

July 27, 1999

RISING TIDE

Executive Summary

Rising Tide is a public/private initiative designed to accelerate the Capital's revitalization by creating incentives for major business investments in Washington's Enterprise Zone. *Rising Tide* requires no public expenditures or appropriations, and without infringing on Home Rule, complements the District's current efforts. *Rising Tide's* goal is to bring \$1 billion in private investments and 10,000 new jobs to the Nation's Capital. *Rising Tide* should be included in the 1999 tax bill.

Rising Tide's proposed terms

- ⇒ To qualify as a *Rising Tide* EZ firm ("RTEZ") a business must:
 - Invest > \$25 million in Washington's Enterprise Zone ("EZ")
 - Provide employment in the EZ for > 400 people
 - Pay District taxes
- ⇒ For a five year period, a RTEZ firm would qualify for:
 - Tax exempt bonds with market driven terms and excluded from all bond caps
 - Wage tax credit: 20% for District residents working in EZ, \$2 mm annual cap

Joint Committee on Taxation Score and analysis

- ⇒ RT could bring over \$1 billion in private investments and create up to 10,000 new private sector jobs with no public expenditures;
- ⇒ JCT 5 year cost estimate: \$166 million for the wage credit, \$72 million for tax-exempt bonds;

Supporters

- ⇒ Strong, bi-partisan support from Sens. Daschle, McConnell, Rockefeller, Reid, Jeffords, Breaux, Bob Kerrey, Sarbanes, Brownback, Mikulski, and Robb and Reps. Davis, Rangel, Morella, Hoyer, Wolf, Wynn, and Moran who are all helping to get *Rising Tide* into the tax bill. Additional supporters likely to put their name on *Rising Tide*: Sens. Mack, Hatch, Lieberman, Wyden, and Leahy; and Rep. Norton;
- ⇒ Maryland and Virginia Senators and regional Representatives have signed a letter supporting *Rising Tide*. Mayor Williams and Washington business leaders have all endorsed
- ⇒ National and local private sector supporters: Peter Nostrand (Crestar Bank), John Derrick (PEPCO), Abe Pollin (Washington Sports & Entertainment), Bert Roberts (MCI Worldcom), Steve Harlan (H.G. Smithy), Melvyn Estrin (Phar-Mor), L.B. Doggett (Doggett Enterprises), Marie Johns (Bell Atlantic), Robert Linowes, John McDaniel (Medlantic/Helix), Jane DeGraffenreidt (Washington Gas), Bob Gladstone (Quadrangle Corporation), John Schwieters (Arthur Andersen), Bob Braunohler (DC-Building Industry Association), Kwasi Holman (DC Chamber of Commerce), and John Tydings (Board of Trade)

July 27, 1999

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1. Establish federal policy to support Washington's revitalization

- ⇒ Nation, Congress, residents, and 25 million annual visitors want their Capital revitalized and achieve its full potential as our national gathering place, the symbolic heart of our nation, and one of the world's great cities
 - Wirthlin poll: 9 in 10 Americans want Washington's revitalization to be successful, 60% want it to be a Congressional priority, and 42% would contribute their time, money or both
 - Washington's national and international image matters
- ⇒ Constitutional responsibility and no state or county jurisdictions to help; "From the Capitol to the Capital"
- ⇒ Consistent with Congressional policy and *Legacy*, federal government's new long term plan for Washington
- ⇒ District's leaders, services, and reputation are improving
- ⇒ Only effects Washington because it's the only Nation's Capital and only Congress can act

2. *Rising Tide's* proposed terms:

- ⇒ To qualify as a *Rising Tide* EZ firm ("RTEZ") a business must:
 - Invest > \$25 million in the Enterprise Zone ("EZ")
 - Pay District taxes
 - Provide employment in the EZ for > 400 people
- ⇒ For a five year period, a RTEZ firm would qualify for:
 - Tax exempt bonds with market driven terms and excluded from all bond caps
 - Wage tax credit: 20% for District employees working in EZ, \$2 mm annual cap
- ⇒ JCT score analysis: RT could bring over \$1 billion in private investments and create up to 10,000 new private sector jobs with no public expenditures; JCT 5 year cost estimate is \$166 million for the wage credit and \$72 million for tax-exempt bonds
- ⇒ Promote using existing business recruiting efforts, e.g., *Greater Washington Initiative* supported by Board of Trade, Chamber of Commerce, DC Building Industry Association, etc. Many prominent national and local business leaders have personally committed to assist this effort

3. *Rising Tide* is consistent with Congressional actions and policy

- ⇒ Targeting revitalization through economic incentives; consistent federal policy for 20 years
- ⇒ When Congress created incentives for DC's small and mid-size EZ firms, it called it a "first step." *Rising Tide* logical next step because Washington's revitalization also requires large-scale private investments; JCT estimates *Rising Tide's* cost at less than 50% of these previous tax incentives
- ⇒ 301 Representatives and 52 Senators have co-sponsored legislation to increase the bond cap; agreeing that, "Volume cap is the most serious impediment to public/private partnerships."
- ⇒ Built on existing programs, precedents and "unique to the Nation's Capital" provisions
 - Proposed incentives acknowledge \$25,000,000 and 400 jobs
 - Many 501 c (3) organizations exempt from the bond caps
 - Capital's per user cap \$15m, everywhere else \$3m
 - Wage credit eligibility pool expanded and no "step-down" in higher rate only in the Capital

4. Establishing public/private partnerships in the Nation's Capital

- ⇒ Congress expects public/private partnerships to lead the Capital into the 21st Century
 - National Capital Planning Commissions (federal planning agency) highlights these partnerships as foundation for federal policy in its new long term plan for the Nation's Capital
 - Pennsylvania Avenue Development Corporation and Union Station are successful public/ private partnerships; > \$2 billion in private investments, > 2,000 jobs, and > \$50 million in DC tax revenue
- ⇒ Many economist believe the incentive of private activity tax-exempt bonds creates positive economic effects beyond the specific project, i.e. a *rising tide*
- ⇒ Private sector investments encouraged by federal participation and commitment to ensuring a fair deal for all
- ⇒ Private sector is committed to *Rising Tide* and leading its implementation
- ⇒ No public expenditures; only private sector sources available for investments and debt servicing
- ⇒ Defining roles and creating an environment for success:
 - Private sector aggressively recruit *Rising Tide* EZ (RTEZ) firms
 - RTEZ firms commit \$25,000,000 and 400 jobs and headquarters to the EZ
 - Congress targets major businesses and acknowledges their commitment with federal incentives
 - District's existing programs are complemented

5. Existing EZ based businesses

- ⇒ Businesses already in the EZ can qualify as *Rising Tide* EZ firms
 - Congressional intent is to encourage cooperative public/private partnerships and ensure fairness and trust in a revitalization environment based on substantial and sustained business commitments
 - Established firms are part of the revitalization solution; proof to others, "it works!"

6. Political status

- ⇒ Strong, bi-partisan support from Sens. Daschle, McConnell, Rockefeller, Jeffords, Breaux, Reid, Bob Kerrey, Sarbanes, Brownback, Mikulski, and Robb and Reps. Davis, Rangel, Morella, Hoyer, Wolf, Wynn, and Moran who are all helping to get *Rising Tide* into the tax bill. Additional supporters likely to put their name on *Rising Tide*: Sens. Mack, Hatch, Lieberman, Wyden, and Leahy; and Rep. Norton;
- ⇒ Maryland and Virginia Senators and regional Representatives have signed a letter supporting *Rising Tide*. Mayor Williams and Washington business leaders have all endorsed.
- ⇒ National and local private sector supporters: Peter Nostrand (Crestar Bank), John Derrick (PEPCO), Abe Pollin (Washington Sports & Entertainment), Bert Roberts (MCI Worldcom), Steve Harlan (H.G. Smithy), Melvyn Estrin (Phar-Mor), L.B. Doggett (Doggett Enterprises), Marie Johns (Bell Atlantic), Robert Snowes, John McDaniel (Medlantic/Helix), James DeGraffenreidt (Washington Gas), Bob Gladstone (Quadrangle Corporation), John Schwieters (Arthur Andersen), Bob Braunohler (DC-Building Industry Association), Kwasi Holman (DC Chamber of Commerce), and John Tydings (Board of Trade)

MCI Center's Impact on Washington's Revitalization

Washington's current revitalization was triggered when the \$200mm MCI Center took the risk to build in DC without public financial support. At a time when the city's financial and political affairs were in complete disarray, and even though other jurisdictions offered 100% public dollars, the privately financed MCI Center is here because it was needed to help the most important city in the world – the Nation's Capital.

As intended, it's bringing thousands of jobs, millions of visitors, and hundreds of millions of dollars into DC's Enterprise Zone, and a new sense of hope for the city's future.

The MCI Center is both the model and the proof that *Rising Tide* will make a difference. Washington, the Nation's Capital, is special and unique. Congress' intent with *Rising Tide* is to encourage a revitalization environment for the Capital built on substantial and sustained business commitments.

MCI Center's initial short-term financing is ending and it needs to establish long term financing which *Rising Tide* supporters believe should be considered a qualified investment under the terms of the legislation.

Including MCI Center under *Rising Tide* is the only fair and equitable action Congress can take.

MCI Center's unique record in Washington:

- ❖ After 9 job fairs, MCI Center hired 1,200 employees, many directly from welfare rolls
- ❖ Last year, over 2.5 million MCI patrons came downtown to attend 231 MCI Center events
- ❖ Annually, MCI patrons add \$100mm to the city's economy and \$12 mm to DC's tax revenue.
- ❖ Nearby, 12 restaurants, 3 major retail stores, 9 commercial buildings, the new \$650mm convention center, and 3 hotels have broken ground or opened since the MCI Center opened
- ❖ It has successfully defined and anchored a new and expanding "entertainment district" which will include an 11-screen Landmark Theater complex, an ESPN Zone, an expansion of the Shakespeare Theater, renovation of the Smithsonian's National Portrait Gallery and the Museum of American Art, perhaps a re-located Arena Stage, etc.
- ❖ Nearby office vacancy rates continue to decline and are now below 8.5%
- ❖ Crime rate reduced 54% (even with dramatic increase in downtown patrons)
- ❖ It is the first, and most often cited example of Washington's successful revitalization

July 27, 1999

Rising Tide

Rising Tide is a public/private initiative designed to accelerate the Capital's revitalization by creating incentives for major business investments in Washington's Enterprise Zone. JCT estimated that over 5 years, *Rising Tide* would bring \$1 billion in private investments and 10,000 new jobs to the Nation's Capital at a cost of \$238mm.

Rising Tide's proposed terms

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Supporters

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- ⇒ Maryland and Virginia Senators and regional Representatives have signed a letter supporting *Rising Tide*. Mayor Williams and Washington business leaders have also endorsed in writing.
- ⇒ National and local private sector supporters: Peter Nostrand (Crestar Bank), John Derrick (PEPCO), Abe Pollin (Washington Sports & Entertainment), Bert Roberts (MCI Worldcom), Steve Harlan (H.G. Smithy), Melvyn Estrin (Phar-Mor), L.B. Doggett (Doggett Enterprises), Marie Johns (Bell Atlantic), Robert Linowes, John McDaniel (Medlantic/Helix), James DeGraffenreidt (Washington Gas), Bob Gladstone (Quadrangle Corporation), John Schwieters (Arthur Andersen), Bob Braunohler (DC-Building Industry Association), Kwasi Holman (DC Chamber of Commerce), and John Tydings (Board of Trade)

STATUS / REQUEST: The following Finance Committee members are being asked to support an effort to include *Rising Tide* in the Managers' Amendment. We hope to get all these Senators and perhaps a few more. Will you help?

Senator Orrin Hatch

Senator Rockefeller

Senator Jim Jeffords

Senator Robert Kerrey

Senator Connie Mack

Senator Charles Robb

Senator John Breaux

Congress of the United States

Washington, DC 20515

May 24, 1999

Honorable Bill Archer
Honorable Charles B. Rangel
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515-6348

Dear Congressmen Archer and Rangel:

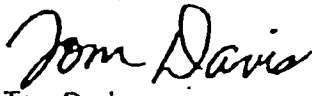
We support *Rising Tide*, a public-private initiative designed to accelerate Washington's revitalization, and urge you to endorse it.

All Americans want to see their Nation's Capital achieve its full potential as our national gathering place, the symbolic heart of our nation, and one of the world's great cities. In 1997 Congress created the District's Enterprise Zone (EZ), the nation's only federally designed EZ and took what is called "the first step" by offering federal incentives to small and medium sized businesses locating in the EZ and hiring District residents.

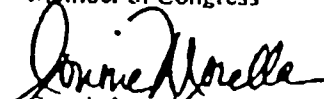
Rising Tide can be the next step. It is narrowly focused on the achievable and significant goal to accelerate revitalization for offering federal incentives for major business commitments to Washington's EZ. The proposal has strict qualification guidelines, including investing over \$25 million in the EZ and employing more than 400 people. It is consistent with Congressional policy and previous actions. The limited initiative requires no appropriation and, without infringing on Home Rule, compliments the District's current revitalization efforts. The Joint Committee on Taxation estimates that this proposal could bring in over \$1 billion in private investment to the District and create over 10,000 new jobs. The five-year cost of the tax expenditures would be \$238 million. The private sector has committed to implementing *Rising Tide*. Local and national business leaders have promised their personal involvement in recruiting *Rising Tide* firms and projects, but the Congress must act first.

We have an opportunity to prepare our Capital for a successful transition to the next century. We are committed to do all we can and hope you are too. Enacting *Rising Tide* will help.

Yours truly,



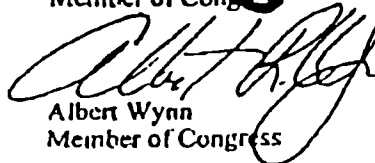
Tom Davis
Member of Congress



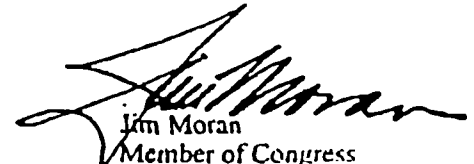
Connie Morella
Member of Congress



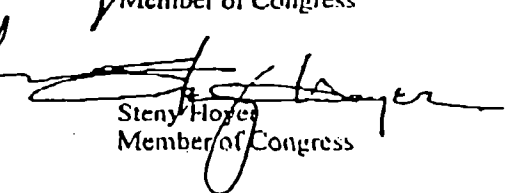
Frank Wolf
Member of Congress



Albert Wynn
Member of Congress



Jim Moran
Member of Congress



Steny Hoyer
Member of Congress



ANTHONY A. WILLIAMS
MAYOR

The Honorable William V. Roth, Jr.
Senate Finance Committee
United States Senate
Washington, DC 20510

Dear Senator Roth:

The revitalization of the Nation's Capital needs your help. I support *Rising Tide*, a public/private initiative designed to increase private investments in Washington, and urge you to endorse it. *Rising Tide*'s goal is to bring \$1 billion and 10,000 jobs to Washington.

Washington is re-establishing itself as one of the world's greatest cities. The District's new government has successfully focused on bringing our financial affairs in order and delivering services. Lead by MCI Center, the private sector is making investments and commitments to the city's revitalization. I am confident we are headed in the right direction with building momentum.

When Congress created the District's Enterprise Zone it took what it called the "first step" by offering incentives to small and mid-sized firms locating in the EZ and hiring District residents. It is now time for Congress to take the next step and help attract major corporate investments in the District's EZ by offering federal tax incentives such as tax-exempt bonds and expanded wage credits for firms that meet strict qualification guidelines including investing \$25 million and offering over 400 jobs.

Working together, we can give the District residents and visitors, and all Americans, a Capital that will make them proud.

Sincerely,

A handwritten signature in cursive script that reads "Anthony A. Williams".

Anthony A. Williams

AAW/rtl

The Greater
Washington



**Board
of Trade**

A Regional Chamber of Commerce
for the District of Columbia, Northern Virginia and Suburban Maryland

Board of Trade Building
1129 20th Street, N.W.
Washington, D.C. 20036
202-457-5000
FAX: 202-223-2648
Web Page: www.bot.org

John R. Tydings, President

July 29, 1999

The Honorable William V. Roth, Jr.
The Honorable Daniel Patrick Moynihan
Senate Finance Committee
United States Senate
Washington, DC 20510

Dear Senators Roth and Moynihan:

Earlier this year, I was pleased to join with 14 national and local business leaders in endorsing *Rising Tide*, a proposal to accelerate Washington's revitalization by creating incentives for major business investments in Washington's Enterprise Zone. I hope you will include this proposal in the tax bill.

Rising Tide will have a substantial impact on the Nation's Capital. The Joint Committee on Taxation estimated it would bring 25 firms, \$1 billion in private investments and 10,000 jobs to Washington. The experiences of our marketing division, the Greater Washington Initiative (GWI), a partnership of the area's local jurisdictions and private organizations to promote the Washington region as a premier business location, indicate that *Rising Tide* could appeal to firms with a specific, targeted focus such as technology manufacturers, telecom groups and financial services. The Board of Trade recognizes the District of Columbia is without a competitive incentive package. *Rising Tide* could remedy that gap. Congress can help.

In our earlier letter to you, my colleagues emphasized that they will personally help implement *Rising Tide*. Like the JCT, we know that firms will be interested in this proposal. We pledge to do our part with the city's economic development team. We need you to give us the tools for success.

Cordially,

John R. Tydings

cc: Senator Connie Mack

March 1, 1999

The Honorable William V. Roth, Jr.
The Honorable Daniel Patrick Moynihan
Senate Finance Committee
United States Senate
Washington, DC 20510

Dear Senators Roth and Moynihan:

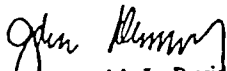
We support *Rising Tide*; a public/private initiative designed to accelerate Washington's revitalization by offering federal tax incentives for major business commitments to DC's Enterprise Zone. The Nation's Capital can enter the 21st Century well prepared to re-establish itself as one of the world's great cities. It has newly elected leadership, a sound and improving financial base, and the support of all Americans who want their Capital to be successful; but it needs your help.

Rising Tide requires no appropriations and without infringing on Home Rule complements the District's current revitalization activity. *Rising Tide* is built on existing federal programs and is narrowly focused on securing major business commitments to Washington. It has strict qualification guidelines, including investing over \$25 million and employing more than 400 people. *Rising Tide* firms would be eligible for tax-exempt bonds and an expanded wage credit provision. In recent years, several firms meeting these criteria have expressed interest in moving to Washington, but none did. A reason often cited is the absence of a financial incentive package from the District that includes an equivalent component for what many states offer in other jurisdictions. Only the Congress can act. It's your Constitutional responsibility and only affects Washington because it's the only Nation's Capital.

The District government is becoming more focused on economic development and the private sector is committed to implementing *Rising Tide*. We are fortunate that there are several existing and well-coordinated corporate recruiting projects in the region. We will use these for *Rising Tide*'s recruiting mechanism. However, we each commit to do even more. We will personally support this effort, meet with identified candidates, and encourage their move to Washington.

Together we have an opportunity to establish an environment for success that will be a significant step toward making Washington a capital truly worthy of our nation. We're ready!

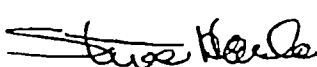
Sincerely,


John M. Derrick, Jr., President & CEO
Potomac Electric Power Company

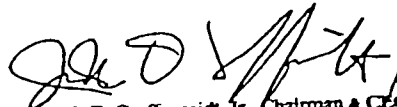

Peter F. Nostrand, President
Greater Washington Region
Crestar Bank


Abe Pollin, Chairman
Washington Sports & Entertainment

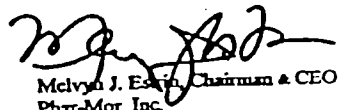

John T. Schwieters, Managing Partner
Mid-Atlantic Market Circle
Arthur Andersen, LLP

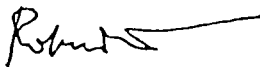

Steve Harlan, Chairman
H.G. Smithy Company

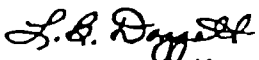

Maric C. Johns, President & CEO
Bell Atlantic - DC, Inc.

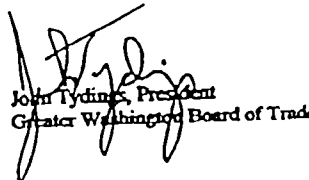

James H. DeGraffenreidt, Jr., Chairman & CEO
Washington Gas

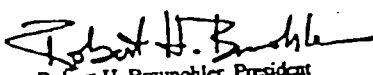

John P. McDaniel, CEO
MedStar Health


Melvyn J. Esch, Chairman & CEO
Phar-Mor, Inc.

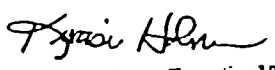

Robert Gladstone, Chairman & CEO
Quadrangle Development Corporation


L.B. Doggett, President
Doggett Enterprises


John Tydings, President
Greater Washington Board of Trade


Robert H. Braumohler, President
DC-Building Industry Association


R. Robert Linowes


Kwasi Holman, Executive VP
DC Chamber of Commerce

United States Senate
WASHINGTON, DC 20510-2002

April 26, 1999

Honorable William V. Roth
Honorable Patrick Daniel Moynihan
Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Senators Roth & Moynihan:

We support *Rising Tide*, a public/private initiative designed to accelerate Washington's revitalization, and urge you to endorse it.

All Americans want to see their Nation's Capital achieve its full potential as our national gathering place, the symbolic heart of our nation, and one of the world's great cities. In 1997, Congress created the District's Enterprise Zone, the nation's only federally designated EZ and took what it called the "first step" by offering federal incentives to small and medium sized businesses located in the EZ and hiring District residents.

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Honorable William V. Roth
April 26, 1999
Page 2

We have an opportunity to prepare our Capital for a successful transition to the next century. We are committed to do all we can and hope you are, too. Enacting Rising Tide will help.

With best regards,

Sincerely,



Barbara A. Mikulski
United States Senator



Paul S. Sarbanes
United States Senator



Charles S. Robb
United States Senator

DRAFT

John W. Warner
United States Senator

SAM BROWNBACK
KANSAS

(202) 224-6621 PHONE
(202) 226-1265 FAX

COMMITTEES:
COMMERCE, SCIENCE,
AND TRANSPORTATION
FOREIGN RELATIONS
LABOR COMMITTEE

United States Senate

WASHINGTON, DC 20510-1604

July 14, 1999

Honorable Connie Mack
United States Senate
Washington, D.C. 20510

Dear Senator Mack:

I want you to know that I support the *Rising Tide* proposal, and I hope you will be able to include it in the Finance Committee's tax bill.

Last year, Senator Faircloth and I, (as Chairmen of the Senate's District subcommittees) were part of a bi-partisan effort that worked with private sector leaders in preparing the public/private partnership designed to accelerate the Capitol's revitalization.

The proposal continues to receive broad bi-partisan support in Congress, and has the endorsement of Washington's new mayor, Tony Williams, and business leaders. In addition, according to the Joint Committee on Taxation, *Rising Tide* could bring \$1 billion in private investments and 10,000 jobs to Washington at a five-year cost of \$238 million.

It's time to make Washington an American success story in which the entire country can take pride. Please let me know what I can do to help advance *Rising Tide*.

Sincerely



Sam Brownback

612 SOUTH KANSAS AVENUE
TOMPKA, KS 66603
(786) 233-2503 PHONE
(786) 233-2616 FAX

1901-C NORTH BROADWAY
PITTSBURGH, KS 66762
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(316) 231-8347 FAX

811 N. MAIN, SUITE A
GARDEN CITY, KS 67848
(316) 275-1124 PHONE
(316) 275-1637 FAX

226 NORTH MARKET, SUITE 120
WICHITA, KS 67202
(316) 266-8086 PHONE
(316) 266-8076 FAX

11191 WEST 86TH, SUITE 245
OVERLAND PARK, KS 66214
(913) 482-0878 PHONE
(913) 482-7253 FAX

TAX INCENTIVES FOR THE DISTRICT OF COLUMBIA

(a) IN GENERAL. - Chapter I, Subchapter W - 'District of Columbia Enterprise Zone' is amended by adding the following new section:

"Sec. 1400D. Establishment of District of Columbia Rising Tide Enterprise Zone Business (a) IN GENERAL. - For purposes of this title and notwithstanding any other provision of this subchapter, this section shall apply to each District of Columbia Rising Tide Enterprise Zone business.

(b) DISTRICT OF COLUMBIA RISING TIDE ENTERPRISE ZONE BUSINESS DEFINED. -

- (1) IN GENERAL.** - For purposes of this title, the term "District of Columbia Rising Tide Enterprise Zone business" means a trade or business (whether or not incorporated) which -

 - (A)** has made, in any 24-consecutive month period, an investment of more than \$25,000,000 in real property (including improvements thereon or thereto) located in the District of Columbia Enterprise Zone and/or in personal property in, or for use in, the District of Columbia Enterprise Zone,
 - (B)** is subject to District of Columbia income or franchise taxes (or any successor taxes),
 - (C)** has entered into a first source agreement with the District of Columbia government,
 - (D)** has 400 or more employees who each perform at least 1,000 hours of service in the District of Columbia Enterprise Zone during the taxable year, and
 - (E)** has its principal office in the District of Columbia Enterprise Zone by the end of the taxable year.
- (2) APPLICATION OF THE MORE THAN \$25,000,000 INVESTMENT REQUIREMENT.** - A trade or business shall be treated as meeting the requirement of subparagraph (A) as of the date during the applicable 24-consecutive month period on which the aggregate investment made by such trade or business in property described in subparagraph (A) first exceeded \$25,000,000.
- (3) HOURS OF SERVICE.** - For purposes of subparagraph (D) of paragraph (1), the term "hour of service" has the same meaning as under section 410(a)(3).
- (4) COMMONLY CONTROLLED TRADES OR BUSINESSES.** - In determining whether a trade or business meets the qualifications of subparagraphs A, C, and D of paragraph (1), the following rules shall apply -

 - (A)** all trades or businesses operated in the District of Columbia Enterprise Zone by corporations which are members of the same controlled group of corporations shall be treated as a single trade or business. For purposes of

this subparagraph, the term "controlled group of corporations" has the meaning given to such term by section 267(f), and

- (B) all trades or businesses (whether or not incorporated) operated in the District of Columbia Enterprise Zone which are under common control (regardless of whether any ownership interests taken into account in determining common control are held by persons operating in or residing in the District of Columbia Enterprise Zone) shall be treated as a single trade or business. For purposes of this subparagraph, the term "common control" has the same meaning as such term is used in section 52(b).

(c) OTHER DEFINITIONS. -

(1) INVESTMENT. -

- (A) For purposes of this part, the term "investment" shall include -
 - (i) the purchase price (including the amount of any liabilities assumed),
 - (ii) amounts expended in connection with developing or improving real property,
 - (iii) amounts expended in connection with rehabilitating, renovating, or remediating real or tangible personal property (whether or not such amounts must be capitalized),
 - (iv) the present value of any long-term lease or sale-leaseback transaction, as determined as of the date the lease is executed or the date on which such property is used under the leaseback (as the case may be), and
 - (v) any other amounts prescribed by the Secretary in regulations.
- (B) In applying subparagraphs (A) (i), (ii), (iii), and (v), only amounts taken into account under the method of accounting of the trade or business during the period beginning January 1, 1999 and ending December 31, 2003 shall be included, and, in applying subparagraph (A)(iv), only leases and sale-leaseback transaction entered into (as the case may be) during the period beginning January 1, 1999 and ending December 31, 2003 shall be taken into account.
- (C) Notwithstanding subparagraph B of this part and any other provision of federal law, for purposes of this part, the term "investment" shall include re-financing any indebtedness incurred relative to a facility referred to in a "Land Disposition Agreement - Ground Lease," dated as of December 29, 1995 which was executed by The District of Columbia and section 147 (e) shall not apply to any such indebtedness.

- (2) FIRST SOURCE AGREEMENT. - For purposes of subsection (b)(1)(C), the term "first source agreement" shall mean an employment agreement entered into with the District of Columbia government in accordance with Mayor's Order No. 83265 and D.C. Law 5-93, as amended.

- (3) **DISTRICT OF COLUMBIA RISING TIDE ENTERPRISE ZONE BUSINESS FACILITY.** -
For purposes of this section, the term
- (4) "District of Columbia Rising Tide Enterprise Zone business facility" shall mean -
- (A) real property (including improvements thereon or thereto) located in the District of Columbia Enterprise Zone, and
- (B) personal property used in connection with property described in subparagraph (A).

- (d) **SPECIAL RULES APPLICABLE TO TAX EXEMPT ECONOMIC DEVELOPMENT BONDS.** -
- (1) **IN GENERAL.** - For purposes of part IV of subchapter B of this chapter (relating to tax exemption requirements for State and local bonds), the term "exempt facility bond" includes any bond issued as a part of an issue 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of which are to be used to develop, create, or provide a District of Columbia Rising Tide Enterprise Zone business facility.
- (2) **ACQUISITION OF LAND AND EXISTING PROPERTY PERMITTED.** - The requirements of sections 147(c)(1)(A) and 147(d) shall not apply to any bond described in paragraph (1).
- (3) **APPLICABLE DATES.** - This subsection shall apply to bonds issued during the period beginning on January 1, 1999 and ending on December 31, 2003.

(b) SPECIAL RULES FOR APPLICATION OF EMPLOYMENT TAX CREDIT-

- (1) **IN GENERAL.** - Section 1396 (relating to the empowerment zone employment credit) shall be amended as follows -
- (A) subsection (a) shall be amended as follows - "(a) **AMOUNT OF CREDIT.** - For purposes of section 38, the amount of the empowerment zone employment credit determined under this section with respect to any employer for any taxable year -
- (i) is the applicable percentage of the qualified zone wages paid or incurred during the calendar year which ends with or within such taxable year, and
- (ii) shall not exceed \$2,000,000 in the case of a District of Columbia Rising Tide Enterprise Zone business."
- (B) the following new paragraph shall be added at the end of subsection (b):
- "(3) **RISING TIDE ENTERPRISE ZONE EMPLOYEES.** - Notwithstanding any other provision of federal law, with respect to a District of Columbia Rising Tide Enterprise Zone business, the applicable percentage shall be 20% for all salaries paid to employees who are District residents.", and
- (C) section 1396(d)(1)(B) shall be amended by adding the following language at the beginning of the subsection: " for each qualified zone employee except in the case of an employee of a District of Columbia Rising Tide Enterprise Zone business,"
- (2) **APPLICABLE DATES.** - Section (b)(1) of this Act shall apply only to qualified zone wages paid or incurred during the period beginning on January 1, 1999, and ending on December 31, 2003.

(c) SPECIAL RULES FOR APPLICATION OF TAX EXEMPT ECONOMIC DEVELOPMENT BOND RULES. - Section 146(g) shall be amended to add the following new subparagraph (5): "(5) any bond described in section 1400D."

Abe – fyi

Attached are four pages of “rifle shots” included in the 1986 tax bill. The fax is a little hard to read, but the point is clear.

Subsequent tax bills had similar provisions.

A handwritten signature, possibly reading "Abe", followed by a long horizontal line extending to the right.

ONE

Exclusions from income

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“(f) a private company met with a State air control board on November 14, 1985, to propose construction of a water tank, and
 “(g) the subject unit is being constructed under a letter of intent to construct which was signed on April 8, 1984.
 The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$11,000,000.

“(j) A facility is described in this subparagraph if it is part of a 250 megawatt coal-fired electric plant in northeastern Nevada on which the Sierra Pacific Power Company, a subsidiary of Sierra Pacific Resources, began in 1980 work to finance, construct, and operate. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$200,000,000.

“(k) A facility is described in this subparagraph if—
 “(i) there was an inducement resolution adopted by a State industrial development authority on January 14, 1976, and

“(ii) such facility is named in a resolution of such authority relating to carryforward of the State's unissued 1985 private activity bond bank passed by such industrial development authority on December 18, 1983.

This subparagraph shall apply only to obligations issued at the request of the party pursuant to whose request the January 14, 1976, inducement was given. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$75,000,000.

“(l) A facility is described in this subparagraph if a city council passed an ordinance (ordinance number 4626) agreeing to issue bonds for such project, December 16, 1985. The aggregate face amount of obligations to which this subparagraph applies shall not exceed \$45,000,000.

“(3) Sports facilities.—A bond issued as part of an issue 95 percent or more of the net proceeds of which are to be used to provide sports facilities (within the meaning of section 103(b)(4)(B) of the 1954 Code) shall be treated as an exempt facility bond for purposes of part IV of subchapter B of chapter 1 of the 1986 Code if such facilities are described in any of the following subparagraphs:

→“(A) A facility is described in this subparagraph if it is a stadium—

→“(i) which was the subject of a city ordinance passed on September 23, 1983,

→“(ii) for which a loan of approximately \$4,000,000 for bond acquisition was approved on October 28, 1983, by the State Controlling Board, and

→“(iii) a stadium operating corporation with respect to which was incorporated on March 20, 1983.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$200,000,000.

→“(B) A facility is described in this subparagraph if—

→“(i) it is a stadium with respect to which a lease agreement for the ground on which the stadium is to be built was entered into between a county and the stadium corporation for such stadium on July 3, 1984,

→“(ii) there was a resolution approved on November 14, 1984, by an industrial development authority setting forth the terms under which the bonds to be issued to finance such stadium would be issued, and

→“(iii) there was an agreement for consultant and engineering services for such stadium entered into on September 28, 1984.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$90,000,000.

→“(C) A facility is described in this subparagraph if—

→“(i) it is one or more stadiums to be used either by an American League baseball team or a National Football League team currently using a stadium in a city having a population in excess of 2,500,000 and described in section 146(d)(3) of the 1986 Code,

→“(ii) the bonds to be used to provide financing for one or more such stadiums are issued by a political subdivision or a State agency pursuant to a resolution approving an inducement resolution adopted by a State agency on November 20, 1983, as it may be amended (whether or not the beneficiaries of such issue or issues are the beneficiaries (if any) specified in such inducement resolution and whether or not the number of such stadiums and the locations thereof are as specified in such inducement resolution) or pursuant to P.A. 84-1470 of the State in which such city is located (and by an agency created thereby), and

→“(iii) such stadium or stadiums are located in the city described in (i).

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$250,000,000. In the case of any carryforward of volume cap for one or more stadiums described in the first sentence of this subparagraph, such carryforward shall be valid with respect to bonds issued for such stadiums notwithstanding any other provision of the 1986 Code or the 1954 Code, and whether or not (i) there is a change in the number of stadiums or the beneficiaries or uses of the stadium or stadiums and (ii) the bonds are issued by either of the state agencies described in the first sentence of this subparagraph.

→“(D) A facility is described in this subparagraph if—

→“(i) such facility is a stadium or sports arena for Memphis, Tennessee,

→“(ii) there was an inducement resolution adopted on November 12, 1983, for the issuance of bonds to expand or renovate an existing stadium and sports arena and/or to construct a new arena, and

→“(iii) the city council for such city adopted a resolution on April 19, 1983, to include funds in the capital budget of the city for such facility or facilities.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$35,000,000.

→“(E) A facility is described in this subparagraph if such facility is a baseball stadium located in Bergen, Essex, Union, Middlesex, or Hudson County, New Jersey with respect to which governmental action occurred on November 7, 1985. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$150,000,000.

→“(F) A facility is described in this subparagraph if—

→“(i) it is a facility with respect to which—

→“(I) an inducement resolution dated December 24, 1985, was adopted by the county industrial development authority,

→“(II) a public hearing of the county industrial development authority was held on February 6, 1986, regarding such facility, and

→“(III) a contract was entered into by the county, dated February 19, 1986, for engineering services for a highway improvement in connection with such project, or

→“(ii) it is a domed football stadium adjacent to Cervantes Convention Center in St. Louis, Missouri, with respect to which a proposal to evaluate market demand, financial operations, and economic impact was dated May 9, 1986.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$175,000,000.

→“(G) A project to provide a roof or dome for an existing sports facility is described in this subparagraph if—

→“(i) in December 1984 the county sports complex authority filed a carryforward election under section 103(a) of the 1954 Code with respect to such project,

→“(ii) in January 1985, the State authorized issuance of \$30,000,000 in bonds in the next 3 years for such project, and

→“(iii) an 11-member task force was appointed by the county executive in June 1985, to further study the feasibility of the project. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$30,000,000.

→“(H) A sports facility renovation or expansion project is described in this subparagraph if—

→“(i) an amendment to the sports team's lease agreement for such facility was entered into on May 23, 1985, and

→“(ii) the lease agreement had previously been amended in January 1976, on July 6, 1984, on April 1, 1983, and on May 7, 1985. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$20,000,000.

→“(I) A facility is described in this subparagraph if—

→“(i) an appraisal for such facility was completed on March 6, 1985,

→“(ii) an inducement resolution was adopted with respect to such facility on June 7, 1985, and

→“(iii) a State bond commission granted preliminary approval for such project on September 3, 1985.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$3,200,000.

→“(J) A sports facility renovation or expansion project is described in this subparagraph if—

→“(i) such facility is a domed stadium which commenced operations in 1965,

→“(ii) such facility has been the subject of an ongoing construction, expansion, or renovation program of planned improvements,

→“(iii) part 1 of such improvements began in 1982 with a preliminary renovation program financed by tax-exempt bonds,

→“(iv) part 2 of such program was previously scheduled for a bond election on February 25, 1986, pursuant to a Commissioners Court Order of November 3, 1985, and

→“(v) the bond election for such improvements to such facility was subsequently postponed on December 10, 1985, in order to provide for more comprehensive construction planning.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$60,000,000.

→“(K) A facility is described in this subparagraph if—

→“(i) the 1985 State legislature appropriated a maximum sum of \$22,500,000 to the State urban development corporation to be made available for such project, and

→“(ii) a development and operation agreement was entered into among such corporation, the city, the State budget director, and the county industrial development agency, as of March 1, 1986.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$28,000,000.

→“(L) A facility is described in this subparagraph if—

→“(i) it is to consist of 1 or 2 stadiums appropriate for football games and baseball games with related structures and facilities.

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Exc

- "(ii) governmental action was taken on August 7, 1983, by the county commission, and on December 19, 1985, by the city council, concerning such facility, and
- "(iii) such facility is located in a city having a National League baseball team.
- The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$200,000,000.
- "(M) A facility is described in this subparagraph if—
- "(i) such facility consists of 1 or 2 stadium projects (1 of which may be a stadium renovation or expansion project) with related structures and facilities,
- "(ii) a special advisory commission commissioned a study by a national accounting firm with respect to a project for such facility, which study was released in September 1983, and recommended construction of either a new multipurpose or a new baseball-only stadium,
- "(iii) a nationally recognized design and architectural firm released a feasibility study with respect to such project in April 1983, and
- "(iv) the metropolitan area in which the facility is located is presently the home of an American League baseball team.
- The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$200,000,000.
- "(N) A facility is described in this subparagraph if—
- "(i) it is to consist of 1 or 2 stadiums appropriate for football games and baseball games with related structures and facilities,
- "(ii) the site for such facility was approved by the council of the city in which such facility is to be located on July 9, 1983, and
- "(iii) the request for proposals process was authorized by the council of the city in which such facility is to be located on November 5, 1983, and such requests were distributed to potential developers on November 15, 1983, with responses due by February 14, 1984.
- The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$200,000,000.
- "(O) A facility is described in this subparagraph if—
- "(i) such facility is described in a feasibility study dated September 1983, and
- "(ii) resolutions were adopted or other actions taken on February 21, 1983, July 18, 1983, August 8, 1983, October 17, 1983, and November 7, 1983, by the Board of Supervisors of the county in which such facility will be located with respect to such feasibility study, appropriations to obtain land for such facility, and approving the location of such facility in the county.
- The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$20,000,000.
- "(P) A facility is described in this subparagraph if such facility constructed on a site acquired with the sale of revenue bonds authorized by a city council on December 2, 1983, (Ordinance No. 669 and 670, series 1983). The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$90,000,000.
- "(Q) A facility is described in this subparagraph if—
- "(i) resolutions were adopted approving a ground lease dated June 27, 1983, by a sports authority (created by a State legislature) with respect to the land on which the facility will be erected,
- "(ii) such facility is described in a market study dated June 13, 1983, and
- "(iii) such facility was the subject of an Act of the State legislature which was signed on July 1, 1983.
- The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$81,000,000.
- "(R) A facility is described in this subparagraph if such facility is a baseball stadium and adjacent parking facilities with respect to which a city made a carryforward election of \$52,514,000 on February 25, 1983. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$50,000,000.
- "(S) A facility is described in this subparagraph if—
- "(i) such facility is to be used by both a National Hockey League team and a National Basketball Association team,
- "(ii) such facility is to be constructed on a platform using air rights over land acquired by a State authority and identified as site B in a report dated May 30, 1984, prepared for a State urban development corporation, and
- "(iii) such facility is eligible for real property tax (and power and energy) benefits pursuant to State legislation approved and effective as of July 7, 1982.
- The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$225,000,000.
- "(T) A facility is described in this subparagraph if—
- "(i) a resolution authorizing the financing of the facility through an issuance of revenue bonds was adopted by the City Commission on August 5, 1986, and
- "(ii) the metropolitan area in which the facility is to be located is currently the spring training home of an American League baseball team located during the regular season in a city described in subparagraph (C).
- The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$100,000,000.
- "(U) A facility is described in this subparagraph if it is a football stadium located in Oakland, California, with respect to which a design was completed by a nationally recognized architectural firm for a stadium seating approximately 72,000, to be located on property adjacent to an existing coliseum complex, or is a renovation of an existing stadium located in Oakland, California, and used by an American League baseball team. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$100,000,000.
- "(V) A facility is described in this subparagraph if it is a sports arena (and related parking facility) for Grand Rapids, Michigan. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$40,000,000.
- "(W) A facility is described in this subparagraph if such facility is located adjacent to the Anacostia River in the District of Columbia. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$25,000,000.
- "(X) A facility is described in this subparagraph if it is a spectator sports facility for the City of San Antonio, Texas. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$125,000,000.
- "(Y) A facility is described in this subparagraph if it will be part of, or adjacent to, an existing stadium which has been owned and operated by a State university and if—
- "(i) the stadium was the subject of a feasibility report by a certified public accounting firm which is dated December 28, 1984, and
- "(ii) a report by an independent research organization was prepared in December 1983 demonstrating support among donors and season ticket holders for the addition of a dome to the stadium.
- The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$50,000,000.
- "(Z) A facility is described in this subparagraph if—
- "(i) such facility was a redevelopment project that was approved in concept by the city council during the redevelopment agency in October 1984, and
- "(ii) \$20,000,000 in funds for such facility was identified in a 5-year budget approved by the city redevelopment agency on October 25, 1984.
- The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$90,000,000.
- "(4) Residential rental property.—A bond issued as part of an issue 95 percent or more of the net proceeds of which are to be used to finance a residential rental project within the meaning of section 103(b)(4) of the 1914 Code shall be treated as an exempt facility bond within the meaning of section 142(a)(7) of the 1986 Code if the facility with respect to the bond is issued satisfies all low-income occupancy requirements applicable to such bonds before August 15, 1984, and the bonds are issued pursuant to—
- "(A) a contract to purchase such property dated August 12, 1983;
- "(B) the county housing authority approved the property and the financing thereof on September 24, 1983, and
- "(C) there was an industrial resolution adopted on October 10, 1983, by the county industrial development authority.
- The aggregate face amount of bonds to which this paragraph applies shall not exceed \$25,000,000.
- "(5) Airports.—A bond issued as a part of an issue 95 percent or more of the net proceeds of which are to be used to provide an airport (within the meaning of section 103(b)(4)(C) of the 1934 Code) shall be treated as an exempt facility bond (for facilities described in section 142(a)(1) of the 1986 Code) for purposes of part IV of subchapter B of chapter 1 of the 1986 Code if the facility is described in any of the following subparagraphs:
- "(A) A facility is described in this subparagraph if such facility is a hotel in an airport facility serving a city described in section 631(a)(3) of the Tax Reform Act of 1984 (relating to certain bonds for a convention center and resource recovery project). The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$40,000,000.
- "(B) A facility is described in this subparagraph if such facility is the primary airport for a city described in paragraph (3)(C). The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$300,000,000. Section 148(d)(2) of the 1986 Code shall not apply to any issue to which this subparagraph applies. A facility shall be described in this subparagraph if it would be so described if "90 percent" were substituted for "95 percent" in the several preceding subparagraphs (A).
- "(C) A facility is described in this subparagraph if such facility is a hotel at Logan airport and such hotel is located on land leased from a State authority under a lease contemplating development of such hotel dated May 1, 1983, or under an amendment, renewal, or extension of such a lease. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$40,000,000.
- "(D) A facility is described in this subparagraph if such facility is the airport for the County of Sacramento, California. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$150,000,000.

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Michigan. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$60,000,000.

"(U) A project is described in this subparagraph if such project is consistent with an urban renewal plan adopted or ordered prepared before August 28, 1986, by the city council of the most populous city in a state which entered the Union on February 14, 1859. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$83,000,000.

"(V) A project is described in this subparagraph if such project is consistent with an urban renewal plan which was adopted (or ordered prepared) before August 13, 1985, by an appropriate jurisdiction of a state which entered the Union on February 14, 1859. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$135,000,000 and the limitation on the period during which bonds under this section may be issued shall not apply to such bonds.

"(W) A project is described in this subparagraph if such project is—

"(i) a part of the Kenosha Downtown Redevelopment project, and

"(ii) located in an area bounded—

"(I) on the east by the east wall of the Army Corps of Engineers Confined Disposal Facility (extended),

"(II) on the north by 48th Street (extended),

"(III) on the west by the present Chicago & Northwestern Railroad tracks, and

"(IV) on the south by the north line of Eichenman Park (60th Street) (extended).

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$105,000,000.

"(X) A project is described in this subparagraph if a redevelopment plan for such project was approved by the city council of Bell Gardens, California, on June 12, 1979. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$10,000,000.

"(Y) Nothing in this paragraph shall be construed as having the effect of exempting from tax interest on any bond issued after June 10, 1987, if such interest would not have been exempt from tax were such bond issued on August 15, 1986.

"(Z) Any designated area with respect to which a project is described in any subparagraph of this paragraph shall be taken into account in applying section 144(c)(4)(C) of the 1986 Code in determining whether other areas (not so described) may be designated.

"(7) Convention centers.—A bond issued as part of an issue 95 percent or more of the net proceeds of which are to be used to provide any convention or trade show facility (within the meaning of section 103(b)(4)(C) of the 1954 Code) shall be treated as an exempt facility bond for purposes of part IV of subchapter B of chapter 1 of the 1986 Code if such facility is described in any of the following subparagraphs:

"(A) A facility is described in this subparagraph if—

"(i) a feasibility consultant and a design consultant were hired on April 3, 1983, with respect to such facility, and

"(ii) a draft feasibility report with respect to such facility was presented on November 3, 1983, to the Mayor of the city in which such facility is to be located.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$190,000,000. For purposes of this subparagraph, not more than \$20,000,000 of bonds issued to advance refund existing convention facility bonds sold on May 12, 1978, shall be treated as bonds described in this subparagraph and section 149(d)(2) of the 1986 Code shall not apply to bonds so treated.

"(B) A facility is described in this subparagraph if—

"(i) an application for a State loan for such facility was approved by the city council on March 4, 1983, and

"(ii) the city council of the city in which such facility is to be located approved on March 25, 1983, an application for an urban development action grant.

The aggregate face amount of bonds which this subparagraph applies shall not exceed \$10,000,000.

"(C) A facility is described in this subparagraph if—

"(i) on November 1, 1983, a convention development tax increment was dedicated to financing such facility,

"(ii) the State supreme court of the State in which the facility is to be located validated such tax on February 8, 1983, and

"(iii) an agreement was entered into on November 14, 1985, between the city and county in which such facility is to be located on the terms of the bonds to be issued with respect to such facility.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$60,000,000.

"(D) A facility is described in this subparagraph if—

"(i) it is a convention, trade, or sports facility,

"(ii) a regional convention, trade, and sports facilities study committee was created before March 19, 1983, with respect to such facility, and

"(iii) feasibility and preliminary design consultants were hired on May 1, 1983, and October 31, 1983, with respect to such facility.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed the excess of \$175,000,000 over the amount of bonds to which paragraph (4)(B) applies.

"(E) A facility is described in this subparagraph if—

"(i) such facility is meeting rooms for a convention center, and

"(ii) resolutions and ordinances were adopted with respect to such meeting rooms on January 17, 1983, July 11, 1983, December 17, 1984, and September 23, 1985.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$75,000,000.

"(F) A facility is described in this subparagraph if it is an international trade center which is part of the 125th Street redevelopment project in New York, New York. The aggregate face amount of obligations to which this subparagraph applies shall not exceed \$165,000,000.

"(G) A facility is described in this subparagraph if—

"(i) such facility is located in a city which was the subject of a convention center market analysis or study dated March 1983, and prepared by a nationally recognized accounting firm,

"(ii) such facility's location was approved in December 1985 by a task force created jointly by the Governor of the State within which such facility will be located and the mayor of the capital city of such State, and

"(iii) the size of such facility is not more than 200,000 square feet.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$70,000,000.

"(H) A facility is described in this subparagraph if an analysis of operations and recommendations of utilization of such facility was prepared by a certified public accounting firm pursuant to an engagement authorized on March 6, 1984, and presented on June 11, 1984, to officials of the city in which such facility is located. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$75,000,000.

"(I) A facility is described in this subparagraph if—

"(i) voters approved a bond issue to finance the acquisition of the site for such facility on May 4, 1985,

"(ii) title of the property was transferred from the Illinois Center Gulf Railroad to the city on September 30, 1985, and

"(iii) a United States judge rendered a decision regarding the fair market value of the site of such facility on December 30, 1985.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$131,000,000.

"(J) A facility is described in this subparagraph if—

"(i) such facility is to be used for an annual aquafestival,

"(ii) a referendum was held on April 6, 1983, in which voters permitted the city council to lease 130 acres of dedicated parkland for the purpose of constructing such facility, and

"(iii) the city council passed an endorsement resolution on June 19, 1986.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$10,000,000.

"(K) A facility is described in this subparagraph if—

"(i) voters approved a bond issued to finance a portion of the cost of such facility on December 1, 1984, and

"(ii) such facility was the subject of a market study and financial projections dated March 21, 1986, prepared by a nationally recognized accounting firm.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$5,000,000.

"(L) A facility is described in this subparagraph if—

"(i) on July 12, 1984, the city council passed a resolution increasing the local hotel and motel tax to 7 percent to assist in paying for such facility,

"(ii) on October 25, 1984, the city council selected a consulting firm for such facility, and

"(iii) with respect to such facility, the city council appropriated funds for additional work on February 7, 1985, October 3, 1985, and June 26, 1986.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$120,000,000.

"(M) A facility is described in this subparagraph if—

"(i) a board of county commissioners, in an action dated January 21, 1986, approved an application for official approval of the facility, and

"(ii) the State economic development commission adopted a resolution dated February 25, 1986, determining the facility to be an eligible facility pursuant to State law and the rules adopted by the commission.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$7,300,000.

"(8) Sports or convention facilities.—A bond issued as a part of an issue 95 percent or more of the net proceeds of which are to be used to provide either a sports facility (within the meaning of section 103(b)(4)(B) of the 1954 Code) or a convention facility (within the meaning of section 103(b)(4)(C) of the 1954 Code) shall be treated as an exempt facility bond for purposes of part IV of sub-

chapter B of chapter I of the 1986 Code if such facility is described in any of the following subparagraphs.

→ "(A) A combined convention and arena facility, or any part thereof (whether on the same or different sites), is described in this subparagraph if—

"(i) bonds for the expansion, acquisition, or construction of such combined facility are payable from a tax and are issued under a plan initially approved by the voters of the taxing authority on April 25, 1978, and

"(ii) such bonds were authorized for expanding a convention center, for acquiring an arena site, and for building an arena or any of the foregoing pursuant to a resolution adopted by the governing body of the bond issuer on March 17, 1986, and superseded by a resolution adopted by such governing body on May 27, 1986.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$160,000,000.

→ "(B) A sports or convention facility is described in this subparagraph if—

"(i) on March 4, 1986, county commissioners held public hearings on creation of a county convention facilities authority, and

"(ii) on March 7, 1986, the county commissioners voted to create a county convention facilities authority and to submit to county voters a 1/4 cent sales and use tax to finance such facility.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$150,000,000.

→ "(C) A sports or convention facility is described in this subparagraph if—

"(i) a feasibility consultant and a design consultant were hired prior to October 1980 with respect to such facility,

"(ii) a feasibility report dated October 1980 with respect to such facility was presented to a city or county in which such facility is to be located, and

"(iii) on September 7, 1982, a joint city/county resolution appointed a committee which was charged with the task of independently reviewing the studies and present need for the facility.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$60,000,000.

→ "(D) A sports or convention facility is described in this subparagraph if—

"(i) such facility is a multipurpose coliseum facility for which, before January 1, 1985, a city, an auditorium district created by the State legislature within which such facility will be located, and a limited partnership executed an enforceable contract.

"(ii) significant governmental action regarding such facility was taken before May 23, 1983, and

"(iii) inducement resolutions were passed for issuance of bonds with respect to such facility on May 26, 1986.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$25,000,000.

"(9) Parking facilities.—A bond issued as part of an issue 95 percent or more of the net proceeds of which are to be used to provide a parking facility (within the meaning of section 103(b)(4)(D) of the 1954 Code) shall be treated as an exempt facility bond for purposes of part IV of subchapter B of chapter I of the 1986 Code if such facility is described in any of the following subparagraphs.

"(A) A facility is described in this subparagraph if—

"(i) there was an inducement resolution on March 9, 1984, for the issuance of bonds with respect to such facility, and

"(ii) such resolution was extended by resolutions passed on August 14, 1984, April 2, 1985, August 13, 1985, and July 8, 1986.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$30,000,000.

"(B) A facility is described in this subparagraph if—

"(i) such facility is for a university medical school,

"(ii) the last parcel of land necessary for such facility was purchased on February 4, 1983, and

"(iii) the amount of bonds to be issued with respect to such facility was increased by the State legislature of the State in which the facility is to be located as part of its 1983-1984 general appropriations act.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$9,000,000.

"(C) A facility is described in this subparagraph if—

"(i) the development agreement with respect to the project of which such facility is a part was entered into during May 1984, and

"(ii) an inducement resolution was passed on October 9, 1985, for the issuance of bonds with respect to the facility.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$35,000,000.

"(D) A facility is described in this subparagraph if the city council approved a resolution of intent to issue tax-exempt bonds (Resolution 34083) for such facility on April 30, 1986. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$8,000,000. Solely for purposes of this subparagraph, a building constructed as part of such facility shall be deemed to be functionally related and subordinate to such facility.

"(E) A facility is described in this subparagraph if—

"(i) resolutions were adopted by a public joint powers authority relating to such facility on March 6, 1983, May 1, 1983, October 2, 1983, December 4, 1983, and February 5, 1986; and

"(ii) such facility is to be located at an exposition park which includes a coliseum and sports arena.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$150,000,000.

"(F) A facility is described in this subparagraph if—

"(i) it is to be constructed as part of an overall development that is the subject of a development agreement dated October 1, 1983, between a developer and an organization described in section 501(c)(3) of the 1986 Code, and

"(ii) an environmental notification form with respect to the overall development was filed with a State environmental agency on February 28, 1983.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$60,000,000.

"(G) A facility is described in this subparagraph if—

"(i) an inducement resolution was passed by the city redevelopment agency on December 3, 1984, and a resolution to convey to the private activity bond trust was passed by such agency on December 21, 1984, with respect to such facility, and

"(ii) the owner participation agreement with respect to such facility was entered into on July 30, 1986.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$18,000,000.

"(H) A facility is described in this subparagraph if—

"(i) an application (dated August 28, 1986) for financial assistance was submitted to the county industrial development agency with respect to such facility, and

"(ii) the inducement resolution for such facility was passed by the industrial development agency on September 10, 1986.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$8,000,000.

"(I) A facility is described in this subparagraph if—

"(i) it is located in a city the parking needs of which were comprehensively described in a "Downtown Parking Plan" dated January 1983, and approved by the city's City Plan Commission on June 1, 1983, and

"(ii) obligations with respect to the construction of which are incurred on behalf of a State or local governmental unit by a corporation empowered to issue the same which was created by the legislative body of a State by an Act introduced on May 21, 1983, and thereafter passed, which Act became effective without the governor's signature on June 24, 1985.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$54,000,000.

"(J) A facility is described in this subparagraph if—

"(i) such facility is located in a city which was the subject of a convention center market analysis or study dated March 1983 and prepared by a nationally recognized accounting firm,

"(ii) such facility is intended for use by, among others, persons attending a convention center located within the same town or city, and

"(iii) such facility's location was approved in December 1985 by a task force created jointly, by the governor of the State within which such facility will be located and the mayor of the capital city of such State.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$3,000,000.

"(K) A facility is described in this subparagraph if—

"(i) scale and components for the facility were determined by a city downtown plan adopted October 31, 1984 (resolution number 3882), and

"(ii) the site area for the facility is approximately 51,200 square feet.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$2,000,000.

"(L) A facility is described in this subparagraph if—

"(i) the property for such facility was offered for development by a city renewal agency on March 19, 1986 (resolution number 920), and

"(ii) the site area for the facility is approximately 25,600 square feet.

The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$7,000,000.

"(M) A facility is described in this subparagraph if such facility was approved by official action of the city council on July 26, 1984 (resolution number 337.8), and is for the Moyer Theatre. The aggregate face amount of bonds to which this subparagraph applies shall not exceed \$8,000,000.

"(N) A facility is described in this subparagraph if it is part of a renovation project involving the Outlet Company building in Providence, Rhode Island. The aggregate face amount of obligations to which this subparagraph applies shall not exceed \$6,000,000.

"(10) Certain advance refundings.—

Rising Tide Revenue Offset –
Impose Limitation on Prefunding of Certain Employee Benefits
 (Section 1503 of the House Bill and Sections 419A and 4976 of the Code)

Under present law, contributions to a welfare benefit fund generally are deductible when paid, but only to the extent permitted under the rules of sections 419 and 419A. The deduction limits of sections 419 and 419A do not apply in the case of certain 10-or-more employer plans. (A plan is a 10-or-more employer plan if (1) more than one employer contributes to it, and (2) no employer normally contributes more than 10 percent.)

The exception to the deduction limits for 10-or-more employer plans have been utilized for purposes other than it was intended, e.g. funding retirement-type benefits that avoid the dollar limitations and rules that apply to qualified retirement plans.

Closing this loophole and specifically limiting the 10-or-more exception to plans that provide only medical benefits, disability benefits and qualifying group-term life insurance is non-controversial and has bi-partisan support in the Congress. It will generate federal revenue of \$22mm in 1999, \$693mm 1999-2004, and \$1,209mm 1999-2009. JCT estimated *Rising Tide*'s cost at \$8mm in 99, \$285mm 99-04, and \$366mm 99-09.

For details see House Report 106-238, pg378 (text attached) and "Estimated Revenue Effects" exhibit, item XV. 3. (below)

JCT Estimated Revenue Effect of this offset
 (millions of dollars)

YEAR	<u>99</u>	<u>00</u>	<u>01</u>	<u>02</u>	<u>03</u>	<u>04</u>	<u>05</u>	<u>06</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>99-04</u>	<u>99-09</u>
REVENUE	22	93	141	147	149	140	129	118	105	90	74	683	1,209
JCT cost estimate for <i>Rising Tide</i>	8	33	57	69	72	47	20	18	16	14	13	285	366

C. IMPOSE LIMITATION ON PREFUNDING OF CERTAIN EMPLOYEE BENEFITS (SEC. 1503 OF THE BILL AND SECS. 419A AND 4976 OF THE CODE) House Report 106-238 pg 378

PRESENT LAW Under present law, contributions to a welfare benefit fund generally are deductible when paid, but only to the extent permitted under the rules of sections 419 and 419A. The amount of an employer's deduction in any year for contributions to a welfare benefit fund cannot exceed the fund's qualified cost for the year minus the fund's after-tax income for the year. With certain exceptions, the term qualified cost means the sum of (1) the amount that would be deductible for benefits provided during the year if the employer paid them directly and was on the cash method of accounting, and (2) within limits, the amount of any addition to a qualified asset account for the year. A qualified asset account includes any account consisting of assets set aside for the payment of disability benefits, medical benefits, supplemental unemployment compensation or severance pay benefits, or life insurance benefits. The account limit for a qualified asset account for a taxable year is generally the amount reasonably and actuarially necessary to fund claims incurred but unpaid (as of the close of the taxable year) for benefits with respect to which the account is maintained and the administrative costs incurred with respect to those claims. Specific additional reserves are allowed for future provision of post-retirement medical and life insurance benefits.

The deduction limits of sections 419 and 419A for contributions to welfare benefit funds do not apply in the case of certain 10-or-more employer plans. A plan is a 10-or-more employer plan if (1) more than one employer contributes to it, and (2) no employer is normally required to contribute more than 10 percent of the total contributions contributed under the plan by all employers. The exception is not available if the plan maintains experience-rating arrangements with respect to individual employers. If any portion of a welfare benefit fund reverts to the benefit of an employer, an excise tax equal to 100 percent of the reversion is imposed on the employer.

REASONS FOR CHANGE The Committee understands that the exception to the welfare benefit fund deduction limits for 10-or-more employer plans has been utilized to fund retirement-type benefits that avoid the dollar limitations and other rules applicable to qualified retirement plans and the deduction timing rules applicable to nonqualified deferred compensation arrangements. Congress intended the exception to apply to a multiple employer welfare benefit plan under which the relationship of a participating employer to the plan is similar to the relationship of an insured to an insurer, and did not intend the exception to apply if the liability of any employer under the plan is determined on the basis of experience rating, which can create, in effect, a single-employer plan within a 10-or-more-employer arrangement. It is difficult to identify whether experience rating is present with respect to the provision of some benefits, such as severance pay and certain death benefits, because of the complexity of the arrangements. Therefore, the Committee believes that it is appropriate to limit the benefits for which the 10-or-more employer exception is available.

EXPLANATION OF PROVISION Under the provision, the present-law exception to the deduction limit for 10-or-more employer plans is limited to plans that provide only medical benefits, disability benefits, and qualifying group-term life insurance benefits to plan beneficiaries. For purposes of this provision, qualifying group-term life insurance benefits do not include any arrangements that permit a plan beneficiary to directly or indirectly access all or part of the account value of any life insurance contract, whether through a policy loan, a partial or complete surrender of the policy, or otherwise. It is intended that qualifying group-term life insurance benefits do not include any arrangement whereby a plan beneficiary may receive a policy without a stated account value that has the potential to give rise to an account value whether through the exchange of such policy for another policy that would have an account value or otherwise. The 10-or-more employer plan exception is no longer available with respect to plans that provide supplemental unemployment compensation, severance pay, or life insurance (other than qualifying group-term life insurance) benefits. Thus, the generally applicable deduction limits (sections 419 and 419A) apply to plans providing these benefits. In addition, if any portion of a welfare benefit fund attributable to contributions that are deductible pursuant to the 10-or-more employer exception (and earnings thereon) is used for a purpose other than for providing medical benefits, disability benefits, or qualifying group-term life insurance benefits to plan beneficiaries, such portion is treated as reverting to the benefit of the employers maintaining the fund and is subject to the imposition of the 100-percent excise tax. Thus, for example, cash payments to employees upon termination of the fund, and loans or other distributions to the employee or employer, would be treated as giving rise to a reversion that is subject to the excise tax. Under the provision, no inference is intended with respect to the validity of any 10-or-more employer arrangement under the provisions of present law.

EFFECTIVE DATE The provision is effective with respect to contributions paid or accrued on or after June 9, 1999, in taxable years ending after such date.