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112TH CONGRESS
2D SESSION

H. R. 6500

To establish the Detroit Jobs Trust Fund and to temporarily provide a zero percent capital gains rate for certain new investments in Detroit, Michigan.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 21, 2012

Mr. CLARKE of Michigan (for himself, Mr. CLAY, and Ms. NORTON) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Oversight and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To establish the Detroit Jobs Trust Fund and to temporarily provide a zero percent capital gains rate for certain new investments in Detroit, Michigan.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Detroit Economic Competitiveness Act".

SEC. 2. DETROIT JOBS TRUST FUND.

(a) IN GENERAL.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 9512. DETROIT JOBS TRUST FUND.

"(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Detroit Jobs Trust Fund', consisting of such amounts as may be appropriated or credited to such fund as provided in this section or section 9602(b).

"(b) TRANSFERS TO TRUST FUND.—There are hereby appropriated to the Detroit Jobs Trust Fund amounts equivalent to receipts in the Treasury of taxes (including all income, excise, and employment taxes whether imposed with respect to individuals or businesses) imposed under this title (with respect to periods after the date of the enactment of this section) which are (as determined by the Secretary) attributable to Detroit, Michigan. The city of Detroit, Michigan, shall provide the Secretary such information as the Secretary may request for purposes of making the determinations required under this subsection. For purposes of this subsection, the taxes imposed on a corporation or other business entity shall not be treated as attributable to Detroit, Michigan, merely because the headquarters of such corporation or entity is located in Detroit, Michigan.

"(c) EXPENDITURES.—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, amounts in the Detroit Jobs Trust Fund shall (without need of any further appropriation) be distributed annually by the Secretary to the city of Detroit, Michigan, to carry out the purposes described in paragraph (2).

"(2) USE OF EXPENDITURES.—Amounts distributed to the city of Detroit, Michigan, under this section shall be used for the following purposes and in the following order of priority:

"(A) First, of the amounts distributed with respect the annual period not in excess of the Detroit income tax suspension hold harmless amount, for any purpose determined by the city government of Detroit, Michigan.

"(B) Second, for payment of principal and interest on any general obligation issued by the city of Detroit, Michigan (to the extent of such obligations).

"(C) Third, for payment of principal and interest on obligations to which section 103 applies and the proceeds of which were used for the public schools of the city of Detroit, Michigan (to the extent of such obligations).

"(D) Fourth, for jobs development, public safety, education, business infrastructure, or public infrastructure (to the extent consistent with the plan described in paragraph (4)).

"(3) RESTRICTION ON DISTRIBUTIONS.—No distribution shall be made by the Secretary under paragraph (1) unless—

"(A) the city of Detroit, Michigan, does not impose an income tax with respect to the period to which such distribution relates,

"(B) such city has reduced the aggregate property taxes imposed by an amount not less than the reduction in the payment obligations of such city by reason of the payments described in paragraph (2),

"(C) all prior distributions made to the city under paragraph (2) were used by the city in a manner consistent with the requirements of paragraph (2), and

"(D) such city has provided such information to the Comptroller General of the United States as the Comptroller General may request to carry out section 2(b) of the Detroit Economic Competitiveness Act.

"(4) 5-YEAR DEVELOPMENT PLAN.—A plan is described in this paragraph if such plan—

"(A) is a 5-year plan describing development goals for Detroit, Michigan, and detailing how distributions for purposes described in paragraph (2)(D) will be spent,

"(B) has been approved by simple majority vote of the City Council of Detroit, Michigan (after consultation with the Detroit Board of Education), and

"(C) has been submitted to, and approved by, the Secretary of the Treasury, the Secretary of Housing and Urban Development, and the Secretary of Education.

No distribution shall be made under paragraph (1) for a purpose described in paragraph (2)(D) unless a plan described in this paragraph is in effect and all prior such distributions for such purposes were used in accordance with such plan.

"(5) SPECIAL RULES DURING PERIOD OF PLAN DEVELOPMENT.—During the period during which the plan described in paragraph (4) is developed (but not in excess of the 5-month period beginning on the date of the first distribution under paragraph (1)), amounts distributed may be used concurrently

for the purposes described in subparagraphs (A), (B), and (C) of paragraph (2).

"(6) DETROIT INCOME TAX SUSPENSION HOLD HARMLESS AMOUNT.—

"(A) IN GENERAL.—For purposes of paragraph (2)(A), the term 'Detroit income tax suspension hold harmless amount' means the amount (as determined by the Secretary) of revenue collected by the city of Detroit pursuant to the income tax imposed by such city during the calendar year preceding the calendar year which includes the date of the enactment of this section.

"(B) CROSS REFERENCE.—For provision which requires suspension of the Detroit income tax, see paragraph (3)(A).

"(C) TAX RETURNS MAY STILL BE REQUIRED.—The city of Detroit, Michigan, shall not be treated as failing to satisfy the requirement of paragraph (3)(A) with respect to any period merely because taxpayers are required to file tax returns and report income with respect to such period.

"(7) AMOUNTS MADE AVAILABLE NOT TO REDUCE OTHER FUNDING.—Amounts distributed to the

city of Detroit, Michigan, under this section shall supplement, and not supplant, any other funding (including any Federal funding) for such city.

"(d) TERMINATION.—No amount shall be distributed from, or appropriated to, the Detroit Jobs Trust Fund after the 5-year period beginning on the date of the enactment of this section. Any amounts remaining in such Trust Fund at the end of such period shall be transferred to the general fund of the Treasury. The 5-year period specified in this subsection shall not be renewed or extended.".

(b) GAO REPORTS.—The Comptroller General of the United States shall submit an annual report to Congress which—

(1) describes the manner and purposes for which distributions made from the Detroit Jobs Trust Fund have been used,

(2) describes the extent to which progress has been made toward meeting the development goals under the plan described in section 9512(c)(4) of the Internal Revenue Code of 1986 (as added by this section) and whether such progress is consistent with meeting such goals, and

(3) includes any recommendations the Comptroller General may have regarding improvements to the program described in section 9512 of such Code.

The first such annual report shall be submitted not later than 90 days after the 1-year period beginning on the date of the enactment of this Act and the last such annual report shall be submitted not later than 90 days after the date on which the Detroit Jobs Trust Fund terminates pursuant to section 9512(d) of such Code.

(c) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 98 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"Sec. 9512. Detroit Jobs Trust Fund.".

SEC. 3. ZERO CAPITAL GAINS RATE FOR CERTAIN NEW INVESTMENTS IN DETROIT, MICHIGAN.

(a) IN GENERAL.—Subchapter Y of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new part:

"PART IV—CERTAIN NEW INVESTMENTS IN DETROIT, MICHIGAN

"Sec. 1400V. Zero capital gains rate for certain new investments in Detroit, Michigan.

"SEC. 1400V. ZERO CAPITAL GAINS RATE FOR CERTAIN NEW INVESTMENTS IN DETROIT, MICHIGAN.

"(a) IN GENERAL.—Gross income does not include any qualified capital gain from the sale or exchange of a specified new investment held for more than 1 year.

"(b) SPECIFIED NEW INVESTMENT.—For purposes of this section—

"(1) IN GENERAL.—The term 'specified new investment' means—

"(A) any qualified stock,

"(B) any qualified partnership interest, and

"(C) any qualified business property.

"(2) QUALIFIED STOCK.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified stock' means any stock in a domestic corporation if—

"(i) such stock is acquired by the taxpayer during the 1-year period beginning on the date of the enactment of this section, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash,

"(ii) as of the time such stock was issued, such corporation was a specified Detroit business (or, in the case of a new

corporation, such corporation was being organized for purposes of being a specified Detroit business), and

"(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a specified Detroit business.

"(B) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

"(3) QUALIFIED PARTNERSHIP INTEREST.—The term 'qualified partnership interest' means any capital or profits interest in a domestic partnership if—

"(A) such interest is acquired by the taxpayer during the 1-year period beginning on the date of the enactment of this section, from the partnership solely in exchange for cash,

"(B) as of the time such interest was acquired, such partnership was a specified Detroit business (or, in the case of a new partnership, such partnership was being organized for purposes of being a specified Detroit business), and

"(C) during substantially all of the taxpayer's holding period for such interest, such

partnership qualified as a specified Detroit business.

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

"(4) QUALIFIED BUSINESS PROPERTY.—

"(A) IN GENERAL.—The term 'qualified business property' means tangible property if—

"(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) during the 1-year period beginning on the date of the enactment of this section,

"(ii) the original use of such property in Detroit, Michigan, commences with the taxpayer, and

"(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a specified Detroit business of the taxpayer.

"(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

"(i) property which is substantially improved by the taxpayer before the end of the period described in subparagraph (A)(i), and

"(ii) any land on which such property is located.

The determination of whether a property is substantially improved shall be made under clause (ii) of section 1400B(b)(4)(B), except that 'the date of the enactment of section 1400V' shall be substituted for 'December 31, 1997' in such clause.

"(c) QUALIFIED CAPITAL GAIN.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'qualified capital gain' means any gain recognized on the sale or exchange of—

"(A) a capital asset, or

"(B) property used in the trade or business (as defined in section 1231(b)).

"(2) GAIN BEFORE ENACTMENT NOT QUALIFIED.—The term 'qualified capital gain' shall not include any gain attributable to periods before the date of the enactment of this section.

"(3) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (3), (4), and (5) of section 1400B(e) shall apply for purposes of this subsection.

"(d) SPECIFIED DETROIT BUSINESS.—For purposes of this section, the term 'specified Detroit business' means any enterprise zone business (as defined in section 1397C), determined—

"(1) without regard to subsections (b)(6) and (c)(5) thereof,

"(2) by substituting '80 percent' for '50 percent' in subsections (b)(2) and (c)(1) thereof,

"(3) by treating Detroit, Michigan, as an empowerment zone (and by treating no area other than Detroit, Michigan, as an empowerment zone).

"(e) CERTAIN RULES TO APPLY.—For purposes of this section, rules similar to the rules of paragraphs (6) and (7) of subsection (b), and subsections (f) and (g), of section 1400B shall apply; except that for such purposes section 1400B(g)(2) shall be applied by substituting 'before the date of the enactment of section 1400V' for 'before January 1, 1998, or after December 31, 2014'.

"(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the

1 purposes of this section, including regulations to prevent
2 the abuse of the purposes of this section.''.

3 (b) CLERICAL AMENDMENT.—The table of parts for
4 subchapter Y of chapter 1 of such Code is amended by
5 adding at the end the following new item:

''PART IV. CERTAIN NEW INVESTMENTS IN DETROIT, MICHIGAN''.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to property acquired after the date
8 of the enactment of this Act.

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