

116TH CONGRESS
2D SESSION

H. R. 6443

To secure the national supply chain by providing tax incentives in economically distressed areas of the United States and its possessions.

IN THE HOUSE OF REPRESENTATIVES

APRIL 3, 2020

Miss GONZÁLEZ-COLÓN of Puerto Rico (for herself, Mr. GALLEG0, Mr. KING of New York, Ms. SHALALA, and Mr. SOTO) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To secure the national supply chain by providing tax incentives in economically distressed areas of the United States and its possessions.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Securing the National
5 Supply Chain Act of 2020”.

6 **SEC. 2. ECONOMICALLY DISTRESSED ZONES.**

7 (a) IN GENERAL.—Chapter 1 of the Internal Rev-
8 enue Code of 1986 is amended by adding at the end the
9 following new subchapter:

1 **“Subchapter AA—Economically Distressed**
2 **Zones**

“Sec. 1400AA-1. Economically distressed zone credit.

“Sec. 1400AA-2. Designation of economically distressed zones.

3 **“SEC. 1400AA-1. ECONOMICALLY DISTRESSED ZONE CRED-**
4 **IT.**

5 “(a) ALLOWANCE OF CREDIT.—There shall be al-
6 lowed as a credit against the tax imposed by subtitle A
7 for the taxable year an amount equal to the sum of—

8 “(1) an amount equal to 40 percent of the sum
9 of—

10 “(A) the aggregate amount of the tax-
11 payer’s economically distressed zone wages for
12 such taxable year, plus

13 “(B) the allocable employee fringe benefit
14 expenses of the taxpayer for such taxable year,

15 “(2) an amount equal to 40 percent of the de-
16 preciation and amortization allowances for the tax-
17 able year with respect to property of the taxpayer
18 which are located and used in the active conduct of
19 a trade or business within an economically distressed
20 zone, and

21 “(3) an amount equal to 30 percent of the pay-
22 ments made by the taxpayer in course of a trade or
23 business for purchases of services or tangible prop-
24 erty from an unrelated person (40 percent in the

1 case of such a purchase from an unrelated minority
2 business) located within an economically distressed
3 zone.

4 “(b) DENIAL OF DOUBLE BENEFIT.—Any wages or
5 other expenses taken into account in determining the cred-
6 it under this section may not be taken into account in de-
7 termining the credit under sections 41, and any other pro-
8 vision determined by the Secretary to be substantially
9 similar.

10 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-
11 poses of this section—

12 “(1) QUALIFIED ECONOMICALLY DISTRESSED
13 ZONE WAGES.—

14 “(A) IN GENERAL.—The term ‘qualified
15 economically distressed zone wages’ means
16 amounts paid or incurred by the taxpayer for
17 the taxable year which are—

18 “(i) in connection with the active con-
19 duct of a trade or business of the taxpayer
20 within an economically distressed zone, and

21 “(ii) for wages of an employee for
22 services provided, and the principal place
23 of employment of whom is, in such eco-
24 nomically distressed zone.

1 “(B) LIMITATION ON AMOUNT OF WAGES
2 TAKEN INTO ACCOUNT.—

3 “(i) IN GENERAL.—The amount of
4 wages which may be taken into account
5 under subparagraph (A) with respect to
6 any employee for any taxable year shall
7 not exceed the contribution and benefit
8 base determined under section 230 of the
9 Social Security Act for the calendar year
10 in which such taxable year begins.

11 “(ii) TREATMENT OF PART-TIME EM-
12 PLOYEES, ETC.—If—

13 “(I) any employee is not em-
14 ployed by the taxpayer on a substan-
15 tially full-time basis at all times dur-
16 ing the taxable year, or

17 “(II) the principal place of em-
18 ployment of any employee is not with-
19 in an economically distressed zone at
20 all times during the taxable year,

21 the limitation applicable under clause (i)
22 with respect to such employee shall be the
23 appropriate portion (as determined by the
24 Secretary) of the limitation which would
25 otherwise be in effect under clause (i).

1 “(C) TREATMENT OF CERTAIN EMPLOY-
2 EES.—The term ‘qualified economically dis-
3 tressed zone wages’ shall not include any wages
4 paid to employees who are assigned by the em-
5 ployer to perform services for another person,
6 unless the principal trade or business of the
7 employer is to make employees available for
8 temporary periods to other persons in return
9 for compensation.

10 “(2) ALLOCABLE EMPLOYEE FRINGE BENEFIT
11 EXPENSES.—

12 “(A) IN GENERAL.—The term ‘allocable
13 employee fringe benefit expenses’ means the ag-
14 gregate amount allowable as a deduction under
15 this chapter to the taxpayer for the taxable year
16 for the following amounts which are allocable to
17 employment in an economically distressed zone:

18 “(i) Employer contributions under a
19 stock bonus, pension, profit-sharing, or an-
20 nuity plan.

21 “(ii) Employer-provided coverage
22 under any accident or health plan for em-
23 ployees.

24 “(iii) The cost of life or disability in-
25 surance provided to employees.

1 “(B) ALLOCATION.—For purposes of sub-
2 paragraph (A), an amount shall be treated as
3 allocable to an economically distressed zone only
4 if such amount is with respect to employment
5 of an individual for services provided, and the
6 principal place of employment of whom is, in
7 such zone.

8 “(3) MINORITY BUSINESS.—

9 “(A) IN GENERAL.—The term ‘minority
10 business’ means—

11 “(i) a sole proprietorship carried on
12 by a qualified individual, or

13 “(ii) a corporation or partnership—

14 “(I) at least 50 percent of the
15 ownership interests in which are held
16 by one or more qualified individuals,
17 and

18 “(II) of which a qualified indi-
19 vidual is the president or chief execu-
20 tive officer (or a substantially equiva-
21 lent position).

22 “(B) QUALIFIED INDIVIDUAL.—The term
23 ‘qualified individual’ means any individual
24 who—

1 “(i) is of Asian-Indian, Asian-Pacific,
2 Black, Hispanic or Native American origin
3 or descent, and

4 “(ii) is a United States citizen or legal
5 resident of the United States or any of its
6 territories or possessions.

7 “(4) AGGREGATION RULES.—

8 “(A) IN GENERAL.—Members of an affili-
9 ated group shall be treated as a single taxpayer.

10 “(B) AFFILIATED GROUP.—The term
11 ‘qualified group’ means an affiliated group (as
12 defined in section 1504(a), determined without
13 regard to section 1504(b)(3)) one or more
14 members of which are engaged in the active
15 conduct of a trade or business within an eco-
16 nomically distressed zone.

17 “(C) RELATED PERSONS.—Persons shall
18 be treated as related to each other if such per-
19 sons would be treated as a single employer
20 under the regulations prescribed under section
21 52(b).

22 “(d) SPECIAL RULES TO SECURE THE NATIONAL
23 SUPPLY CHAIN.—

1 “(1) IN GENERAL.—In the case of a qualified
2 manufacturing facility, subsection (a) shall be ap-
3 plied—

4 “(A) by substituting ‘50 percent’ for ‘40
5 percent’ each place it appears therein, and

6 “(B) by substituting ‘50 percent’ for ‘30
7 percent’ in paragraph (3) therein.

8 “(2) QUALIFIED MANUFACTURING FACILITY.—
9 For purposes of this subsection, the term ‘qualified
10 manufacturing facility’ means any manufacturing fa-
11 cility if—

12 “(A) such manufacturing facility produces
13 property required to be maintained in the stra-
14 tegic national stockpile under section 319F–2 of
15 the Public Health Service Act, and

16 “(B) the production of such manufacturing
17 facility is moved to the United States (including
18 any possession of the United States) from a
19 foreign country that the United States Trade
20 Representative has determined could pose a risk
21 to the national supply chain because of political
22 or social factors.

1 **“SEC. 1400AA-2. DESIGNATION OF ECONOMICALLY DIS-**
2 **TRESSED ZONES.**

3 “(a) IN GENERAL.—For purposes of this subchapter,
4 the term ‘economically distressed zone’ means any popu-
5 lation census tract which—

6 “(1) has a poverty rate of not less than 35 per-
7 cent for each of the 5 most recent calendar years for
8 which information is available, or

9 “(2) satisfies each of the following require-
10 ments:

11 “(A) has pervasive poverty, unemployment,
12 low labor force participation, and general dis-
13 tress measured as a prolonged period of eco-
14 nomic decline measured by real gross national
15 product,

16 “(B) has a poverty rate of not less than 30
17 percent, and

18 “(C) has been designated as such by the
19 Secretary and the Secretary of Commerce pur-
20 suant to an application under subsection (b).

21 “(b) APPLICATION FOR DESIGNATION.—

22 “(1) IN GENERAL.—An application for designa-
23 tion as an economically distressed zone may be filed
24 by a State or local government in which the popu-
25 lation census tract to which the application applies
26 is located.

1 “(2) REQUIREMENTS.—Such application shall
2 include a strategic plan for accomplishing the pur-
3 poses of this subchapter, which—

4 “(A) describes the coordinated economic,
5 human, community, and physical development
6 plan and related activities proposed for the
7 nominated area,

8 “(B) describes the process by which the af-
9 fected community is a full partner in the proc-
10 ess of developing and implementing the plan
11 and the extent to which local institutions and
12 organizations have contributed to the planning
13 process,

14 “(C) identifies the amount of State, local,
15 and private resources that will be available in
16 the nominated area and the private/public part-
17 nerships to be used, which may include partici-
18 pation by, and cooperation with, universities,
19 medical centers, and other private and public
20 entities,

21 “(D) identifies the funding requested
22 under any Federal program in support of the
23 proposed economic, human, community, and
24 physical development and related activities,

1 “(E) identifies baselines, methods, and
2 benchmarks for measuring the success of car-
3 rying out the strategic plan, including the ex-
4 tent to which poor persons and families will be
5 empowered to become economically self-suffi-
6 cient, and

7 “(F) does not include any action to assist
8 any establishment in relocating from one area
9 outside the nominated area to the nominated
10 area, except that assistance for the expansion of
11 an existing business entity through the estab-
12 lishment of a new branch, affiliate, or sub-
13 sidiary is permitted if—

14 “(i) the establishment of the new
15 branch, affiliate, or subsidiary will not re-
16 sult in a decrease in employment in the
17 area of original location or in any other
18 area where the existing business entity
19 conducts business operations,

20 “(ii) there is no reason to believe that
21 the new branch, affiliate, or subsidiary is
22 being established with the intention of clos-
23 ing down the operations of the existing
24 business entity in the area of its original
25 location or in any other area where the ex-

1 isting business entity conducts business op-
2 eration, and

3 “(iii) includes such other information
4 as may be required by the Secretary and
5 the Secretary of Commerce.

6 “(c) PERIOD FOR WHICH DESIGNATIONS ARE IN EF-
7 fect.—Designation as an economically distressed zone
8 may be made at any time during the 10-year period begin-
9 ning on the date of the enactment of this section, and shall
10 remain in effect with respect to such zone during the 15-
11 year period beginning on the date of such designation.
12 Economically distressed zones described in subsection
13 (a)(1) shall take effect on the date of the enactment of
14 this Act and shall remain in effect during the 15-year pe-
15 riod beginning on such date.

16 “(d) TERRITORIES AND POSSESSIONS.—The term
17 ‘State’ includes territories and possessions of the United
18 States.

19 “(e) REGULATIONS.—The Secretary shall issue such
20 regulations or other guidance as may be necessary or ap-
21 propriate to carry out the purposes of this section, includ-
22 ing—

23 “(1) not later than 30 days after the date of
24 the enactment of this section, a list of the population
25 census tracts described in subsection (a)(1), and

1 “(2) not later than 60 days after the date of
2 the enactment of this section, regulations or other
3 guidance regarding the designation of population
4 census tracts described in subsection (a)(2).”.

5 (b) **EFFECTIVE DATE.**—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2019.

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