

112TH CONGRESS  
2D SESSION

# H. R. 6487

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

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 21, 2012

Mr. MCKINLEY (for himself, Mr. CRITZ, Mr. RAHALL, and Mr. RUSH) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Manufacturing Eco-  
5 nomic Recovery Act of 2012”.

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

8 (a) IN GENERAL.—Subpart E of part IV of sub-  
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to Rules for computing credit for invest-  
2 ment in certain depreciable property) is amended by in-  
3 serting after section 48D the following new section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8           “(1) MANUFACTURING PROPERTY.—

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

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

18          “(2) EXISTING MANUFACTURING PROPERTY.—

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

1           “(3) FORMER MANUFACTURING PROPERTY.—

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

7           “(4) FUTURE MANUFACTURING PROPERTY.—

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

11          “(5) MANUFACTURING REAL PROPERTY.—The

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

15          “(6) MANUFACTURING TANGIBLE PERSONAL

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

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

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

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

25                  tion, or

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

3           “(e) SPECIAL RULES.—

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

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

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

20           (b) INCLUSION AS PART OF INVESTMENT CREDIT.—  
21           Section 46 of the Internal Revenue Code of 1986 is  
22           amended by striking “and” at the end of paragraph (5),  
23           by striking the period at the end of paragraph (6) and  
24           inserting “, and”, and by adding at the end the following  
25           new paragraph:

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

2 (c) CONFORMING AMENDMENTS.—

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

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

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

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

11 “(vii) the basis of any property which  
12 is manufacturing property under section  
13 48E.”.

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

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

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

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

24 (a) IN GENERAL.—Paragraph (1) of section 51(d) of  
25 the Internal Revenue Code of 1986 is amended by striking



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

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

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

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

12 “(A) IN GENERAL.—The term ‘manufac-  
13 turing recovery employee’ means any individual  
14 who is certified by the designated local agency  
15 as having a hiring date which is after the date  
16 of the enactment of the Manufacturing Eco-  
17 nomic Recovery Act of 2012 and before the  
18 close of the 3-year period beginning on the date  
19 that the employer first operated the manufac-  
20 turing facility at which the individual is em-  
21 ployed.

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

1           ployment compensation under State or Federal  
2           law for not less than 4 weeks during the 3-year  
3           period ending on the hiring date, subsection (a)  
4           shall be applied by substituting ‘50 percent’ for  
5           ‘40 percent’.

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

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

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

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

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

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

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

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