

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

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.

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 “Detroit Economic
5 Competitiveness Act”.

1 **SEC. 2. DETROIT JOBS TRUST FUND.**

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

5 **“SEC. 9512. DETROIT JOBS TRUST FUND.**

6 “(a) CREATION OF TRUST FUND.—There is estab-
7 lished in the Treasury of the United States a trust fund
8 to be known as the ‘Detroit Jobs Trust Fund’, consisting
9 of such amounts as may be appropriated or credited to
10 such fund as provided in this section or section 9602(b).

11 “(b) TRANSFERS TO TRUST FUND.—There are here-
12 by appropriated to the Detroit Jobs Trust Fund amounts
13 equivalent to receipts in the Treasury of taxes (including
14 all income, excise, and employment taxes whether imposed
15 with respect to individuals or businesses) imposed under
16 this title (with respect to periods after the date of the en-
17 actment of this section) which are (as determined by the
18 Secretary) attributable to Detroit, Michigan. The city of
19 Detroit, Michigan, shall provide the Secretary such infor-
20 mation as the Secretary may request for purposes of mak-
21 ing the determinations required under this subsection. For
22 purposes of this subsection, the taxes imposed on a cor-
23 poration or other business entity shall not be treated as
24 attributable to Detroit, Michigan, merely because the
25 headquarters of such corporation or entity is located in
26 Detroit, Michigan.

1 “(c) EXPENDITURES.—

2 “(1) IN GENERAL.—Except as otherwise pro-
3 vided in this subsection, amounts in the Detroit Jobs
4 Trust Fund shall (without need of any further ap-
5 propriation) be distributed annually by the Secretary
6 to the city of Detroit, Michigan, to carry out the
7 purposes described in paragraph (2).

8 “(2) USE OF EXPENDITURES.—Amounts dis-
9 tributed to the city of Detroit, Michigan, under this
10 section shall be used for the following purposes and
11 in the following order of priority:

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

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

21 “(C) Third, for payment of principal and
22 interest on obligations to which section 103 ap-
23 plies and the proceeds of which were used for
24 the public schools of the city of Detroit, Michi-
25 gan (to the extent of such obligations).

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

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

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

11 “(B) such city has reduced the aggregate
12 property taxes imposed by an amount not less
13 than the reduction in the payment obligations
14 of such city by reason of the payments de-
15 scribed in paragraph (2),

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

20 “(D) such city has provided such informa-
21 tion to the Comptroller General of the United
22 States as the Comptroller General may request
23 to carry out section 2(b) of the Detroit Eco-
24 nomic Competitiveness Act.

1 “(4) 5-YEAR DEVELOPMENT PLAN.—A plan is
2 described in this paragraph if such plan—

3 “(A) is a 5-year plan describing develop-
4 ment goals for Detroit, Michigan, and detailing
5 how distributions for purposes described in
6 paragraph (2)(D) will be spent,

7 “(B) has been approved by simple majority
8 vote of the City Council of Detroit, Michigan
9 (after consultation with the Detroit Board of
10 Education), and

11 “(C) has been submitted to, and approved
12 by, the Secretary of the Treasury, the Secretary
13 of Housing and Urban Development, and the
14 Secretary of Education.

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

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

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

3 “(6) DETROIT INCOME TAX SUSPENSION HOLD
4 HARMLESS AMOUNT.—

5 “(A) IN GENERAL.—For purposes of para-
6 graph (2)(A), the term ‘Detroit income tax sus-
7 pension hold harmless amount’ means the
8 amount (as determined by the Secretary) of
9 revenue collected by the city of Detroit pursu-
10 ant to the income tax imposed by such city dur-
11 ing the calendar year preceding the calendar
12 year which includes the date of the enactment
13 of this section.

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

17 “(C) TAX RETURNS MAY STILL BE RE-
18 QUIRED.—The city of Detroit, Michigan, shall
19 not be treated as failing to satisfy the require-
20 ment of paragraph (3)(A) with respect to any
21 period merely because taxpayers are required to
22 file tax returns and report income with respect
23 to such period.

24 “(7) AMOUNTS MADE AVAILABLE NOT TO RE-
25 DUCE OTHER FUNDING.—Amounts distributed to the

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

4 “(d) TERMINATION.—No amount shall be distributed
5 from, or appropriated to, the Detroit Jobs Trust Fund
6 after the 5-year period beginning on the date of the enact-
7 ment of this section. Any amounts remaining in such
8 Trust Fund at the end of such period shall be transferred
9 to the general fund of the Treasury. The 5-year period
10 specified in this subsection shall not be renewed or ex-
11 tended.”.

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

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

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

1 **“SEC. 1400V. ZERO CAPITAL GAINS RATE FOR CERTAIN NEW**
2 **INVESTMENTS IN DETROIT, MICHIGAN.**

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

6 “(b) SPECIFIED NEW INVESTMENT.—For purposes
7 of this section—

8 “(1) IN GENERAL.—The term ‘specified new in-
9 vestment’ means—

10 “(A) any qualified stock,

11 “(B) any qualified partnership interest,

12 and

13 “(C) any qualified business property.

14 “(2) QUALIFIED STOCK.—

15 “(A) IN GENERAL.—Except as provided in
16 subparagraph (B), the term ‘qualified stock’
17 means any stock in a domestic corporation if—

18 “(i) such stock is acquired by the tax-
19 payer during the 1-year period beginning
20 on the date of the enactment of this sec-
21 tion, at its original issue (directly or
22 through an underwriter) from the corpora-
23 tion solely in exchange for cash,

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

1 corporation, such corporation was being or-
2 ganized for purposes of being a specified
3 Detroit business), and

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

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

11 “(3) QUALIFIED PARTNERSHIP INTEREST.—
12 The term ‘qualified partnership interest’ means any
13 capital or profits interest in a domestic partnership
14 if—

15 “(A) such interest is acquired by the tax-
16 payer during the 1-year period beginning on the
17 date of the enactment of this section, from the
18 partnership solely in exchange for cash,

19 “(B) as of the time such interest was ac-
20 quired, such partnership was a specified Detroit
21 business (or, in the case of a new partnership,
22 such partnership was being organized for pur-
23 poses of being a specified Detroit business), and

24 “(C) during substantially all of the tax-
25 payer’s holding period for such interest, such

1 partnership qualified as a specified Detroit
2 business.

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

5 “(4) QUALIFIED BUSINESS PROPERTY.—

6 “(A) IN GENERAL.—The term ‘qualified
7 business property’ means tangible property if—

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

13 “(ii) the original use of such property
14 in Detroit, Michigan, commences with the
15 taxpayer, and

16 “(iii) during substantially all of the
17 taxpayer’s holding period for such prop-
18 erty, substantially all of the use of such
19 property was in a specified Detroit busi-
20 ness of the taxpayer.

21 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
22 PROVEMENTS.—The requirements of clauses (i)
23 and (ii) of subparagraph (A) shall be treated as
24 satisfied with respect to—

1 “(i) property which is substantially
2 improved by the taxpayer before the end of
3 the period described in subparagraph
4 (A)(i), and

5 “(ii) any land on which such property
6 is located.

7 The determination of whether a property is sub-
8 stantially improved shall be made under clause
9 (ii) of section 1400B(b)(4)(B), except that ‘the
10 date of the enactment of section 1400V’ shall
11 be substituted for ‘December 31, 1997’ in such
12 clause.

13 “(c) QUALIFIED CAPITAL GAIN.—For purposes of
14 this section—

15 “(1) IN GENERAL.—Except as otherwise pro-
16 vided in this subsection, the term ‘qualified capital
17 gain’ means any gain recognized on the sale or ex-
18 change of—

19 “(A) a capital asset, or

20 “(B) property used in the trade or busi-
21 ness (as defined in section 1231(b)).

22 “(2) GAIN BEFORE ENACTMENT NOT QUALI-
23 FIED.—The term ‘qualified capital gain’ shall not in-
24 clude any gain attributable to periods before the
25 date of the enactment of this section.

1 “(3) CERTAIN RULES TO APPLY.—Rules similar
2 to the rules of paragraphs (3), (4), and (5) of sec-
3 tion 1400B(e) shall apply for purposes of this sub-
4 section.

5 “(d) SPECIFIED DETROIT BUSINESS.—For purposes
6 of this section, the term ‘specified Detroit business’ means
7 any enterprise zone business (as defined in section
8 1397C), determined—

9 “(1) without regard to subsections (b)(6) and
10 (c)(5) thereof,

11 “(2) by substituting ‘80 percent’ for ‘50 per-
12 cent’ in subsections (b)(2) and (c)(1) thereof,

13 “(3) by treating Detroit, Michigan, as an em-
14 powerment zone (and by treating no area other than
15 Detroit, Michigan, as an empowerment zone).

16 “(e) CERTAIN RULES TO APPLY.—For purposes of
17 this section, rules similar to the rules of paragraphs (6)
18 and (7) of subsection (b), and subsections (f) and (g), of
19 section 1400B shall apply; except that for such purposes
20 section 1400B(g)(2) shall be applied by substituting ‘be-
21 fore the date of the enactment of section 1400V’ for ‘be-
22 fore January 1, 1998, or after December 31, 2014’.

23 “(f) REGULATIONS.—The Secretary shall prescribe
24 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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