

103^D CONGRESS
1ST SESSION

H. R. 1958

To amend the Internal Revenue Code of 1986 to provide tax incentives with respect to enterprise zones and areas affected by military base closings or reductions in military base employment.

IN THE HOUSE OF REPRESENTATIVES

MAY 4, 1993

Mr. CLYBURN (for himself, Mrs. MEEK, Mr. HASTINGS, and Mr. FIELDS of Louisiana) 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 tax incentives with respect to enterprise zones and areas affected by military base closings or reductions in military base employment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **TITLE I—PROVISIONS RELATING**
2 **TO DISTRESSED URBAN AND**
3 **RURAL AREAS**

4 **SEC. 101. STATEMENT OF PURPOSE.**

5 It is the purpose of this title to establish a demonstra-
6 tion program of providing incentives for the creation of
7 tax enterprise zones in order—

8 (1) to revitalize economically and physically dis-
9 tressed areas, primarily by encouraging the forma-
10 tion of new businesses and the retention and expan-
11 sion of existing businesses,

12 (2) to promote meaningful employment for tax
13 enterprise zone residents, and

14 (3) to encourage individuals to reside in the tax
15 enterprise zones in which they are employed.

16 **Subtitle A—Designation and Tax**
17 **Incentives**

18 **SEC. 102. DESIGNATION AND TREATMENT OF URBAN TAX**

19 **ENTERPRISE ZONES AND RURAL DEVELOP-**
20 **MENT INVESTMENT ZONES.**

21 (a) IN GENERAL.—Chapter 1 (relating to normal
22 taxes and surtaxes) is amended by inserting after sub-
23 chapter T the following new subchapter:

1 **“Subchapter U—Designation and Treatment**
 2 **of Tax Enterprise Zones**

“Part I. Designation of tax enterprise zones.

“Part II. Incentives for tax enterprise zones.

3 **“PART I—DESIGNATION OF TAX ENTERPRISE**
 4 **ZONES**

“Sec. 1391. Designation procedure.

“Sec. 1392. Eligibility and selection criteria.

“Sec. 1393. Definitions and special rules.

5 **“SEC. 1391. DESIGNATION PROCEDURE.**

6 “(a) IN GENERAL.—For purposes of this title, the
 7 term ‘tax enterprise zone’ means any area which is, under
 8 this part—

9 “(1) nominated by 1 or more local governments
 10 and the State in which it is located for designation
 11 as a tax enterprise zone, and

12 “(2) designated by—

13 “(A) the Secretary of Housing and Urban
 14 Development in the case of an urban tax enter-
 15 prise zone, or

16 “(B) the Secretary of Agriculture, in con-
 17 sultation with the Secretary of Commerce, in
 18 the case of a rural development investment
 19 zone.

20 “(b) NUMBER OF DESIGNATIONS.—

21 “(1) AGGREGATE LIMIT.—The appropriate Sec-
 22 retaries may designate in the aggregate 50 nomi-

1 nated areas as tax enterprise zones under this sec-
2 tion, subject to the availability of eligible nominated
3 areas. Not more than 25 urban tax enterprise zones
4 may be designated and not more than 25 rural de-
5 velopment investment zones may be designated.
6 Such designations may be made only during cal-
7 endar years after 1991 and before 1997.

8 “(2) ANNUAL LIMITS.—

9 “(A) URBAN TAX ENTERPRISE ZONES.—

10 The number of urban tax enterprise zones des-
11 ignated under paragraph (1)—

12 “(i) before 1994 shall not exceed 8,

13 “(ii) before 1995 shall not exceed 15,

14 and

15 “(iii) before 1996 shall not exceed 21.

16 “(B) RURAL DEVELOPMENT INVESTMENT
17 ZONES.—The number of rural development in-
18 vestment zones designated under paragraph
19 (1)—

20 “(i) before 1994 shall not exceed 8,

21 “(ii) before 1995 shall not exceed 15,

22 and

23 “(iii) before 1996 shall not exceed 21.

24 “(3) ADVANCE DESIGNATIONS PERMITTED.—

25 For purposes of this subchapter, a designation dur-

1 ing any calendar year shall be treated as made on
2 January 1 of the following calendar year if the ap-
3 propriate Secretary, in making such designation,
4 specifies that such designation is effective as
5 of such January 1.

6 “(c) LIMITATIONS ON DESIGNATIONS.—The appro-
7 priate Secretary may not make any designation under sub-
8 section (a) unless—

9 “(1) the local governments and the State in
10 which the nominated area is located have the au-
11 thority—

12 “(A) to nominate the area for designation
13 as a tax enterprise zone, and

14 “(B) to provide assurances satisfactory to
15 the appropriate Secretary that the commit-
16 ments under section 1392(c) will be fulfilled,

17 “(2) a nomination of the area is submitted
18 within a reasonable time before the calendar year for
19 which designation as a tax enterprise zone is sought
20 (or, if later, a reasonable time after the date of the
21 enactment of this subchapter),

22 “(3) the appropriate Secretary determines that
23 any information furnished is reasonably accurate,
24 and

1 “(4) the State and local governments certify
2 that no portion of the area nominated is already in-
3 cluded in a tax enterprise zone or in an area other-
4 wise nominated to be a tax enterprise zone.

5 “(d) PERIOD FOR WHICH DESIGNATION IS IN EF-
6 FECT.—

7 “(1) IN GENERAL.—Any designation of an area
8 as a tax enterprise zone shall remain in effect during
9 the period beginning on the date of the designation
10 and ending on the earliest of—

11 “(A) December 31 of the 15th calendar
12 year following the calendar year in which such
13 date occurs,

14 “(B) the termination date designated by
15 the State and local governments as provided for
16 in their nomination, or

17 “(C) the date the appropriate Secretary re-
18 vokes the designation under paragraph (2).

19 “(2) REVOCATION OF DESIGNATION.—

20 “(A) IN GENERAL.—The appropriate Sec-
21 retary shall revoke the designation of an area
22 as a tax enterprise zone if such Secretary deter-
23 mines that the local government or the State in
24 which it is located—

1 “(i) has modified the boundaries of
2 the area, or

3 “(ii) is not complying substantially
4 with the State and local commitments pur-
5 suant to section 1392(c).

6 “(B) APPLICABLE PROCEDURES.—A des-
7 ignation may be revoked by the appropriate
8 Secretary under subparagraph (A) only after a
9 hearing on the record involving officials of the
10 State or local government involved.

11 **“SEC. 1392. ELIGIBILITY AND SELECTION CRITERIA.**

12 “(a) IN GENERAL.—The appropriate Secretary may
13 make a designation of any nominated area under section
14 1391 only on the basis of the eligibility and selection cri-
15 teria set forth in this section.

16 “(b) ELIGIBILITY CRITERIA.—

17 “(1) URBAN TAX ENTERPRISE ZONES.—A nom-
18 inated area which is not a rural area shall be eligible
19 for designation under section 1391 only if it meets
20 the following criteria:

21 “(A) POPULATION.—The nominated area
22 has a population (as determined by the most re-
23 cent census data available) of not less than
24 4,000.

1 “(B) DISTRESS.—The nominated area is
2 one of pervasive poverty, unemployment, and
3 general distress.

4 “(C) SIZE.—The nominated area—

5 “(i) does not exceed 20 square miles,

6 “(ii) has a boundary which is continu-
7 ous, or consists of not more than 3 non-
8 contiguous parcels within the same metro-
9 politan area,

10 “(iii) is located entirely within 1
11 State, and

12 “(iv) does not include any portion of
13 a central business district (as such term is
14 used for purposes of the most recent Cen-
15 sus of Retail Trade).

16 “(D) UNEMPLOYMENT RATE.—The unem-
17 ployment rate (as determined by the appro-
18 priate available data) is not less than 1.5 times
19 the national unemployment rate.

20 “(E) POVERTY RATE.—The poverty rate
21 (as determined by the most recent census data
22 available) for not less than 90 percent of the
23 population census tracts (or where not tracted,
24 the equivalent county divisions as defined by
25 the Bureau of the Census for the purposes of

1 defining poverty areas) within the nominated
2 area is not less than 20 percent.

3 “(F) COURSE OF ACTION.—There has been
4 adopted for the nominated area a course of ac-
5 tion which meets the requirements of subsection
6 (c).

7 “(2) RURAL DEVELOPMENT INVESTMENT
8 ZONES.—A nominated area which is a rural area
9 shall be eligible for designation under section 1391
10 only if it meets the following criteria:

11 “(A) POPULATION.—The nominated area
12 has a population (as determined by the most re-
13 cent census data available) of not less than
14 1,000.

15 “(B) DISTRESS.—The nominated area is
16 one of general distress.

17 “(C) SIZE.—The nominated area—

18 “(i) does not exceed 10,000 square
19 miles,

20 “(ii) consists of areas within not more
21 than 4 contiguous counties,

22 “(iii) has a boundary which is contin-
23 uous, or consists of not more than 3 non-
24 contiguous parcels, and

1 “(iv) is located entirely within 1
2 State.

3 “(D) ADDITIONAL CRITERIA.—Not less
4 than 2 of the following criteria:

5 “(i) UNEMPLOYMENT RATE.—The cri-
6 terion set forth in paragraph (1)(D).

7 “(ii) POVERTY RATE.—The criterion
8 set forth in paragraph (1)(E).

9 “(iii) JOB LOSS.—The amount of
10 wages attributable to employment in the
11 area, and subject to tax under section
12 3301 during the preceding calendar year,
13 is not more than 95 percent of such wages
14 during the 5th preceding calendar year.

15 “(iv) OUT-MIGRATION.—The popu-
16 lation of the area decreased (as determined
17 by the most recent census data available)
18 by 10 percent or more between 1980 and
19 1990.

20 “(E) COURSE OF ACTION.—There has been
21 adopted for the nominated area a course of ac-
22 tion which meets the requirements of subsection
23 (c).

24 “(3) AREAS WITHIN INDIAN RESERVATIONS IN-
25 ELIGIBLE.—A nominated area shall not be eligible

1 for designation under section 1391 if any portion of
2 such area is within an Indian reservation.

3 “(c) REQUIRED STATE AND LOCAL COURSE OF
4 ACTION.—

5 “(1) IN GENERAL.—No nominated area may be
6 designated as a tax enterprise zone unless the local
7 government and the State in which it is located
8 agree in writing that, during any period during
9 which the area is a tax enterprise zone, the govern-
10 ments will follow a specified course of action de-
11 signed to reduce the various burdens borne by em-
12 ployers or employees in the area.

13 “(2) COURSE OF ACTION.—The course of action
14 under paragraph (1) may be implemented by both
15 governments and private nongovernmental entities,
16 may not be funded from proceeds of any Federal
17 program (other than discretionary proceeds), and
18 may include—

19 “(A) a certification by the State insurance
20 commissioner (or similar State official) that
21 basic commercial property insurance of a type
22 comparable to that insurance generally in force
23 in urban or rural areas, whichever is applicable,
24 throughout the State is available to businesses
25 within the tax enterprise zone,

1 “(B) a reduction of tax rates or fees apply-
2 ing within the tax enterprise zone,

3 “(C) an increase in the level, or efficiency
4 of delivery, of local public services within the
5 tax enterprise zone,

6 “(D) actions to reduce, remove, simplify,
7 or streamline government paperwork require-
8 ments applicable within the tax enterprise zone,

9 “(E) the involvement in the program by
10 public authorities or private entities, organiza-
11 tions, neighborhood associations, and commu-
12 nity groups, particularly those within the nomi-
13 nated area, including a written commitment to
14 provide jobs and job training for, and technical,
15 financial, or other assistance to, employers, em-
16 ployees, and residents of the nominated area,

17 “(F) the giving of special preference to
18 contractors owned and operated by members of
19 any socially and economically disadvantaged
20 group (within the meaning of section 8(a) of
21 the Small Business Act (15 U.S.C. 637(a)),

22 “(G) the gift (or sale at below fair market
23 value) of surplus land in the tax enterprise zone
24 to neighborhood organizations agreeing to oper-
25 ate a business on the land,

1 “(H) the establishment of a program
2 under which employers within the tax enterprise
3 zone may purchase health insurance for their
4 employees on a pooled basis,

5 “(I) the establishment of a program to en-
6 courage local financial institutions to satisfy
7 their obligations under the Community Rein-
8 vestment Act of 1977 (12 U.S.C. 2901 et seq.)
9 by making loans to enterprise zone businesses,
10 with emphasis on startup and other small-busi-
11 ness concerns (as defined in section 3(a) of the
12 Small Business Act (15 U.S.C. 632(a)),

13 “(J) the giving of special preference to
14 qualified low-income housing projects located in
15 tax enterprise zones, in the allocation of the
16 State housing credit ceiling applicable under
17 section 42, and

18 “(K) the giving of special preference to fa-
19 cilities located in tax enterprise zones, in the al-
20 location of the State ceiling on private activity
21 bonds applicable under section 146.

22 “(3) RECOGNITION OF PAST EFFORTS.—In
23 evaluating courses of action agreed to by any State
24 or local government, the appropriate Secretary shall
25 take into account the past efforts of the State or

1 local government in reducing the various burdens
2 borne by employers and employees in the area in-
3 volved.

4 “(4) PROHIBITION OF ASSISTANCE FOR BUSI-
5 NESS RELOCATIONS.—

6 “(A) IN GENERAL.—The course of action
7 implemented under paragraph (1) may not in-
8 clude any action to assist any establishment in
9 relocating from 1 area to another area.

10 “(B) EXCEPTION.—The limitation estab-
11 lished in subparagraph (A) shall not be con-
12 strued to prohibit assistance for the expansion
13 of an existing business entity through the estab-
14 lishment of a new branch, affiliate, or subsidi-
15 ary if—

16 “(i) the establishment of the new
17 branch, affiliate, or subsidiary will not re-
18 sult in an increase in unemployment in the
19 area of original location or in any other
20 area where the existing business entity
21 conducts business operations, and

22 “(ii) there is no reason to believe that
23 the new branch, affiliate, or subsidiary is
24 being established with the intention of clos-
25 ing down the operations of the existing

1 business entity in the area of its original
2 location or in any other area where the ex-
3 isting business entity conducts business op-
4 erations.

5 “(d) SELECTION CRITERIA.—From among the nomi-
6 nated areas eligible for designation under subsection (b)
7 by the appropriate Secretary, such appropriate Secretary
8 shall make designations of tax enterprise zones on the
9 basis of the following factors (each of which is to be given
10 equal weight):

11 “(1) STATE AND LOCAL COMMITMENTS.—The
12 strength and quality of the commitments which have
13 been promised as part of the course of action rel-
14 ative to the fiscal ability of the nominating State
15 and local governments.

16 “(2) IMPLEMENTATION OF COURSE OF AC-
17 TION.—The effectiveness and enforceability of the
18 guarantees that the course of action will actually be
19 carried out, including the specificity with which the
20 commitments under paragraph (1) are described in
21 order that the applicable Secretary will be better
22 able to determine annually under section
23 1391(d)(2)(A)(ii) whether the commitments are
24 being carried out.

1 “(3) PRIVATE COMMITMENTS.—The level of
2 commitments by private entities of additional re-
3 sources and contributions to the economy of the
4 nominated area, including the creation of new or ex-
5 panded business activities.

6 “(4) AVERAGE RANKINGS.—The average rank-
7 ing with respect to—

8 “(A) the criteria set forth in subpara-
9 graphs (D) and (E) of subsection (b)(1), in the
10 case of an area which is not a rural area, or

11 “(B) the 2 criteria set forth in subsection
12 (b)(2)(D) that give the area a higher average
13 ranking, in the case of a rural area.

14 “(5) REVITALIZATION POTENTIAL.—The poten-
15 tial for the revitalization of the nominated area as
16 a result of zone designation, taking into account
17 particularly the number of jobs to be created and re-
18 tained.

19 **“SEC. 1393. DEFINITIONS AND SPECIAL RULES.**

20 For purposes of this subchapter—

21 “(1) URBAN TAX ENTERPRISE ZONE.—The
22 term ‘urban tax enterprise zone’ means a tax enter-
23 prise zone which meets the requirements of section
24 1392(b)(1).

1 “(2) RURAL DEVELOPMENT INVESTMENT
2 ZONE.—The term ‘rural development investment
3 zone’ means a tax enterprise zone which meets the
4 requirements of section 1392(b)(2).

5 “(3) GOVERNMENTS.—If more than 1 local gov-
6 ernment seeks to nominate an area as a tax enter-
7 prise zone, any reference to, or requirement of, this
8 subchapter shall apply to all such governments.

9 “(4) LOCAL GOVERNMENT.—The term ‘local
10 government’ means—

11 “(A) any county, city, town, township, par-
12 ish, village, or other general purpose political
13 subdivision of a State, and

14 “(B) any combination of political subdivi-
15 sions described in subparagraph (A) recognized
16 by the appropriate Secretary.

17 “(5) NOMINATED AREA.—The term ‘nominated
18 area’ means an area which is nominated by 1 or
19 more local governments and the State in which it is
20 located for designation as a tax enterprise zone
21 under this subchapter.

22 “(6) RURAL AREA.—The term ‘rural area’
23 means any area which is—

1 **“SEC. 1394. ENTERPRISE ZONE EMPLOYMENT CREDIT.**

2 “(a) AMOUNT OF CREDIT.—For purposes of section
3 38, the amount of the enterprise zone employment credit
4 determined under this section with respect to any em-
5 ployer for any taxable year is 15 percent of the qualified
6 zone wages paid or incurred during such taxable year.

7 “(b) QUALIFIED ZONE WAGES.—

8 “(1) IN GENERAL.—For purposes of this sec-
9 tion, the term ‘qualified zone wages’ means any
10 wages paid or incurred by an employer for services
11 performed by an employee while such employee is a
12 qualified zone employee.

13 “(2) ONLY FIRST \$20,000 OF WAGES PER YEAR
14 TAKEN INTO ACCOUNT.—With respect to each quali-
15 fied zone employee, the amount of qualified zone
16 wages which may be taken into account for the tax-
17 able year shall not exceed \$20,000.

18 “(3) COORDINATION WITH TARGETED JOBS
19 CREDIT.—The term ‘qualified zone wages’ shall not
20 include wages attributable to service rendered during
21 the 1-year period beginning with the day the individ-
22 ual begins work for the employer if any portion of
23 such wages is taken into account in determining the
24 credit under section 51.

25 “(c) QUALIFIED ZONE EMPLOYEE.—For purposes of
26 this section—

1 “(1) IN GENERAL.—Except as otherwise pro-
2 vided in this subsection, the term ‘qualified zone em-
3 ployee’ means, with respect to any period, any em-
4 ployee of an employer if—

5 “(A) substantially all of the services per-
6 formed during such period by such employee for
7 such employer are performed within a tax en-
8 terprise zone in a trade or business of the em-
9 ployer, and

10 “(B) the principal place of abode of such
11 employee while performing such services is
12 within such tax enterprise zone.

13 “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—
14 The term ‘qualified zone employee’ shall not in-
15 clude—

16 “(A) any individual described in subpara-
17 graph (A), (B), or (C) of section 51(i)(1),

18 “(B) any 5-percent owner (as defined in
19 section 416(i)(1)(B)),

20 “(C) any individual employed by the em-
21 ployer at any facility described in section
22 144(c)(6)(B), and

23 “(D) any individual employed by the em-
24 ployer in a trade or business the principal activ-
25 ity of which is farming (within the meaning of

1 subparagraphs (A) or (B) of section
2 2032A(e)(5)), but only if, as of the close of the
3 taxable year, the sum of—

4 “(i) the aggregate unadjusted bases
5 (or, if greater, the fair market value) of
6 the assets owned by the employer which
7 are used in such a trade or business, and

8 “(ii) the aggregate value of assets
9 leased by the employer which are used in
10 such a trade or business (as determined
11 under regulations prescribed by the Sec-
12 retary),

13 exceeds \$500,000.

14 “(d) EARLY TERMINATION OF EMPLOYMENT BY EM-
15 PLOYER.—

16 “(1) IN GENERAL.—If the employment of any
17 employee is terminated by the taxpayer before the
18 day 1 year after the day on which such employee
19 began work for the employer—

20 “(A) no wages with respect to such em-
21 ployee shall be taken into account under sub-
22 section (a) for the taxable year in which such
23 employment is terminated, and

24 “(B) the tax under this chapter for the
25 taxable year in which such employment is ter-

1 minated shall be increased by the aggregate
2 credits (if any) allowed under section 38(a) for
3 prior taxable years by reason of wages taken
4 into account with respect to such employee.

5 “(2) CARRYBACKS AND CARRYOVERS AD-
6 JUSTED.—In the case of any termination of employ-
7 ment to which paragraph (1) applies, the carrybacks
8 and carryovers under section 39 shall be properly
9 adjusted.

10 “(3) SUBSECTION NOT TO APPLY IN CERTAIN
11 CASES.—

12 “(A) IN GENERAL.—Paragraph (1) shall
13 not apply to—

14 “(i) a termination of employment of
15 an employee who voluntarily leaves the em-
16 ployment of the taxpayer,

17 “(ii) a termination of employment of
18 an individual who before the close of the
19 period referred to in paragraph (1) be-
20 comes disabled to perform the services of
21 such employment unless such disability is
22 removed before the close of such period
23 and the taxpayer fails to offer reemploy-
24 ment to such individual, or

1 “(iii) a termination of employment of
2 an individual if it is determined under the
3 applicable State unemployment compensa-
4 tion law that the termination was due to
5 the misconduct of such individual.

6 “(B) CHANGES IN FORM OF BUSINESS.—
7 For purposes of paragraph (1), the employment
8 relationship between the taxpayer and an em-
9 ployee shall not be treated as terminated—

10 “(i) by a transaction to which section
11 381(a) applies if the employee continues to
12 be employed by the acquiring corporation,
13 or

14 “(ii) by reason of a mere change in
15 the form of conducting the trade or busi-
16 ness of the taxpayer if the employee con-
17 tinues to be employed in such trade or
18 business and the taxpayer retains a sub-
19 stantial interest in such trade or business.

20 “(4) SPECIAL RULE.—Any increase in tax
21 under paragraph (1) shall not be treated as a tax
22 imposed by this chapter for purposes of—

23 “(A) determining the amount of any credit
24 allowable under this chapter, and

1 “(B) determining the amount of the tax
2 imposed by section 55.

3 **“SEC. 1395. OTHER DEFINITIONS AND SPECIAL RULES.**

4 “(a) WAGES.—For purposes of this subpart, the term
5 ‘wages’ has the same meaning as when used in section
6 51.

7 “(b) CONTROLLED GROUPS.—For purposes of this
8 subpart—

9 “(1) all employers treated as a single employer
10 under subsection (a) or (b) of section 52 shall be
11 treated as a single employer for purposes of this
12 subpart, and

13 “(2) the credit (if any) determined under sec-
14 tion 1394 with respect to each such employer shall
15 be its proportionate share of the wages giving rise
16 to such credit.

17 “(c) CERTAIN OTHER RULES MADE APPLICABLE.—
18 For purposes of this subpart, rules similar to the rules
19 of section 51(k) and subsections (c), (d), and (e) of section
20 52 shall apply.

21 “(d) NOTICE OF AVAILABILITY OF ADVANCE PAY-
22 MENT OF EARNED INCOME CREDIT.—Each employer
23 shall take reasonable steps to notify all qualified zone em-
24 ployees of the availability to eligible individuals of receiv-

1 ing advanced payments of the credit under section 32 (re-
 2 lating to the earned income credit).

3 **“Subpart B—Investment Incentives**

“Sec. 1396. Deduction for purchase of enterprise zone stock.

“Sec. 1397. 50 percent exclusion for gain from new zone invest-
 ments.

“Sec. 1397A. Nonrecognition of gain from new zone investments.

“Sec. 1397B. Other incentives.

“Sec. 1397C. Enterprise zone business defined.

4 **“SEC. 1396. DEDUCTION FOR PURCHASE OF ENTERPRISE**
 5 **ZONE STOCK.**

6 “(a) GENERAL RULE.—In the case of an individual,
 7 there shall be allowed as a deduction an amount equal to
 8 50 percent of the aggregate amount paid in cash by the
 9 taxpayer during the taxable year for the purchase of enter-
 10 prise zone stock.

11 “(b) LIMITATION.—

12 “(1) IN GENERAL.—The maximum amount al-
 13 lowed as a deduction under subsection (a) to a tax-
 14 payer for the taxable year shall not exceed the lesser
 15 of—

16 “(A) \$25,000, or

17 “(B) the excess of \$250,000 over the
 18 amount allowed as a deduction under this sec-
 19 tion to the taxpayer for all prior taxable years.

20 “(2) EXCESS AMOUNTS.—If the amount other-
 21 wise deductible by any person under subsection (a)
 22 exceeds the limitation under paragraph (1)(A)—

1 “(A) the amount of such excess shall be
2 treated as an amount paid to which subsection
3 (a) applies during the next taxable year, and

4 “(B) the deduction allowed for any taxable
5 year shall be allocated proportionately among
6 the enterprise zone stock purchased by such
7 person on the basis of the respective purchase
8 prices per share.

9 “(3) AGGREGATION WITH FAMILY MEMBERS.—

10 The taxpayer and members of the taxpayer’s family
11 shall be treated as one person for purposes of para-
12 graph (1), and the limitations contained in such
13 paragraph shall be allocated among the taxpayer and
14 such members in accordance with their respective
15 purchases of enterprise zone stock. For purposes of
16 this paragraph, an individual’s family includes only
17 such individual’s spouse and minor children.

18 “(c) ENTERPRISE ZONE STOCK.—For purposes of
19 this section—

20 “(1) IN GENERAL.—The term ‘enterprise zone
21 stock’ means stock of a corporation if—

22 “(A) such stock is acquired on original
23 issue from the corporation, and

24 “(B) such corporation is, at the time of
25 issue, a qualified enterprise zone issuer.

1 “(2) PROCEEDS MUST BE INVESTED IN QUALI-
2 FIED ENTERPRISE ZONE PROPERTY.—

3 “(A) IN GENERAL.—Such term shall in-
4 clude such stock only to the extent that the pro-
5 ceeds of such issuance are used by such issuer
6 during the 12-month period beginning on the
7 date of issuance to purchase (as defined in sec-
8 tion 179(d)(2)) qualified enterprise zone prop-
9 erty.

10 “(B) QUALIFIED ENTERPRISE ZONE PROP-
11 PERTY.—For purposes of this section, the term
12 ‘qualified enterprise zone property’ means prop-
13 erty to which section 168 applies—

14 “(i) the original use of which in a tax
15 enterprise zone commences with the issuer,
16 and

17 “(ii) substantially all of the use of
18 which is in a tax enterprise zone.

19 “(3) REDEMPTIONS.—The term ‘enterprise
20 zone stock’ shall not include any stock acquired from
21 a corporation which made a substantial stock re-
22 demption or distribution (without a bona fide busi-
23 ness purpose therefor) in an attempt to avoid the
24 purposes of this section.

1 “(d) QUALIFIED ENTERPRISE ZONE ISSUER.—For
2 purposes of this section, the term ‘qualified enterprise
3 zone issuer’ means any domestic C corporation if—

4 “(1) such corporation is an enterprise zone
5 business or, in the case of a new corporation, such
6 corporation is being organized for purposes of being
7 an enterprise zone business,

8 “(2) such corporation does not have more than
9 one class of stock,

10 “(3) the sum of—

11 “(A) the money,

12 “(B) the aggregate unadjusted bases of
13 property owned by such corporation, and

14 “(C) the value of property leased to the
15 corporation (as determined under regulations
16 prescribed by the Secretary),

17 does not exceed \$5,000,000, and

18 “(4) more than 20 percent of the total voting
19 power, and 20 percent of the total value, of the
20 stock of such corporation is owned directly by indi-
21 viduals or estates or indirectly by individuals
22 through partnerships or trusts.

23 The determination under paragraph (3) shall be made as
24 of the time of issuance of the stock in question but shall
25 include amounts received for such stock.

1 “(e) DISPOSITIONS OF STOCK.—

2 “(1) BASIS REDUCTION.—For purposes of this
3 title, the basis of any enterprise zone stock shall be
4 reduced by the amount of the deduction allowed
5 under this section with respect to such stock.

6 “(2) DEDUCTION RECAPTURED AS ORDINARY
7 INCOME.—For purposes of section 1245—

8 “(A) any stock the basis of which is re-
9 duced under paragraph (1) (and any other
10 property the basis of which is determined in
11 whole or in part by reference to the adjusted
12 basis of such stock) shall be treated as section
13 1245 property, and

14 “(B) any reduction under paragraph (1)
15 shall be treated as a deduction allowed for de-
16 preciation.

17 If an exchange of any stock described in paragraph
18 (1) qualifies under section 354(a), 355(a), or
19 356(a), the amount of gain recognized under section
20 1245 by reason of this paragraph shall not exceed
21 the amount of gain recognized in the exchange (de-
22 termined without regard to this paragraph).

23 “(3) CERTAIN EVENTS TREATED AS DISPOSI-
24 TIONS.—For purposes of determining the amount
25 treated as ordinary income under section 1245 by

1 reason of paragraph (2), paragraph (3) of section
2 1245(b) (relating to certain tax-free transactions)
3 shall not apply.

4 “(4) INTEREST CHARGED IF DISPOSITION
5 WITHIN 5 YEARS OF PURCHASE.—

6 “(A) IN GENERAL.—If—

7 “(i) a taxpayer disposes of any enter-
8 prise zone stock with respect to which a
9 deduction was allowed under subsection (a)
10 (or any other property the basis of which
11 is determined in whole or in part by ref-
12 erence to the adjusted basis of such stock)
13 before the end of the 5-year period begin-
14 ning on the date such stock was purchased
15 by the taxpayer, and

16 “(ii) section 1245(a) applies to such
17 disposition by reason of paragraph (2),
18 then the tax imposed by this chapter for the
19 taxable year in which such disposition occurs
20 shall be increased by the amount determined
21 under subparagraph (B).

22 “(B) ADDITIONAL AMOUNT.—For purposes
23 of subparagraph (A), the additional amount
24 shall be equal to the amount of interest (deter-

1 mined at the rate applicable under section
2 6621(a)(2)) that would accrue—

3 “(i) during the period beginning on
4 the date the stock was purchased by the
5 taxpayer and ending on the date of such
6 disposition by the taxpayer,

7 “(ii) on an amount equal to the aggre-
8 gate decrease in tax of the taxpayer result-
9 ing from the deduction allowed under this
10 subsection (a) with respect to such stock.

11 “(C) SPECIAL RULE.—Any increase in tax
12 under subparagraph (A) shall not be treated as
13 a tax imposed by this chapter for purposes of—

14 “(i) determining the amount of any
15 credit allowable under this chapter, and

16 “(ii) determining the amount of the
17 tax imposed by section 55.

18 “(f) DISQUALIFICATION.—

19 “(1) ISSUER CEASES TO QUALIFY.—If, during
20 the 10-year period beginning on the date enterprise
21 zone stock was purchased by the taxpayer, the issuer
22 of such stock ceases to be a qualified enterprise zone
23 issuer (determined without regard to subsection
24 (d)(3)), then notwithstanding any provision of this
25 subtitle other than paragraph (2), the taxpayer shall

1 be treated for purposes of subsection (e) as dispos-
2 ing of such stock (and any other property the basis
3 of which is determined in whole or in part by ref-
4 erence to the adjusted basis of such stock) during
5 the taxable year during which such cessation occurs
6 at its fair market value as of the 1st day of such
7 taxable year.

8 “(2) CESSATION OF ENTERPRISE ZONE STATUS
9 NOT TO CAUSE RECAPTURE.—A corporation shall
10 not fail to be treated as a qualified enterprise zone
11 issuer for purposes of paragraph (1) solely by reason
12 of the termination or revocation of a tax enterprise
13 zone designation.

14 “(g) OTHER SPECIAL RULES.—

15 “(1) APPLICATION OF LIMITS TO PARTNER-
16 SHIPS AND S CORPORATIONS.—In the case of a part-
17 nership or an S corporation, the limitations under
18 subsection (b) shall apply at the partner and share-
19 holder level and shall not apply at the partnership
20 or corporation level.

21 “(2) DEDUCTION NOT ALLOWED TO ESTATES
22 AND TRUSTS.—Estates and trusts shall not be treat-
23 ed as individuals for purposes of this section.

1 **“SEC. 1397. 50 PERCENT EXCLUSION FOR GAIN FROM NEW**
2 **ZONE INVESTMENTS.**

3 “(a) GENERAL RULE.—In the case of an individual,
4 gross income shall not include 50 percent of any qualified
5 capital gain recognized on the sale or exchange of a quali-
6 fied zone asset held for more than 5 years.

7 “(b) QUALIFIED ZONE ASSET.—For purposes of this
8 section—

9 “(1) IN GENERAL.—The term ‘qualified zone
10 asset’ means—

11 “(A) any qualified zone stock,

12 “(B) any qualified zone business property,

13 and

14 “(C) any qualified zone partnership inter-
15 est.

16 “(2) QUALIFIED ZONE STOCK.—

17 “(A) IN GENERAL.—Except as provided in
18 subparagraph (B), the term ‘qualified zone
19 stock’ means any stock in a domestic corpora-
20 tion if—

21 “(i) such stock is acquired by the tax-
22 payer on original issue from the corpora-
23 tion solely in exchange for cash,

24 “(ii) as of the time such stock was is-
25 sued, such corporation was an enterprise
26 zone business (or, in the case of a new cor-

1 poration, such corporation was being orga-
2 nized for purposes of being an enterprise
3 zone business), and

4 “(iii) during substantially all of the
5 taxpayer’s holding period for such stock,
6 such corporation qualified as an enterprise
7 zone business.

8 “(B) EXCLUSION OF STOCK FOR WHICH
9 DEDUCTION UNDER SECTION 1396 ALLOWED.—
10 The term ‘qualified zone stock’ shall not include
11 any stock the basis of which is reduced under
12 section 1396(e)(1).

13 “(C) REDEMPTIONS.—The term ‘qualified
14 zone stock’ shall not include any stock acquired
15 from a corporation which made a substantial
16 stock redemption or distribution (without a
17 bona fide business purpose therefor) in an at-
18 tempt to avoid the purposes of this section.

19 “(3) QUALIFIED ZONE BUSINESS PROPERTY.—

20 “(A) IN GENERAL.—The term ‘qualified
21 zone business property’ means tangible property
22 if—

23 “(i) such property was acquired by
24 the taxpayer by purchase (as defined in
25 section 179(d)(2)) after the date on which

1 the designation of the tax enterprise zone
2 took effect,

3 “(ii) the original use of such property
4 in a tax enterprise zone commences with
5 the taxpayer, and

6 “(iii) during substantially all of the
7 taxpayer’s holding period for such prop-
8 erty, substantially all of the use of such
9 property was in a tax enterprise zone and
10 in an enterprise zone business of the tax-
11 payer.

12 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
13 PROVEMENTS.—The requirements of clauses (i)
14 and (ii) of subparagraph (A) shall be treated as
15 satisfied with respect to—

16 “(i) property which is substantially
17 improved by the taxpayer, and

18 “(ii) any land on which such property
19 is located.

20 For purposes of the preceding sentence, prop-
21 erty shall be treated as substantially improved
22 by the taxpayer if, during any 24-month period
23 beginning after the date on which the designa-
24 tion of the tax enterprise zone took effect, addi-
25 tions to basis with respect to such property in

1 the hands of the taxpayer exceed the greater of
2 (i) an amount equal to the adjusted basis at the
3 beginning of such 24-month period in the hands
4 of the taxpayer, or (ii) \$5,000.

5 “(C) LIMITATION ON LAND.—The term
6 ‘qualified zone business property’ shall not in-
7 clude land which is not an integral part of a
8 qualified business (as defined in section
9 1397C(c)).

10 “(4) QUALIFIED ZONE PARTNERSHIP INTER-
11 EST.—The term ‘qualified zone partnership interest’
12 means any interest in a partnership if—

13 “(A) such interest is acquired by the tax-
14 payer from the partnership solely in exchange
15 for cash,

16 “(B) as of the time such interest was ac-
17 quired, such partnership was an enterprise zone
18 business (or, in the case of a new partnership,
19 such partnership was being organized for pur-
20 poses of being an enterprise zone business), and

21 “(C) during substantially all of the tax-
22 payer’s holding period for such interest, such
23 partnership qualified as an enterprise zone
24 business.

1 A rule similar to the rule of paragraph (2)(C) shall
2 apply for purposes of this paragraph.

3 “(5) TREATMENT OF SUBSEQUENT PUR-
4 CHASERS.—The term ‘qualified zone asset’ includes
5 any property which would be a qualified zone asset
6 but for paragraph (2)(A)(i), (3)(A)(ii), or (4)(A) in
7 the hands of the taxpayer if such property was a
8 qualified zone asset in the hands of any prior holder.

9 “(6) 10-YEAR SAFE HARBOR.—If any property
10 ceases to be a qualified zone asset by reason of para-
11 graph (2)(A)(iii), (3)(A)(iii), or (4)(C) after the 10-
12 year period beginning on the date the taxpayer ac-
13 quired such property, such property shall continue to
14 be treated as meeting the requirements of such
15 paragraph; except that the amount of gain to which
16 subsection (a) applies on any sale or exchange of
17 such property shall not exceed the amount which
18 would be qualified capital gain had such property
19 been sold on the date of such cessation.

20 “(7) TREATMENT OF ZONE TERMINATIONS.—
21 The termination of any designation of an area as a
22 tax enterprise zone shall be disregarded for purposes
23 of determining whether any property is a qualified
24 zone asset.

1 “(c) OTHER DEFINITIONS AND SPECIAL RULES.—

2 For purposes of this section—

3 “(1) QUALIFIED CAPITAL GAIN.—Except as
4 otherwise provided in this subsection, the term
5 ‘qualified capital gain’ means any long-term capital
6 gain.

7 “(2) CERTAIN GAIN ON REAL PROPERTY NOT
8 QUALIFIED.—The term ‘qualified capital gain’ shall
9 not include any gain which would be treated as ordi-
10 nary income under section 1250 if section 1250 ap-
11 plied to all depreciation rather than the additional
12 depreciation.

13 “(3) GAIN ATTRIBUTABLE TO PERIODS AFTER
14 TERMINATION OF ZONE DESIGNATION NOT QUALI-
15 FIED.—The term ‘qualified capital gain’ shall not in-
16 clude any gain attributable to periods after the ter-
17 mination of any designation of an area as a tax en-
18 terprise zone.

19 “(d) TREATMENT OF PASS-THRU ENTITIES.—

20 “(1) SALES AND EXCHANGES.—Gain on the
21 sale or exchange of an interest in a pass-thru entity
22 held by the taxpayer (other than an interest in an
23 entity which was an enterprise zone business during
24 substantially all of the period the taxpayer held such
25 interest) for more than 5 years shall be treated as

1 gain described in subsection (a) to the extent such
2 gain is attributable to amounts which would be
3 qualified capital gain on qualified zone assets (deter-
4 mined as if such assets had been sold on the date
5 of the sale or exchange) held by such entity for more
6 than 5 years and throughout the period the taxpayer
7 held such interest. A rule similar to the rule of para-
8 graph (2)(C) shall apply for purposes of the preced-
9 ing sentence.

10 “(2) INCOME INCLUSIONS.—

11 “(A) IN GENERAL.—Any amount included
12 in income by reason of holding an interest in a
13 pass-thru entity (other than an entity which
14 was an enterprise zone business during substan-
15 tially all of the period the taxpayer held the in-
16 terest to which such inclusion relates) shall be
17 treated as gain described in subsection (a) if
18 such amount meets the requirements of sub-
19 paragraph (B).

20 “(B) REQUIREMENTS.—An amount meets
21 the requirements of this subparagraph if—

22 “(i) such amount is attributable to
23 qualified capital gain recognized on the
24 sale or exchange by the pass-thru entity of
25 property which is a qualified zone asset in

1 the hands of such entity and which was
2 held by such entity for the period required
3 under subsection (a), and

4 “(ii) such amount is includible in the
5 gross income of the taxpayer by reason of
6 the holding of an interest in such entity
7 which was held by the taxpayer on the date
8 on which such pass-thru entity acquired
9 such asset and at all times thereafter be-
10 fore the disposition of such asset by such
11 pass-thru entity.

12 “(C) LIMITATION BASED ON INTEREST
13 ORIGINALLY HELD BY TAXPAYER.—Subpara-
14 graph (A) shall not apply to any amount to the
15 extent such amount exceeds the amount to
16 which subparagraph (A) would have applied if
17 such amount were determined by reference to
18 the interest the taxpayer held in the pass-thru
19 entity on the date the qualified zone asset was
20 acquired.

21 “(3) PASS-THRU ENTITY.—For purposes of this
22 subsection, the term ‘pass-thru entity’ means—

23 “(A) any partnership,

24 “(B) any S corporation,

1 “(C) any regulated investment company,
2 and

3 “(D) any common trust fund.

4 “(e) SALES AND EXCHANGES OF INTERESTS IN
5 PARTNERSHIPS AND S CORPORATIONS WHICH ARE
6 QUALIFIED ZONE BUSINESSES.—In the case of the sale
7 or exchange of an interest in a partnership, or of stock
8 in an S corporation, which was an enterprise zone business
9 during substantially all of the period the taxpayer held
10 such interest or stock, the amount of qualified capital gain
11 shall be determined without regard to—

12 “(1) any intangible, and any land, which is not
13 an integral part of any qualified business (as defined
14 in section 1397C(b)), and

15 “(2) gain attributable to periods before the des-
16 ignation of an area as a tax enterprise zone.

17 “(f) CERTAIN TAX-FREE AND OTHER TRANSFERS.—
18 For purposes of this section—

19 “(1) IN GENERAL.—In the case of a transfer of
20 a qualified zone asset to which this subsection ap-
21 plies, the transferee shall be treated as—

22 “(A) having acquired such asset in the
23 same manner as the transferor, and

24 “(B) having held such asset during any
25 continuous period immediately preceding the

1 transfer during which it was held (or treated as
2 held under this subsection) by the transferor.

3 “(2) TRANSFERS TO WHICH SUBSECTION AP-
4 PLIES.—This subsection shall apply to any trans-
5 fer—

6 “(A) by gift,

7 “(B) at death, or

8 “(C) from a partnership to a partner
9 thereof of a qualified zone asset with respect to
10 which the requirements of subsection (d)(2) are
11 met at the time of the transfer (without regard
12 to the 5-year holding requirement).

13 “(3) CERTAIN RULES MADE APPLICABLE.—
14 Rules similar to the rules of section 1244(d)(2) shall
15 apply for purposes of this section.

16 “(g) CERTAIN BUSINESSES TREATED AS NOT
17 QUALIFIED BUSINESSES.—For purposes of this section
18 and section 1397A, the term ‘enterprise zone business’ has
19 the meaning given such term by section 1397C except
20 that, in applying section 1397C for such purposes, the
21 term ‘qualified business’ shall not include any trade or
22 business of producing property of a character subject to
23 the allowance for depletion under section 611.

1 **“SEC. 1397A. NONRECOGNITION OF GAIN FROM NEW ZONE**
2 **INVESTMENTS.**

3 “(a) GENERAL RULE.—At the election of an individ-
4 ual, qualified capital gain (within the meaning of section
5 1397) from the sale or exchange of a qualified zone asset
6 shall be recognized only to the extent that—

7 “(1) the amount realized from such sale or ex-
8 change, exceeds

9 “(2) the cost (not heretofore taken into account
10 under this subsection) of any qualified zone asset
11 purchased directly by the taxpayer during the rein-
12 vestment period.

13 “(b) QUALIFIED ZONE ASSET.—For purposes of this
14 section—

15 “(1) IN GENERAL.—The term ‘qualified zone
16 asset’ has the meaning given such term by section
17 1397.

18 “(2) TIME FOR TESTING.—

19 “(A) SALES.—In the case of a sale or ex-
20 change of property, the determination of wheth-
21 er such property is a qualified zone asset shall
22 be made as of the time of the sale or exchange.

23 “(B) PURCHASES.—In the case of a pur-
24 chase of property, the determination of whether
25 such property is a qualified zone asset shall be
26 made as of the time of such purchase.

1 “(c) OTHER DEFINITIONS.—For purposes of this
2 section—

3 “(1) REINVESTMENT PERIOD.—The term ‘rein-
4 vestment period’ means, with respect to any sale or
5 exchange, the 6-month period beginning on the date
6 of such sale or exchange.

7 “(2) PURCHASE.—The term ‘purchase’ has the
8 meaning given to such term by section 179(d)(2).

9 “(d) BUSINESS OR PROPERTY CEASES TO QUAL-
10 IFY.—

11 “(1) IN GENERAL.—If, during the 10-year pe-
12 riod beginning on the date any qualified zone re-
13 placement asset was purchased by the taxpayer,
14 such asset ceases to be a qualified zone asset, not-
15 withstanding any provision of this subtitle other
16 than paragraph (3), the taxpayer shall be treated as
17 disposing of such asset during the taxable year dur-
18 ing which such cessation occurs at its fair market
19 value as of the 1st day of such taxable year.

20 “(2) LIMITATION ON GAIN RECOGNIZED.—The
21 amount of gain recognized pursuant to paragraph
22 (1) with respect to any asset shall not exceed the
23 lesser of—

1 “(A) the amount of gain which was not
2 recognized under subsection (a) by the reason
3 of the purchase of such asset, or

4 “(B) the excess of the fair market value
5 referred to in paragraph (1) over the adjusted
6 basis of such asset.

7 “(3) CESSATION OF ENTERPRISE ZONE STATUS
8 NOT TO CAUSE RECAPTURE.—An asset shall not fail
9 to be treated as a qualified zone asset for purposes
10 of paragraph (1) solely by reason of the termination
11 of a tax enterprise zone designation.

12 “(4) QUALIFIED ZONE REPLACEMENT ASSET.—
13 For purposes of paragraph (1), the term ‘qualified
14 zone replacement asset’ means any qualified zone
15 asset the purchase of which resulted in the non-
16 recognition of gain under subsection (a) with respect
17 to any other property.

18 “(e) BASIS OF QUALIFIED ZONE REPLACEMENT
19 ASSET.—If gain from the sale or exchange of any property
20 is not recognized by reason of subsection (a), such gain
21 shall be applied to reduce (in the order acquired) the basis
22 of any qualified zone replacement asset (as defined in sub-
23 section (d)(4)) purchased during the reinvestment period.

24 “(f) COORDINATION WITH INSTALLMENT METHOD
25 REPORTING.—This section shall not apply to any gain

1 from any installment sale (as defined in section 453(b))
2 if section 453(a) applies to such sale.

3 “(g) STATUTE OF LIMITATIONS.—If any gain is real-
4 ized by the taxpayer on any sale or exchange to which
5 an election under this section applies, then—

6 “(1) the statutory period for the assessment of
7 any deficiency with respect to such gain shall not ex-
8 pire before the expiration of 3 years from the date
9 the Secretary is notified by the taxpayer (in such
10 manner as the Secretary may by regulations pre-
11 scribe) of—

12 “(A) the taxpayer’s cost of purchasing any
13 qualified zone replacement asset,

14 “(B) the taxpayer’s intention not to pur-
15 chase qualified zone replacement asset within
16 the reinvestment period, or

17 “(C) a failure to make such purchase with-
18 in the reinvestment period, and

19 “(2) such deficiency may be assessed before the
20 expiration of such 3-year period notwithstanding the
21 provisions of any law or rule of law which would oth-
22 erwise prevent such assessment.

23 **“SEC. 1397B. ADDITIONAL INCENTIVES.**

24 “(a) INCREASE IN EXPENSING UNDER SECTION
25 179.—In the case of an enterprise zone business, section

1 179(b)(1) shall be applied by substituting ‘\$20,000’ for
2 ‘\$10,000’.

3 “(b) ORDINARY LOSS TREATMENT FOR CERTAIN
4 PROPERTY.—

5 “(1) IN GENERAL.—Loss on any qualified zone
6 asset (as defined in section 1397(b)) held for more
7 than 2 years (5 years in the case of real property)
8 shall be treated as an ordinary loss.

9 “(2) REAL PROPERTY.—For purposes of para-
10 graph (1), the term ‘real property’ means any prop-
11 erty which is section 1250 property (as defined in
12 section 1250(c)).

13 “(3) SPECIAL RULES.—

14 “(A) CERTAIN RULES MADE APPLICA-
15 BLE.—For purposes of this subsection, rules
16 similar to the following rules shall apply:

17 “(i) Paragraphs (1), (2), and (3) of
18 section 1244(d).

19 “(ii) Subsections (b)(6), (c)(3), (d),
20 (e), and (f) of section 1397.

21 “(B) COORDINATION WITH SECTION
22 1231.—Losses treated as ordinary losses by rea-
23 son of this subsection shall not be taken into
24 account in applying section 1231.

1 **“SEC. 1397C. ENTERPRISE ZONE BUSINESS DEFINED.**

2 “(a) IN GENERAL.—For purposes of this subpart, the
3 term ‘enterprise zone business’ means—

4 “(1) any qualified business entity, and

5 “(2) any qualified proprietorship.

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

10 “(1)(A) every trade or business of such entity
11 is the active conduct of a qualified business within
12 a tax enterprise zone, and

13 “(B) at least 80 percent of the total gross in-
14 come of such entity is derived from the active con-
15 duct of such business,

16 “(2) substantially all of the use of the tangible
17 property of such entity (whether owned or leased) is
18 within a tax enterprise zone,

19 “(3) substantially all of the intangible property
20 of such entity is used in, and exclusively related to,
21 the active conduct of any such business,

22 “(4) substantially all of the services performed
23 for such entity by its employees are performed in a
24 tax enterprise zone,

25 “(5) at least $\frac{1}{3}$ of its employees are residents
26 of a tax enterprise zone,

1 “(6) 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 “(7) 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 80 percent of the total gross in-
17 come of such individual from such business is de-
18 rived from the active conduct of such business in a
19 tax enterprise zone,

20 “(2) substantially all of the use of the tangible
21 property of such individual in such business (wheth-
22 er owned or leased) is within a tax enterprise zone,

23 “(3) substantially all of the intangible property
24 of such business is used in, and exclusively related
25 to, the active conduct of such business,

1 “(4) substantially all of the services performed
2 for such individual in such business by employees of
3 such business are performed in a tax enterprise
4 zone,

5 “(5) at least $\frac{1}{3}$ of such employees are residents
6 of a tax enterprise zone,

7 “(6) less than 5 percent of the average of the
8 aggregate unadjusted bases of the property of such
9 individual which is used in such business is attrib-
10 utable to collectibles (as defined in section
11 408(m)(2)) other than collectibles that are held pri-
12 marily for sale to customers in the ordinary course
13 of such business, and

14 “(7) less than 5 percent of the average of the
15 aggregate unadjusted bases of the property of such
16 individual which is used in such business is attrib-
17 utable to nonqualified financial property.

18 For purposes of this subsection, the term ‘employee’ in-
19 cludes the proprietor.

20 “(d) QUALIFIED BUSINESS.—For purposes of this
21 section—

22 “(1) IN GENERAL.—Except as otherwise pro-
23 vided in this subsection, the term ‘qualified business’
24 means any trade or business.

1 “(2) RENTAL OF REAL PROPERTY.—The rental
2 to others of real property located in a tax enterprise
3 zone shall be treated as a qualified business if and
4 only if—

5 “(A) in the case of real property which is
6 not residential rental property (as defined in
7 section 168(e)(2)), the lessee is an enterprise
8 zone business, or

9 “(B) in the case of residential rental prop-
10 erty (as so defined)—

11 “(i) such property was originally
12 placed in service after the date the tax en-
13 terprise zone was designated, or

14 “(ii) such property is rehabilitated
15 after such date in a rehabilitation which
16 meets requirements based on the principles
17 of section 42(e)(3).

18 “(3) RENTAL OF TANGIBLE PERSONAL PROP-
19 erty.—The rental to others of tangible personal
20 property shall be treated as a qualified business if
21 and only if substantially all of the rental of such
22 property is by enterprise zone businesses or by resi-
23 dents of a tax enterprise zone.

24 “(4) TREATMENT OF BUSINESS HOLDING IN-
25 TANGIBLES.—The term ‘qualified business’ shall not

1 include any trade or business consisting predomi-
2 nantly of the development or holding of intangibles
3 for sale or license.

4 “(5) CERTAIN BUSINESSES EXCLUDED.—The
5 term ‘qualified business’ shall not include—

6 “(A) any trade or business consisting of
7 the operation of any facility described in section
8 144(c)(6)(B), and

9 “(B) any trade or business the principal
10 activity of which is farming (within the meaning
11 of subparagraphs (A) or (B) of section
12 2032A(e)(5)), but only if, as of the close of the
13 preceding taxable year, the sum of—

14 “(i) the aggregate unadjusted bases
15 (or, if greater, the fair market value) of
16 the assets owned by the taxpayer which are
17 used in such a trade or business, and

18 “(ii) the aggregate value of assets
19 leased by the taxpayer which are used in
20 such a trade or business,

21 exceeds \$500,000.

22 For purposes of subparagraph (B), rules similar to
23 the rules of section 1395(b) shall apply.

24 “(e) NONQUALIFIED FINANCIAL PROPERTY.—For
25 purposes of this section, the term ‘nonqualified financial

1 property' means debt, stock, partnership interests, op-
2 tions, futures contracts, forward contracts, warrants, no-
3 tional principal contracts, annuities, and other similar
4 property specified in regulations; except that such term
5 shall not include—

6 “(1) reasonable amounts of working capital
7 held in cash, cash equivalents, or debt instruments
8 with a term of 18 months or less, or

9 “(2) debt instruments described in section
10 1221(4).

11 **“Subpart C—Regulations**

 “Sec. 1397C. Regulations.

12 **“SEC. 1397C. REGULATIONS.**

13 “The Secretary shall prescribe such regulations as
14 may be necessary or appropriate to carry out the purposes
15 of this part, including—

16 “(1) regulations limiting the benefit of this part
17 in circumstances where such benefits, in combination
18 with benefits provided under other Federal pro-
19 grams, would result in an activity being 100 percent
20 or more subsidized by the Federal Government,

21 “(2) regulations preventing abuse of the provi-
22 sions of this part, and

23 “(3) regulations dealing with inadvertent fail-
24 ures of entities to be qualified zone businesses.”

1 (b) CLERICAL AMENDMENT.—The table of sub-
2 chapters for chapter 1 is amended by inserting after the
3 item relating to subchapter T the following new item:

“Subchapter U. Designation and treatment of tax enterprise
zones.”

4 **SEC. 103. TECHNICAL AND CONFORMING AMENDMENTS.**

5 (a) ENTERPRISE ZONE EMPLOYMENT CREDIT PART
6 OF GENERAL BUSINESS CREDIT.—

7 (1) Subsection (b) of section 38 (relating to
8 current year business credit) is amended by striking
9 “plus” at the end of paragraph (6), by striking the
10 period at the end of paragraph (7) and inserting “,
11 plus”, and by adding at the end the following new
12 paragraph:

13 “(8) the enterprise zone employment credit de-
14 termined under section 1394(a).”

15 (2) Subsection (d) of section 39 is amended by
16 adding at the end thereof the following new para-
17 graph:

18 “(3) NO CARRYBACK OF SECTION 1394 CREDIT
19 BEFORE ENACTMENT.—No portion of the unused
20 business credit for any taxable year which is attrib-
21 utable to the enterprise zone employment credit de-
22 termined under section 1394 may be carried to a
23 taxable year ending before the date of the enactment
24 of section 1394.”

1 (b) NONITEMIZERS ALLOWED DEDUCTION FOR EN-
2 TERPRISE ZONE STOCK.—Subsection (a) of section 62 is
3 amended by adding at the end thereof the following new
4 paragraph:

5 “(14) ENTERPRISE ZONE STOCK.—The deduc-
6 tion allowed by section 1396.”

7 (c) DENIAL OF DEDUCTION FOR PORTION OF WAGES
8 EQUAL TO ENTERPRISE ZONE EMPLOYMENT CREDIT.—

9 (1) Subsection (a) of section 280C (relating to
10 rule for targeted jobs credit) is amended—

11 (A) by striking “the amount of the credit
12 determined for the taxable year under section
13 51(a)” and inserting “the sum of the credits
14 determined for the taxable year under sections
15 51(a) and 1394(a)”, and

16 (B) by striking “TARGETED JOBS CRED-
17 IT” in the subsection heading and inserting
18 “EMPLOYMENT CREDITS”.

19 (2) Subsection (c) of section 196 (relating to
20 deduction for certain unused business credits) is
21 amended by striking “and” at the end of paragraph
22 (4), by striking the period at the end of paragraph
23 (5) and inserting “, and”, and by adding at the end
24 the following new paragraph:

1 “(6) the enterprise zone employment credit de-
2 termined under section 1394(a).”

3 (d) OTHER AMENDMENTS.—

4 (1)(A) Section 172(d)(2) (relating to modifica-
5 tions with respect to net operating loss deduction) is
6 amended to read as follows:

7 “(2) CAPITAL GAINS AND LOSSES OF TAX-
8 PAYERS OTHER THAN CORPORATIONS.—In the case
9 of a taxpayer other than a corporation—

10 “(A) the amount deductible on account of
11 losses from sales or exchanges of capital assets
12 shall not exceed the amount includable on ac-
13 count of gains from sales or exchanges of cap-
14 ital assets; and

15 “(B) the exclusion provided by section
16 1397 shall not be allowed.”

17 (B) Subparagraph (B) of section 172(d)(4) is
18 amended by inserting “, (2)(B),” after “paragraph
19 (1)”.

20 (2) Subsection (c) of section 381 (relating to
21 carryovers in certain corporate acquisitions) is
22 amended by adding at the end the following new
23 paragraph:

24 “(26) ENTERPRISE ZONE PROVISIONS.—The
25 acquiring corporation shall take into account (to the

1 extent proper to carry out the purposes of this sec-
2 tion and subchapter U, and under such regulations
3 as may be prescribed by the Secretary) the items re-
4 quired to be taken into account for purposes of sub-
5 chapter U in respect of the distributor or transferor
6 corporation.”

7 (3) Paragraph (4) of section 642(c) is amended
8 to read as follows:

9 “(4) ADJUSTMENTS.—To the extent that the
10 amount otherwise allowable as a deduction under
11 this subsection consists of gain described in section
12 1397(a), proper adjustment shall be made for any
13 exclusion allowable to the estate or trust under sec-
14 tion 1397. In the case of a trust, the deduction al-
15 lowed by this subsection shall be subject to section
16 681 (relating to unrelated business income).”

17 (4) Paragraph (3) of section 643(a) is amended
18 by adding at the end thereof the following new sen-
19 tence: “The exclusion under section 1397 shall not
20 be taken into account.”

21 (5) Paragraph (4) of section 691(c) is amended
22 by striking “1201, and 1211” and inserting “1201,
23 1397, and 1211”.

24 (6) The second sentence of paragraph (2) of
25 section 871(a) is amended by inserting “such gains

1 and losses shall be determined without regard to sec-
2 tion 1397 and” after “except that”.

3 (7) Paragraph (1) of section 1371(d) (relating
4 to coordination with investment credit recapture) is
5 amended by inserting before the period at the end
6 the following “and for purposes of section
7 1394(d)(3)”.

8 (8) Subsection (a) of section 1016 (relating to
9 adjustments to basis) is amended by striking “and”
10 at the end of paragraph (23), by striking the period
11 at the end of paragraph (24) and inserting a semi-
12 colon, and by adding at the end thereof the following
13 new paragraphs:

14 “(25) in the case of stock with respect to which
15 a deduction was allowed under section 1396(a), to
16 the extent provided in section 1396(e); and

17 “(26) in the case of property the acquisition of
18 which resulted under section 1397A in the non-
19 recognition of any part of the gain realized on the
20 sale or exchange of other property, to the extent pro-
21 vided in section 1397A(e).”

22 (9) Section 1223 (relating to holding period of
23 property) is amended by redesignating paragraph
24 (15) as paragraph (16) and by inserting after para-
25 graph (14) the following new paragraph:

1 “(15) In determining the period for which the
2 taxpayer has held property the acquisition of which
3 resulted under section 1397A in the nonrecognition
4 of any part of the gain realized on the sale or ex-
5 change of any qualified zone asset (as defined in sec-
6 tion 1397A(b)), there shall be included the period
7 for which such asset had been held as of the date
8 of such sale or exchange.”

9 **SEC. 104. EFFECTIVE DATE.**

10 (a) GENERAL RULE.—The amendments made by this
11 subtitle shall take effect on the date of the enactment of
12 this Act.

13 (b) REQUIREMENT FOR RULES.—Not later than the
14 date 4 months after the date of the enactment of this Act,
15 the appropriate Secretaries shall issue rules—

16 (1) establishing the procedures for nominating
17 areas for designation as tax enterprise zones,

18 (2) establishing a method for comparing the
19 factors listed in section 1392(d) of the Internal Rev-
20 enue Code of 1986 (as added by this part), and

21 (3) providing that State and local governments
22 shall have at least 30 days after such rules are pub-
23 lished to file applications for nominated areas before
24 such applications are evaluated and compared and
25 any area designated as a tax enterprise zone.

1 **Subtitle B—Redevelopment Bonds**
2 **for Tax Enterprise Zones**

3 **SEC. 111. SPECIAL RULES FOR REDEVELOPMENT BONDS**
4 **PROVIDING FINANCING FOR TAX ENTER-**
5 **PRISE ZONES.**

6 (a) IN GENERAL.—Subsection (c) of section 144 (re-
7 relating to qualified redevelopment bonds) is amended by
8 adding at the end thereof the following new paragraph:

9 “(9) SPECIAL RULES FOR TAX ENTERPRISE
10 ZONES.—For purposes of this subsection, in the case
11 of bonds issued during the 60-month period begin-
12 ning on the date a tax enterprise zone is des-
13 ignated—

14 “(A) TREATMENT AS DESIGNATED
15 BLIGHTED AREA.—Such tax enterprise zone
16 shall be treated as a designated blighted area
17 during such 60-month period (or, if shorter, the
18 period such designation is in effect). Any area
19 designated by reason of the preceding sentence
20 shall not be taken into account in applying
21 paragraph (4)(C).

22 “(B) SECURITY FOR BONDS.—The require-
23 ments of paragraph (2)(B) shall be treated as
24 met with respect to a financed area that is
25 within a tax enterprise zone if the general pur-

1 pose governmental unit guarantees the payment
2 of principal and interest on the issue either di-
3 rectly or through insurance, a letter of credit,
4 or a similar agreement but only if the cost
5 thereof is financed other than with proceeds of
6 any tax-exempt private activity bond or earn-
7 ings on such proceeds.

8 “(C) EXPANSION OF REDEVELOPMENT
9 PURPOSES.—

10 “(i) IN GENERAL.—The term ‘revel-
11 opment purposes’ includes the making of
12 loans to any enterprise zone business (as
13 defined in section 1397B) for—

14 “(I) the acquisition of land with-
15 in the tax enterprise zone for use in
16 such business, or

17 “(II) the acquisition, construc-
18 tion, reconstruction, or improvement
19 by such business of land, or property
20 of a character subject to the allowance
21 for depreciation, for use in such busi-
22 ness.

23 “(ii) \$2,500,000 LIMITATION.—Clause
24 (i) shall apply to loans made to any enter-
25 prise zone business only if the aggregate

1 principal amount of such loans (whether or
2 not financed by the same issue) does not
3 exceed \$2,500,000. For purposes of the
4 preceding sentence, all persons treated as a
5 single employer under subsection (a) or (b)
6 of section 52 shall be treated as 1 person.

7 “(iii) LOANS MUST BE MADE WITHIN
8 18 MONTHS AFTER BONDS ISSUED; REPAY-
9 MENTS MUST BE USED FOR REDEMP-
10 TIONS.—Clause (i) shall apply only to
11 loans—

12 “(I) made during the 18-month
13 period beginning on the date of issu-
14 ance of the issue financing such loan,

15 “(II) repayments of principal on
16 which are used not later than the
17 close of the 1st semiannual period be-
18 ginning after the date the repayment
19 is received to redeem bonds which are
20 part of such issue, and

21 “(III) the effective rate of inter-
22 est on which does not exceed the yield
23 on the issue by more than 0.125 per-
24 centage points.

1 In determining the effective rate of interest
2 for purposes of subclause (III), there shall
3 be taken into account all fees, charges, and
4 other amounts (other than amounts for
5 any credit report) borne by the borrower
6 which are attributable to the loan or the
7 bond issue.

8 “(iv) HOUSING LOANS EXCLUDED.—
9 Clause (i) shall not apply to any loan to be
10 used directly or indirectly to provide resi-
11 dential real property.

12 “(v) COORDINATION WITH RESTRIC-
13 TIONS ON USE OF PROCEEDS.—Paragraphs
14 (6) and (8) shall apply notwithstanding
15 clause (i); except that in applying para-
16 graph (6), subsection (a)(8) shall be treat-
17 ed as not including a reference to a facility
18 the primary purpose of which is retail food
19 services.

20 “(D) ISSUER TO DESIGNATE AMOUNT OF
21 ISSUE TO BE USED FOR LOANS.—Subparagraph
22 (C) shall not apply with respect to any issue
23 unless the issuer designates before the date of
24 issuance the amount of the proceeds of such
25 issue which is to be used for loans to which

1 subparagraph (C)(i) applies. If such amount ex-
2 ceeds the principal amount of loans to which
3 subparagraph (C)(i) applies, an amount of pro-
4 ceeds equal to such excess shall be used not
5 later than the close of the 1st semiannual pe-
6 riod beginning after the close of the 18-month
7 period referred to in subparagraph (C)(iii) to
8 redeem bonds which are part of such issue.

9 “(E) DE MINIMIS REDEMPTIONS NOT RE-
10 QUIRED.—Subparagraphs (C)(iii) and (D) shall
11 not be construed to require amounts of less
12 than \$250,000 to be used to redeem bonds. The
13 Secretary may by regulation treat related issues
14 as 1 issue for purposes of the preceding sen-
15 tence.

16 “(F) PENALTY.—

17 “(i) IN GENERAL.—In the case of
18 property with respect to which financing
19 was provided under this paragraph, if at
20 any time during the 10-month period be-
21 ginning on the date such financing was
22 provided—

23 “(I) such property ceases to be in
24 use in an enterprise zone business (as
25 defined in section 1397B), or

1 “(II) substantially all of the use
2 of such property ceases to be in a tax
3 enterprise zone,
4 there is hereby imposed on the trade or
5 business to which such financing was pro-
6 vided a penalty equal to 1.25 percent of so
7 much of the face amount of all financing
8 provided (whether or not from the same
9 issue and whether or not such issue is out-
10 standing) before such cessation to the
11 trade or business using such property.

12 “(ii) NO PENALTY BY REASON OF
13 ZONE TERMINATION.—No penalty shall be
14 imposed under clause (i) solely by reason
15 of the termination or revocation of a tax
16 enterprise zone designation.

17 “(iii) EXCEPTION FOR BANK-
18 RUPTCY.—Clause (i) shall not apply to any
19 cessation resulting from bankruptcy.”

20 (b) VOLUME CAP ONLY CHARGED WITH 50 PER-
21 CENT OF TAX ENTERPRISE ZONE REDEVELOPMENT
22 BONDS.—Subsection (g) of section 146 is amended by
23 striking “and” at the end of paragraph (3), by striking
24 the period at the end of paragraph (4) and inserting “,

1 and”, and by adding at the end thereof the following new
2 paragraph:

3 “(5) 50 percent of any qualified redevelopment
4 bond issued—

5 “(A) as part of an issue 95 percent or
6 more of the net proceeds of which are to be
7 used for 1 or more redevelopment purposes (as
8 defined in section 144(c)) in a tax enterprise
9 zone, and

10 “(B) during the 60-month period begin-
11 ning on the date of the designation of such
12 zone.”

13 (c) PENALTIES FOR LOANS MADE TO BUSINESSES
14 THAT CEASE TO BE ENTERPRISE ZONE BUSINESSES,
15 ETC.—Subsection (b) of section 150 is amended by adding
16 at the end thereof the following new paragraph:

17 “(6) ENTERPRISE ZONE REDEVELOPMENT
18 BONDS.—In the case of any financing provided by
19 an issue the interest on which is exempt from tax by
20 reason of section 144(c)(9)—

21 “(A) IN GENERAL.—No deduction shall be
22 allowed under this chapter for interest on such
23 financing which accrues during the period be-
24 ginning on the first day of the calendar year
25 which includes the date on which—

1 “(i) the trade or business to which the
2 financing was provided ceases to be an en-
3 terprise zone business (as defined in sec-
4 tion 1397B), or

5 “(ii) substantially all of the use of the
6 property (determined in accordance with
7 subchapter U) with respect to which the fi-
8 nancing was provided ceases to be in a tax
9 enterprise zone.

10 The preceding sentence shall not apply solely by
11 reason of the termination or revocation of a tax
12 enterprise zone designation.

13 “(B) EXCEPTION FOR BANKRUPTCY.—This
14 paragraph shall not apply to any cessation re-
15 sulting from bankruptcy.”

16 **TITLE II—AREAS AFFECTED BY**
17 **MILITARY BASE CLOSINGS OR**
18 **REDUCTIONS IN MILITARY**
19 **BASE EMPLOYMENT TREATED**
20 **AS ENTERPRISE ZONES**

21 **SEC. 201. ENTERPRISE ZONE TREATMENT.**

22 (a) IN GENERAL.—Subchapter U of chapter 1 (relat-
23 ing to designation and treatment of tax enterprise zones),
24 as added by title I, is amended by adding at the end there-
25 of the following new part:

1 **“PART III—AREAS AFFECTED BY MILITARY BASE**
2 **CLOSINGS OR REDUCTIONS IN MILITARY**
3 **BASE EMPLOYMENT TREATED AS ENTER-**
4 **PRISE ZONES**

“Sec. 1398E. Treatment of areas affected by military base clos-
ings, etc.

5 **“SEC. 1398E. TREATMENT OF AREAS AFFECTED BY MILI-**
6 **TARY BASE CLOSINGS, ETC.**

7 “(a) IN GENERAL.—For purposes of part II of this
8 subchapter and section 144(c)(9), the term ‘tax enterprise
9 zone’ includes—

10 “(1) each military installation selected for clo-
11 sure or substantial realignment under a base closure
12 law, and

13 “(2) so much of the area around such an instal-
14 lation as the Secretary of Commerce determines is
15 adversely affected by such closure or realignment.

16 “(b) TIME OF DESIGNATIONS.—

17 “(1) IN GENERAL.—An area treated as a tax
18 enterprise zone under subsection (a) shall be treated
19 as designated—

20 “(A) in a case described in subsection
21 (a)(1), on the date which is 60 days after the
22 date on which the installation is recommended
23 for closure or substantial realignment in a base
24 closure report transmitted to the Congress by

1 the President pursuant to section 2903(e) of
2 the Defense Base Closure and Realignment Act
3 of 1990 (part A of title XXIX of Public Law
4 101–510; 10 U.S.C. 2687 note), and

5 “(B) in a case described in subsection
6 (a)(2), on the date of the determination de-
7 scribed in subsection (a)(2).

8 “(2) CLOSURES, ETC., BEFORE ENACTMENT OF
9 INCENTIVES.—In the case of military installations
10 selected for closure or substantial realignment before
11 the date of the enactment of this subchapter, the
12 designation under subsection (a)(1) shall be treated
13 as made on such date.

14 “(3) DISAPPROVED REPORTS.—Subsection (a)
15 shall apply to any installation by reason of inclusion
16 in any base closure report only if such report is not
17 disapproved by the Congress in a joint resolution en-
18 acted under section 2908 of the Defense Base Clo-
19 sure and Realignment Act of 1990.

20 “(c) TREATMENT OF DESIGNATED INSTALLA-
21 TIONS.—Tax enterprise zones designated under subsection
22 (a) shall be in addition to the number of tax enterprise
23 zones which may be designated under part I.

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

1 “(1) BASE CLOSURE LAW.—The term ‘base clo-
2 sure law’ means—

3 “(A) the Defense Base Closure and Re-
4 alignment Act of 1990 (part A of title XXIX of
5 Public Law 101–510; 10 U.S.C. 2687 note);
6 and

7 “(B) title II of the Defense Authorization
8 Amendments and Base Closure and Realign-
9 ment Act (Public Law 100–526; 10 U.S.C.
10 2687 note).

11 “(2) SUBSTANTIAL REALIGNMENT.—The term
12 ‘substantial realignment’ means a reduction in the
13 operation of a military installation such that 50 per-
14 cent or more of the personnel assigned to or em-
15 ployed at the military installation, including civilian
16 employees of the Department of Defense and mem-
17 bers of the Armed Forces, are reassigned or trans-
18 ferred to another military installation.”

19 (b) CLERICAL AMENDMENT.—The table of parts for
20 subchapter U of chapter 1, as added by title I of this Act,
21 is amended by adding at the end thereof the following new
22 item:

 “Part III—Areas affected by military base closings or reductions
 in military base employment treated as enterprise
 zones.”

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