY BE GUARANTEED.—

23 (1) IN GENERAL.—Subsection (d) of section  
24 1394 is amended to read as follows:

25 “(d) SPECIAL RULES.—

1           “(1) ACQUISITION OF LAND AND EXISTING  
2           PROPERTY PERMITTED.—The requirements of sec-  
3           tions 147(c)(1)(A) and 147(d) shall not apply to any  
4           bond described in subsection (a).

5           “(2) BONDS FOR SMALL BUSINESS MAY BE  
6           GUARANTEED.—Section 149(b) shall not apply to  
7           any bond issued as part of an issue 95 percent or  
8           more of the net proceeds (as defined in section  
9           150(a)(3)) of which are to be used to provide any  
10          enterprise zone facility the principal user of which is  
11          a small employer (as defined in section 221(c)(4)).”.

12          (2) QUALIFIED GULF OPPORTUNITY ZONE  
13          BONDS.—Paragraph (5) of section 1400N(a) is  
14          amended by adding at the end the following new  
15          subparagraph:

16                 “(H) Section 149(b) shall not apply to any  
17                 qualified Gulf Opportunity Zone Bond issued as  
18                 part of an issue 95 percent or more of the net  
19                 proceeds (as defined in section 150(a)(3)) of  
20                 such issue are to be used for qualified project  
21                 costs for nonresidential real property (including  
22                 fixed improvements associated with such prop-  
23                 erty) the principal user of which is a small em-  
24                 ployer (as defined in section 221(c)(4)).”.

1           (3) RECOVERY ZONE FACILITY BONDS.—Sub-  
2           section (d) of section 1400U–3 is amended by add-  
3           ing at the end the following new sentence: “Section  
4           149(b) shall not apply to any recovery zone facility  
5           bond issued as part of an issue 95 percent or more  
6           of the net proceeds (as defined in section 150(a)(3))  
7           of such issue are to be used for recovery zone prop-  
8           erty the principal user of which is a small employer  
9           (as defined in section 221(c)(4)).”

10          (d) EFFECTIVE DATE.—The amendments made by  
11          this section shall apply to obligations issued after the date  
12          of the enactment of this Act.

13          **SEC. 7. OTHER MODIFICATIONS.**

14          (a) NONRECOGNITION OF GAIN TO APPLY TO REAL  
15          PROPERTY AND INTANGIBLES.—Paragraph (2) of section  
16          1397B(b) is amended to read as follows:

17                  “(2) GAIN TAXED AS ORDINARY INCOME NOT  
18                  ELIGIBLE FOR ROLLOVER.—This section shall not  
19                  apply to any gain which is treated as ordinary in-  
20                  come for purposes of this subtitle.”.

21          (b) ELECTION OF FINANCING ARRANGEMENT IN  
22          LIEU OF TAX BENEFITS.—

23                  (1) IN GENERAL.—Section 1396 is amended by  
24          adding at the end the following new subsection:

1       “(e) ELECTION OF FINANCING ARRANGEMENT IN  
2 LIEU OF TAX BENEFITS.—

3           “(1) IN GENERAL.—At the election of any sig-  
4 nificant empowerment zone business, for the pay-  
5 ment period of the debt obligation designated in  
6 such election (or as an amendment to such election)  
7 by such business—

8           “(A) such business—

9           “(i) shall not be allowed an empower-  
10 ment zone employment credit described in  
11 subsection (a), and

12           “(ii) shall not be allowed any deduc-  
13 tion for depreciation under section 168  
14 with respect to qualified zone property that  
15 provides a cost recovery benefit described  
16 in paragraph (2), and

17           “(B) the Secretary shall make the pay-  
18 ments described in paragraph (2) to a trustee  
19 designated by the electing business to accept  
20 such payments on behalf of such holders).

21       “(2) PAYMENTS.—

22           “(A) IN GENERAL.—At the beginning of  
23 each year of the payment period, the Secretary  
24 shall pay (out of any money in the Treasury not

1 otherwise appropriated) to the trustee des-  
2 ignated by such business an amount equal to—

3 “(i) the empowerment zone employ-  
4 ment credit computed for such year under  
5 this section as if the election was not made  
6 under this subsection, and

7 “(ii) except as provided in paragraph  
8 (4)(A), the amount equal to the cost recov-  
9 ery benefit divided by the number of years  
10 in the payment period described in sub-  
11 paragraph (C).

12 “(B) COST RECOVERY BENEFIT.—For pur-  
13 poses of subparagraph (A), the cost recovery  
14 benefit shall be an amount equal to 25 percent  
15 of—

16 “(i) the cost of any tangible property  
17 which is qualified zone property (including  
18 improvements to such tangible property)  
19 incurred by the significant empowerment  
20 zone business before the end of the first 5  
21 full calendar years beginning after the date  
22 the election is made under this subsection,  
23 and

24 “(ii) any such cost for which a bind-  
25 ing contract for financing the acquisition

1 of such tangible property (including im-  
2 provements to such tangible property) has  
3 been made by such business and which  
4 under the terms of the financing is to be  
5 incurred within the first 5 full calendar  
6 years beginning after the date of the elec-  
7 tion made under this subsection.

8 “(C) PAYMENT PERIOD.—The payment pe-  
9 riod is the period of 15 calendar years begin-  
10 ning with the earlier of—

11 “(i) the calendar year specified by the  
12 significant empowerment zone business as  
13 the 1st year of the payment period without  
14 regard to the date the property is placed in  
15 service, or

16 “(ii) the 5th calendar year beginning  
17 after the date that the election under this  
18 subsection is made.

19 “(3) SIGNIFICANT EMPOWERMENT ZONE BUSI-  
20 NESS.—For purposes of this subsection, the term  
21 ‘significant empowerment zone business’ means any  
22 trade or business operating in an empowerment zone  
23 if—

24 “(A) such business is nominated by the  
25 chief executive or the legislative body of the

1 State or a local government in which the zone  
2 property is located, and

3 “(B) the Secretary of Housing and Urban  
4 Development determines that—

5 “(i) it is a facility for qualified re-  
6 search as defined in section 41(d) which is  
7 reasonably anticipated to make at least  
8 \$50,000,000 of capital expenditures within  
9 the first 3 years of the payment period, or

10 “(ii) with respect to any other busi-  
11 ness, it is reasonably anticipated that such  
12 business will increase employment in such  
13 zone by the end of the first 3 years of the  
14 payment period by at least the lesser of—

15 “(I) 1,000 full-time employees or  
16 equivalents, or

17 “(II) 10 percent of the number  
18 of full-time employees estimated to  
19 have been employed in such zone on  
20 the date of its designation.

21 “(4) SPECIAL RULES.—

22 “(A) ADJUSTMENT TO COST RECOVERY  
23 BENEFIT.—In the event that the significant em-  
24 powerment zone business does not incur a cost  
25 within the period described in paragraph (2)(B)

1 and for which a cost recovery benefit payment  
2 is made under this subsection, the Secretary  
3 shall reduce future recovery benefit payments to  
4 recover 110 percent of the overpayments in  
5 equal installments over the remaining payment  
6 period. In the event that a cost described in  
7 paragraph (2)(B)(i) is incurred, or a contract  
8 described in paragraph (2)(B)(ii) is entered  
9 into, after the beginning of the payment period,  
10 the Secretary shall increase future recover ben-  
11 efit payments to recover 100 percent of the cost  
12 recovery benefit associated with such costs or  
13 contracts in equal installments over the remain-  
14 ing payment period.

15 “(B) BASIS ADJUSTMENT.—For purposes  
16 of this subtitle, if a cost recovery payment is  
17 made under this subsection with respect to any  
18 property, the basis of such property shall be re-  
19 duced by the amount of such payment.

20 “(5) TREATMENT OF PAYMENTS.—Any pay-  
21 ment made under this subsection shall not be treat-  
22 ed as a Federal Government guarantee for purposes  
23 of section 149(b).”.

24 (2) CONFORMING AMENDMENT.—Section  
25 1016(a) is amended by striking “and” at the end of



1 paragraph (36), by striking the period at the end of  
2 paragraph (37) and inserting “, and”, and by add-  
3 ing at the end the following new paragraph:

4 “(38) to the extent provided in section  
5 1396(e)(4)(B).”.

6 **SEC. 8. GRANTS FOR AWARENESS OF ZONE BENEFITS AND**  
7 **TECHNICAL ASSISTANCE TO SMALL BUSI-**  
8 **NESS.**

9 (a) IN GENERAL.—Chapter 77 is amended by adding  
10 at the end the following new section:

11 **“SEC. 7529. GRANTS FOR AWARENESS OF ZONE BENEFITS**  
12 **AND TECHNICAL ASSISTANCE TO SMALL**  
13 **BUSINESS.**

14 “(a) IN GENERAL.—The Secretary may make grants  
15 to State or local governments, or nonprofit organizations,  
16 for the purpose of making businesses aware of the benefits  
17 available under—

18 “(1) subchapter U of chapter 1 (relating to des-  
19 ignation and treatment of empowerment zones, en-  
20 terprise communities, and rural development invest-  
21 ment areas),

22 “(2) subchapter W of chapter 1 (relating to  
23 District of Columbia enterprise zone),

24 “(3) subchapter X of chapter 1 (relating to re-  
25 newal communities), and

