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Draft Federal Legislation: Agricultural Economic Empowerment Zones

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D R A F T

115TH CONGRESS

2nd SESSION **HB. ___**

To incentivize sustainable development in order to increase security of the agricultural industry through greater economic profit, and to provide for the establishment of agricultural economic empowerment zones.

IN THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES

December 08, 2018

Mr./Ms. _____ (for herself/himself and ___) introduced the following bill; which was read twice and referred to the Committee on ____.

A BILL

To incentivize sustainable development in order to increase security of the agricultural industry through greater economic profit, and to provide for the establishment of agricultural economic empowerment zones.

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Ag-Economic Empowerment Act of 2022”

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents. Sec. 2. Definitions.

TITLE I—DESIGNATION OF AG-ECONOMIC EMPOWERMENT ZONES (AEEZ)

Sec. 101. Eligibility requirements for Ag-Economic Empowerment Zone status.

Sec. 102. Application and duration of designation.

TITLE II—FEDERAL TAX REDUCTIONS

Sec. 201. Tax incentives related to Economic Freedom Zones.

TITLE III—SUSTAINABLE DEVELOPMENT SUPPORT AND ENERGY INCENTIVES

Sec. 301. Ag-Economic Empowerment Zone development tax incentives

Sec. 302. RCPP eligibility and other tax credits within Ag-Economic Empowerment Zones

Sec. 303. Sustainable development support and RCPP funding allocation for AEEZ development, incentive to the states for ag-energy

SEC. 2. DEFINITIONS.

In this Act:

CITY.—The term “city” means any unit of general local government that is classified as a municipality by the United States Census Bureau, or is a town or township as determined jointly by the Director of the Office of Management and Budget and the Secretary.

REGION.—The term “region” means any series of counties meeting the qualifying specifications to exist as an Ag-Economic Empowerment Zone, where “county” means any unit of local general government that is classified as a county by the United States Census Bureau.

ELIGIBLE ENTITY.—The term “eligible entity” means any entity within an eligible region or municipality.

MUNICIPALITY.—The term “municipality” has the meaning given that term in section 101(40) 8 of title 11, United States Code.

JOINT SECRETARY.—The term “Joint Secretary” means the Secretary of Agriculture and the Secretary of the Treasury.

ZIP CODE.—The term “zip code” means any area or region associated with or covered by a United States Postal zip code of not less than 5 digits.

TITLE I—DESIGNATION OF AGRICULTURAL ECONOMIC EMPOWERMENT ZONES (AEEZ)

SEC. 101. ELIGIBILITY REQUIREMENTS FOR AG-ECONOMIC EMPOWERMENT ZONE STATUS.

(a) DESIGNATION OF AG-ECONOMIC EMPOWERMENT ZONES BY COUNTIES, CITIES, AND ZIP CODES.—

(1) IN GENERAL.—An eligible entity may be designated by the Joint Secretary as an AEEZ if the eligible entity—

(A) is a county that—

(i) is located in a non-metropolitan statistical area (as defined by the Director of the Office of Management and Budget) and

(ii) meets the requirements under paragraph (2) or

(B) is a zip code that meets the requirements under paragraph (2).

(2) LOW ECONOMIC AND LIMITED AG-DEVELOPMENT AREA.—

(A) IN GENERAL.—An eligible entity shall be eligible for designation as an AEEZ under paragraph (1) if the eligible entity is designated by the Joint Secretary as a low economic or limited ag-development area.

(B) DESIGNATION AS LOW ECONOMIC AND LIMITED AG-DEVELOPMENT AREA.—The Joint Secretary, after review of supporting data as determined appropriate, shall designate an eligible entity as a low economic or low ag-development area if—

(i) the State or local government with jurisdiction over the eligible entity may certify that—

(I) Average net cash farm income is below \$350,000, and

(II) A minimum forty percent of residents within the entity qualify for Medicaid benefits or the proposed entity has a poverty rate above twenty-five percent.

(b) ADDITIONAL DESIGNATION OF RURAL OR LOW-DEVELOPMENT MUNICIPALITIES AS AG-ECONOMIC EMPOWERMENT ZONES.—

(1) IN GENERAL.—An eligible entity that is a municipality may be designated by the Joint Secretary as an Ag-Economic Empowerment Zone if otherwise not existing within a greater AEEZ area defined in (a), provided that —

(A) At least 40 percent of residents qualify for Medicaid and the municipality meets the requirements under section 109(c) of title 11, United States Code, and exists within a county bordering an AEEZ; or the following circumstances:

(B) is at risk of insolvency, as determined under paragraph (2);

(C) has been subject to receivership by the State within the last 3 years;

(D) has been a debtor under chapter 9 of title 11, United States Code, within the last 3 years;

(E) has been subject to a financial advisory board, emergency manager, or similar entity that—

(i) has arisen from the legislative or executive authority of the State; and

(ii) exercises significant financial control over the finances of the entity within 8 the last 3 years; or

(F) is in receivership or is being overseen by the Federal Government.

(2) AT RISK OF INSOLVENCY.—A municipality is at risk of insolvency if—

(A) an independent actuarial firm that has been engaged by the municipality and that does not have a conflict of interest with the municipality, including any previous relationship with te municipality, as determined by the Secretary of the Treasury—

(i) determines that the municipality is

insolvent (as defined in section 101(a)(4) 21 of title 11, United States Code); and

(ii) submits its analysis regarding the insolvency of the municipality to the Secretary of the Treasury; and

(B) the Secretary of the Treasury has reviewed and approved the determination of insolvency by the actuarial firm.

(c) REFUSAL TO GRANT STATUS.—The Secretary may refuse to designate an eligible entity as an Ag-Economic Empowerment Zone if the Secretary determines that any requirement under this Act has not been satisfied.

(d) NON-APPLICATION OF BENEFITS. — Any farm-entity having net cash farm income over \$350,000 located within an eligible entity may not be eligible for direct benefits as provided in title II of this act.

SEC. 102. APPLICATION AND DURATION OF DESIGNATION.

(a) APPLICATION.—Independent of census review, the Joint Secretary shall develop procedures to enable an eligible entity to submit to the Joint Secretary an application for designation as an Ag-Economic Empowerment Zone under this title.

(b) DURATION.—The designation by the Joint Secretary of an eligible entity as a Ag-Economic Empowerment Zone shall be for a period of 10 years, corresponding to census year.

TITLE II—FEDERAL TAX INCENTIVES

SEC. 201. TAX INCENTIVES EXISTING WITHIN AG-ECONOMIC EMPOWERMENT ZONES.

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

“Subchapter Z—Ag-Economic Empowerment Zones

“PART I—TAX INCENTIVES

“PART II—DEFINITIONS

“PART I—TAX INCENTIVES

Sec. 1400V–1. Ag-Economic Empowerment Zone Flat Tax.

Sec. 1400V–2. Ag-Economic Empowerment Zone.

“SEC. 1400V–1. AG-ECONOMIC EMPOWERMENT ZONE FLAT TAX.

“(a) IN GENERAL.—In the case of any individual whose principal residence (within the meaning of section 121) is located in an Ag-Economic Empowerment Zone for the taxable year and is a farm owner, in lieu of the tax imposed by section 1, there shall be imposed a tax equal to 7 percent of the taxable income of such taxpayer. For purposes of this title, the tax imposed by the preceding sentence shall be treated as a tax imposed by section 1. Further, any farm qualified by the Ag-Economic Empowerment Zone as an eligible entity shall not be imposed an income tax, and there shall likewise be imposed a tax equal to 10 percent of the taxable income of such farm entity.

“(b) JOINT RETURNS.—In the case of a joint return under section 6013, subsection (a) shall apply so long as either spouse has a principal residence (within the meaning of section 121) in an Ag-Economic Freedom Zone for the taxable year.

“(c) ALTERNATIVE MINIMUM TAX NOT TO APPLY.—

The tax imposed by section 55 shall not apply to any taxpayer to whom subsection (a) applies.

“PART II—DEFINITIONS

“Sec. 1400V–6. Ag-Economic Empowerment Zone.

“SEC. 1400V–2. AG-ECONOMIC EMPOWERMENT ZONE.

“For purposes of this subchapter, the term ‘Ag-Economic Empowerment Zone’ means any area which is an Ag-Economic Empowerment Zone under title I of the Ag-Economic Empowerment Zone Act.”.

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 of such Code is amended by inserting after the item relating to subchapter Y the following new item:

“SUBCHAPTER Z—AG-ECONOMIC FREEDOM ZONES”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

TITLE III—SUSTAINABLE DEVELOPMENT SUPPORT AND ENERGY INCENTIVES

SEC. 301. AG-ECONOMIC ECONOMIC EMPOWERMENT ZONE DEVELOPMENT TAX CREDITS.

(a) IN GENERAL.—Section 170 of the Internal Revenue Code of 1986 is amended by inserting after subsection (o) the following new subsection:

“(o) ELECTION TO TREAT CONTRIBUTIONS FOR AG-ECONOMIC EMPOWERMENT ZONE SUSTAINABLE DEVELOPERS OR CHARITIES AS A CREDIT.—

“(1) IN GENERAL.—In the case of an individual, at the election of the taxpayer, so much of the deduction allowed under subsection (a) (determined without regard to this subsection) which is attributable to Ag-Economic Empowerment Zone charitable contributions—

“(A) shall be allowed as a credit against the tax imposed by this chapter for the taxable year, and

“(B) shall not be allowed as a deduction for such taxable year under subsection (a) Any amount allowable as a credit under this subsection shall be treated as a credit allowed under subpart A of part IV of subchapter A for purposes of this title.

“(2) AMOUNT ATTRIBUTABLE TO AG-ECONOMIC EMPOWERMENT ZONE SUSTAINABLE DEVELOPMENT CONTRIBUTIONS.—

For purposes of paragraph (1)—

“(A) IN GENERAL.—In any case in which the total charitable contributions of a taxpayer for a taxable year exceed the contribution base, the amount of Ag-Economic Empowerment Zone charitable contributions taken into account under paragraph (1) shall be the amount which bears the same ratio to the total charitable contributions made by the taxpayer during such taxable year as the amount of the deduction allowed under subsection (a) (determined without regard to this subsection and after application of subsection (b)) bears to the total charitable contributions made by the taxpayer for such taxable year.

“(B) CARRYOVERS.—In the case of any contribution carried from a preceding taxable year under subsection (d), such amount shall be treated as attributable to an Ag-Economic Empowerment Zone charitable contribution in the amount that bears the same ratio to the total amount carried from preceding taxable years under subsection (d) as the amount of Ag-Economic Empowerment Zone charitable contributions not allowed as a deduction under subsection (a) (other than by reason of this subsection for the preceding

taxable years) bears to total amount carried from preceding taxable years under subsection (d).

“(3) AG-ECONOMIC EMPOWERMENT ZONE CHARITABLE CONTRIBUTION.—The term ‘Ag-Economic Empowerment Zone charitable contribution’ means any contribution to a farm-related fund or community chest fund within an eligible entity, foundation or 501 c(3) organization, but only if such entity is recognized as an eligible partner under Section 3871 of the Regional Conservation Partnership Program of the Erodible Land and Wetland Conservation and Reserve Program, or if and only if—

“(A) such entity is created or organized exclusively for—

“(i) agricultural purposes,

“(ii) conservation purposes,

“(iii) education purposes,

“(iv) any of the following purposes: providing educational scholarships, providing conservation or sustainability scholarships, providing funding for sustainable agriculture or development, providing assistance for forestry conservation practices, funding renewable energy development, or setting up or maintaining local food banks.

“(B) the primary mission of such entity is serving individuals or farms in an Ag-Economic Freedom Zone,

“(C) the entity maintains accountability to residents of such Ag-Economic Empowerment Zone through their representation on any governing board of the entity or any advisory board to the entity, and

“(D) the entity is certified by the Joint Secretary for purposes of this subsection.

Such term shall not include any contribution made to an entity described in the preceding sentence after the date in which the designation of the Ag-Economic Empowerment Zone serviced by such entity lapses.

“(4) AG-ECONOMIC EMPOWERMENT ZONE.—The term ‘Ag-Economic Empowerment Zone’ means any area which is an Ag-Economic Empowerment Zone under title I of the Ag-Economic Empowerment Zone Act.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 302. RCPP ELIGIBILITY AND OTHER TAX INCENTIVES WITHIN AG-ECONOMIC EMPOWERMENT ZONES.

(a) IN GENERAL.—Section 3871 of the Regional Conservation Partnership Program of the Erodible Land and Wetland Conservation and Reserve Program is amended adding to 3871 the following:

- (I) To subchapter (a):
 - “(7) **Ag-Economic Empowerment Zone**
The term ‘Ag-Economic Empowerment Zone’ means any area which is an Ag-Economic Empowerment Zone under title I of the Ag-Economic Empowerment Zone Act.”
- (II) In subchapter (a), subsection 2, replacing after part(H):
 - “(I) Forest restoration, as well as sustainable reforestation which may be intended for wood biomass, gasification, or other energy production; or
 - “(J) Biodigestion, batch-digestion, landfill, biomass gasification, or sludge gasification operations assisting in waste-management, or any similar developments related to rural biogas production and/or rural waste management.
 - “(K) Any similar activities that the Secretary determines will help achieve conservation benefits, or achieve renewable energy and/or sustainable developments in rural communities or Ag-Economic Empowerment Zones without significant environmental detriment.”
- (III) In subchapter (a), subsection 3, adding to part (A):
 - “(iii) any lands which are qualified to exist as or within an eligible entity defined by the Ag-Economic Empowerment Act of 2018.”
- (IV) In subchapter (b), subsection 4, adding a part after part (F):
 - “(G) provide for any developments within an Ag-Economic Empowerment Zone.”
- (V) In subchapter (c), subsection (c), adding to part (2):
 - “(C) producers conducting any eligible activity within an Ag-Economic Empowerment Zone”

SEC. 303. SUSTAINABLE DEVELOPMENT SUPPORT AND RCPP FUNDING ALLOCATION FOR AEEZ DEVELOPMENT, INCENTIVE TO THE STATES FOR AG-ENERGY.

(a) IN GENERAL.— The Erodible Land and Wetland Conservation and Reserve Program is amended adding the following:
Section 3871 of the Regional Conservation Partnership Program of the Erodible Land and Wetland Conservation and Reserve Program is amended adding after 3871(f) the following parts:

- “(g) Fund allocation and Rural assistance for sustainable development
 - (a) IN GENERAL – As of the beginning of fiscal year 2019, in lieu of renewal of funds defined under 3871(d) part(a) of this act, The Secretary shall use \$250,000,000 of the funds of the Commodity

Credit Corporation for each of fiscal years 2019 through 2030. The Secretary of the Treasury shall also allocate funds of \$100,000,000 to the Commodity Credit Corporation as of the beginning of fiscal year 2019 through year 2030 for each fiscal year, to be reserved for withdraw by The Secretary for purposes of this act.

- (b) In such event where funds allocated by the Secretary of the Treasury to the Commodity Credit Corporation for the purposes of this act may be ordered lessened for the fiscal year, The Secretary shall deduct an amount equal to the amount lessened from the Secretary of the Treasury for the withdrawable funds of the Commodity Credit Corporation for said fiscal year.
- (c) In such event where the available funds of the Commodity Credit Corporation for the beginning of a fiscal year may be less than \$150,000,000, the Secretary of the Treasury shall further yield additional funding of the difference from this amount to the Commodity Credit Corporation.

“(h) Eligibility to receive funds as defined in previous part (g)

- (a) IN GENERAL – Funds for this act as referenced in section 3871 (g) of this act may only be disbursed within areas designated as ag-economic empowerment zones as formed under the Ag-Economic Empowerment Act of 2018.
- (b) In order for any party or individual to be eligible to receive grant funding under this act, as defined in 3871(g) of this act, such party must be considered an eligible entity under the Ag-Economic Empowerment Act of 2018.
- (c) In any state, eligibility for such funds may be extended outside the areas defined in part(b) within that state, where the state maintains policies including:
 - 1.) A form of tax-credit system based upon sustainable use and/or production of sustainable materials as the state may define. And
 - 2.) Apart from net-metering, methods to insure fair-compensation at or above market price for rural energy production for methods that may include biodigestion, batch digestion, landfill biogas production, solar, or methods of energy production in rural or agricultural areas as described under 3871(a)(2) from part(i) to

part(k), for purposes of producing and feeding energy into the grid. Or

3.) Having legislated in place a renewable portfolio standard which may likewise allow for the same fair compensation for methods described above.

(d) Where the full-grounds of any state may be awarded eligibility as suggested in part (c), The Secretary maintains the duty to revoke eligibility for the funds defined in 3871(g) to be extended to those full-grounds beyond what is defined in part(b) if the policies of that state are at any point thereafter determined by The Secretary insufficient of meeting the standards described in part (c).

(b) EFFECTIVE DATE. —The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.