

112TH CONGRESS
1ST SESSION

S. 1237

To amend the Internal Revenue Code of 1986 to allow manufacturing businesses to establish tax-free manufacturing reinvestment accounts to assist them in providing for new equipment and facilities and workforce training.

IN THE SENATE OF THE UNITED STATES

JUNE 21 (legislative day, JUNE 16), 2011

Mr. BLUMENTHAL (for himself, Mr. LIEBERMAN, and Mr. ROCKEFELLER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow manufacturing businesses to establish tax-free manufacturing reinvestment accounts to assist them in providing for new equipment and facilities and workforce training.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Manufacturing Rein-
5 vestment Account Act of 2011”.

1 **SEC. 2. MANUFACTURING REINVESTMENT ACCOUNTS.**

2 (a) IN GENERAL.—Part VI of subchapter B of chap-
3 ter 1 of the Internal Revenue Code of 1986 is amended
4 by inserting after section 199 the following new section:

5 **“SEC. 199A. MANUFACTURING REINVESTMENT ACCOUNTS.**

6 “(a) DEDUCTION ALLOWED.—In the case of a tax-
7 payer engaged in a manufacturing business, there shall
8 be allowed as a deduction for the taxable year the amount
9 paid in cash by the taxpayer during the taxable year to
10 a manufacturing reinvestment account (hereinafter re-
11 ferred to as an ‘MRA’) for the taxpayer’s benefit.

12 “(b) LIMITATION.—

13 “(1) IN GENERAL.—The amount which a tax-
14 payer may pay into an MRA for the taxable year
15 shall not exceed the lesser of—

16 “(A) the domestic manufacturing gross re-
17 cepts of the taxpayer for the taxable year, or

18 “(B) \$500,000.

19 “(2) CONTROLLED GROUPS.—

20 “(A) IN GENERAL.—For purposes of this
21 subsection, all persons treated as a single em-
22 ployer under subsection (a) or (b) of section 52
23 or subsection (m) or (o) of section 414 shall be
24 treated as a single manufacturer.

25 “(B) INCLUSION OF FOREIGN CORPORA-
26 TIONS.—For purposes of subparagraph (A), in

1 applying subsections (a) and (b) of section 52
2 to this section, section 1563 shall be applied
3 without regard to subsection (b)(2)(C) thereof.

4 “(c) MRA.—For purposes of this section, the term
5 ‘MRA’ means a trust created or organized in the United
6 States for the exclusive benefit of the taxpayer, but only
7 if the written governing instrument creating the trust
8 meets the following requirements:

9 “(1) No contribution will be accepted for any
10 taxable year unless it is in cash.

11 “(2) Contributions will not be accepted for any
12 taxable year in excess of the amount allowed as a
13 deduction under subsection (a) for such year.

14 “(3) The trustee is an eligible institution.

15 “(4) No part of the trust assets will be invested
16 in life insurance contracts.

17 “(5) No part of the trust assets will be invested
18 in any collectible (as defined in section 408(m)).

19 “(6) The assets of the trust will not be commin-
20 gled with other property except in a common trust
21 fund or common investment fund.

22 “(d) TAX TREATMENT OF ACCOUNTS.—

23 “(1) IN GENERAL.—An MRA is exempt from
24 taxation under this subtitle unless the account has
25 ceased to be an MRA. Notwithstanding the pre-

1 ceding sentence, an MRA is subject to the taxes im-
 2 posed by section 511 (relating to imposition of tax
 3 on unrelated business income of charitable, etc. or-
 4 ganizations).

5 “(2) ACCOUNT TERMINATIONS.—Rules similar
 6 to the rules of paragraphs (2) and (4) of section
 7 408(e) shall apply to MRAs, and any amount treat-
 8 ed as distributed under such rules shall be treated
 9 as not used to pay qualified reinvestment expenses.

10 “(e) TREATMENT OF DISTRIBUTIONS.—

11 “(1) IN GENERAL.—Except as provided in para-
 12 graphs (3) and (4), there shall be includible in the
 13 gross income of the taxpayer for any taxable year—

14 “(A) any amount distributed from an MRA
 15 of the taxpayer during such taxable year, and

16 “(B) any deemed distribution under—

17 “(i) subsection (g)(1) (relating to de-
 18 posits not distributed within 7 years),

19 “(ii) subsection (g)(2) (relating to ces-
 20 sation in manufacturing business), and

21 “(iii) subparagraph (A) or (B) of sub-
 22 section (g)(3) (relating to prohibited trans-
 23 actions and pledging account as security).

24 “(2) ADDITIONAL TAX.—

1 “(A) IN GENERAL.—The tax imposed by
2 this chapter on the taxpayer for any taxable
3 year in which there is a distribution from an
4 MRA shall be increased by 10 percent of the
5 amount of such distribution which is includible
6 in gross income.

7 “(B) EXCEPTION.—Subparagraph (A)
8 shall not apply to distributions during the tax-
9 able year to the extent necessary, under regula-
10 tions prescribed by the Secretary, to avoid
11 bankruptcy.

12 “(3) REDUCED INCLUSION FOR AMOUNTS REIN-
13 VESTED.—Only 43 percent of the aggregate amount
14 distributed from an MRA during the taxable year
15 shall be includible in income under paragraph (1)(A)
16 to the extent that such aggregate amount does not
17 exceed the aggregate amount of qualified reinvest-
18 ment expenses paid or incurred by the taxpayer dur-
19 ing such year.

20 “(4) DISTRIBUTION OF EXCESS CONTRIBU-
21 TIONS.—Paragraph (1) shall not apply to the dis-
22 tribution of any contribution paid during a taxable
23 year to an MRA to the extent that such contribution
24 exceeds the limitation applicable under subsection

1 (b) if requirements similar to the requirements of
2 section 408(d)(4) are met.

3 “(f) DEFINITIONS.—For purposes of this section—

4 “(1) MANUFACTURING BUSINESS.—The term
5 ‘manufacturing business’ means any trade or busi-
6 ness having domestic manufacturing gross receipts.

7 “(2) DOMESTIC MANUFACTURING GROSS RE-
8 CEIPTS.—The term ‘domestic manufacturing gross
9 receipts’ means gross receipts of the taxpayer which
10 are derived from any lease, rental, license, sale, ex-
11 change, or other disposition of tangible personal
12 property which was manufactured by the taxpayer in
13 whole or in significant part within the United
14 States. Rules similar to the rules of section 199
15 shall apply in determining the gross receipts of the
16 taxpayer for purposes of the preceding sentence.

17 “(3) QUALIFIED REINVESTMENT EXPENSES.—
18 The term ‘qualified reinvestment expenses’ means—

19 “(A) expenses for property to be used by
20 the taxpayer in a manufacturing business, and

21 “(B) expenses for job training and work-
22 force development for employees of the tax-
23 payer.

24 “(4) ELIGIBLE INSTITUTION.—

1 “(A) IN GENERAL.—The term ‘eligible in-
2 stitution’ means—

3 “(i) any insured depository institu-
4 tion, which—

5 “(I) is not controlled by a bank
6 holding company or savings and loan
7 holding company that is also an eligi-
8 ble institution,

9 “(II) has total assets of equal to
10 or less than \$25,000,000,000, as re-
11 ported in the call report as of the end
12 of the fourth quarter of calendar year
13 2009, and

14 “(III) is not directly or indirectly
15 controlled by any company or other
16 entity that has total consolidated as-
17 sets of more than \$25,000,000,000,
18 as so reported;

19 “(ii) any bank holding company which
20 has total consolidated assets of equal to or
21 less than \$25,000,000,000;

22 “(iii) any savings and loan holding
23 company which has total consolidated as-
24 sets of equal to or less than
25 \$25,000,000,000;

1 “(iv) any community development fi-
2 nancial institution loan fund which has
3 total assets of equal to or less than
4 \$25,000,000,000; and

5 “(v) any small business lending com-
6 pany that has total assets of equal to or
7 less than \$25,000,000,000.

8 “(B) INSURED DEPOSITORY INSTITU-
9 TION.—The term ‘insured depository institu-
10 tion’ has the meaning given such term under
11 section 3(e)(2) of the Federal Deposit Insur-
12 ance Act (12 U.S.C. 1813(e)(2)).

13 “(C) BANK HOLDING COMPANY.—The
14 term ‘bank holding company’ has the meaning
15 given such term under section 2(a)(1) of the
16 Bank Holding Company Act of 1956 (12
17 U.S.C. 1841(2)(a)(1)).

18 “(D) CALL REPORT.—The term ‘call re-
19 port’ means—

20 “(i) reports of Condition and Income
21 submitted to the Office of the Comptroller
22 of the Currency, the Board of Governors of
23 the Federal Reserve System, and the Fed-
24 eral Deposit Insurance Corporation;

1 “(ii) the Office of Thrift Supervision
2 Thrift Financial Report;

3 “(iii) any report that is designated by
4 the Office of the Comptroller of the Cur-
5 rency, the Board of Governors of the Fed-
6 eral Reserve System, the Federal Deposit
7 Insurance Corporation, or the Office of
8 Thrift Supervision, as applicable, as a suc-
9 cessor to any report referred to in clause
10 (i) or (ii);

11 “(iv) standard reports of Condition
12 and Income submitted by Community De-
13 velopment Financial Institution loan funds
14 to the Community Development Financial
15 Institutions Fund; and

16 “(v) with respect to an eligible institu-
17 tion for which no report exists that is de-
18 scribed under clause (i), (ii), or (iii), such
19 other report or set of information as the
20 Secretary, in consultation with the Admin-
21 istrator of the Small Business Administra-
22 tion, may prescribe.

23 “(g) SPECIAL RULES.—

24 “(1) TAX ON DEPOSITS IN ACCOUNT WHICH
25 ARE NOT DISTRIBUTED WITHIN 7 YEARS.—

1 “(A) IN GENERAL.—If, at the close of any
2 taxable year, there is a nonqualified balance in
3 any MRA—

4 “(i) there shall be deemed distributed
5 from the MRA during such taxable year an
6 amount equal to such balance, and

7 “(ii) the taxpayer’s tax imposed by
8 this chapter for such taxable year shall be
9 increased by 10 percent of such deemed
10 distribution.

11 “(B) NONQUALIFIED BALANCE.—For pur-
12 poses of subparagraph (A), the term ‘non-
13 qualified balance’ means any balance in the
14 MRA on the last day of the taxable year which
15 is attributable to amounts deposited in such ac-
16 count before the 6th preceding taxable year.

17 “(C) ORDERING RULE.—For purposes of
18 this paragraph, distributions from an MRA
19 shall be treated as made from deposits (and in-
20 come thereon) in the order in which such depos-
21 its were made, beginning with the earliest de-
22 posits.

23 “(2) CESSATION OF MANUFACTURING BUSI-
24 NESS.—If the taxpayer ceases to be engaged in a
25 manufacturing business, there shall be deemed dis-

1 tributed from the MRA of the taxpayer at the close
2 of the first taxable year beginning after such ces-
3 sation an amount equal to the balance in the MRA
4 (if any) at such close.

5 “(3) CERTAIN RULES TO APPLY.—Rules similar
6 to the following rules shall apply for purposes of this
7 section:

8 “(A) Section 408(e)(2) (relating to loss of
9 exemption of account where taxpayer engages
10 in prohibited transaction).

11 “(B) Section 408(e)(4) (relating to effect
12 of pledging account as security).

13 “(C) Section 408(h) (relating to custodial
14 accounts).

15 “(4) TIME WHEN PAYMENTS DEEMED MADE.—
16 For purposes of this section, a taxpayer shall be
17 deemed to have made a payment to an MRA on the
18 last day of a taxable year if such payment is made
19 on account of such taxable year and is made on or
20 before the due date (without regard to extensions)
21 for filing the return of tax for such taxable year.

22 “(5) DEDUCTION NOT ALLOWED FOR SELF-EM-
23 PLOYMENT TAX.—The deduction allowable by reason
24 of subsection (a) shall not be taken into account in
25 determining an individual’s net earnings from self-

1 employment (within the meaning of section 1402(a))
2 for purposes of chapter 2.

3 “(h) REPORTS.—The trustee of an MRA shall make
4 such reports regarding such account to the Secretary and
5 to the person for whose benefit the account is maintained
6 with respect to contributions, distributions, and such other
7 matters as the Secretary may require under regulations.
8 The reports required by this subsection shall be filed at
9 such time and in such manner and furnished to such per-
10 sons at such time and in such manner as may be required
11 by such regulations.

12 “(i) TERMINATION.—No deduction shall be allowed
13 under this section for any taxable year beginning more
14 than 10 years after the date of the enactment of this sec-
15 tion.”.

16 (b) TAX ON EXCESS CONTRIBUTIONS.—

17 (1) IN GENERAL.—Subsection (a) of section
18 4973 of the Internal Revenue Code of 1986 is
19 amended by striking “or” at the end of paragraph
20 (4), by adding “or” at the end of paragraph (5), and
21 by inserting after paragraph (5) the following new
22 paragraph:

23 “(6) an MRA (within the meaning of section
24 199A(c)),”.

1 (2) EXCESS CONTRIBUTION DEFINED.—Section
2 4973 of such Code is amended by adding at the end
3 the following new subsection:

4 “(h) EXCESS CONTRIBUTIONS TO MRAs.—For pur-
5 poses of this section, in the case of MRAs (within the
6 meaning of section 199A(c)), the term ‘excess contribu-
7 tions’ means the amount by which the amount contributed
8 for the taxable year to the MRAs of the taxpayer exceeds
9 the amount which may be contributed to such MRAs
10 under section 199A(b) for such taxable year. For purposes
11 of this subsection, any contribution which is distributed
12 out of an MRA in a distribution to which section
13 199A(e)(3) applies shall be treated as an amount not con-
14 tributed.”.

15 (c) TAX ON PROHIBITED TRANSACTIONS.—

16 (1) IN GENERAL.—Paragraph (1) of section
17 4975(e) of the Internal Revenue Code of 1986 is
18 amended by striking “or” at the end of subpara-
19 graph (F), by redesignating subparagraph (G) as
20 subparagraph (H), and by inserting after subpara-
21 graph (F) the following:

22 “(F) an MRA described in section
23 199A(e), or”.

1 (2) SPECIAL RULE.—Subsection (c) of section
2 4975 of such Code is amended by adding at the end
3 the following:

4 “(7) SPECIAL RULE FOR MANUFACTURING RE-
5 INVESTMENT ACCOUNTS.—A person for whose ben-
6 efit an MRA (within the meaning of section
7 199A(c)) is established shall be exempt from the tax
8 imposed by this section with respect to any trans-
9 action concerning such account (which would other-
10 wise be taxable under this section) if, with respect
11 to such transaction, the account ceases to be an
12 MRA by reason of the application of section
13 199A(g)(3)(A) to such account.”.

14 (d) FAILURE TO PROVIDE REPORTS ON MRAS.—
15 Paragraph (2) of section 6693(a) of the Internal Revenue
16 Code of 1986 is amended by redesignating subparagraphs
17 (A) through (E) as subparagraphs (B) and (F), respec-
18 tively, and by inserting before subparagraph (B), as so
19 redesignated, the following new subparagraph:

20 “(A) section 199A(h) (relating to manufac-
21 turing reinvestment accounts),”.

22 (e) CLERICAL AMENDMENT.—The table of sections
23 for part VI of subchapter B of chapter 1 of the Internal
24 Revenue Code of 1986 is amended by inserting after the
25 item relating to section 199 the following new item:

“Sec. 199A. Manufacturing reinvestment accounts.”.

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

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