

107TH CONGRESS
2^D SESSION

H. R. 5579

To promote rural development, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 8, 2002

Mr. SHUSTER introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To promote rural development, and for other purposes.

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 “Rural Development
5 Act of 2002”.

6 **TITLE I—RURAL INVESTMENT**
7 **TAX CREDIT**

8 **SEC. 101. RURAL INVESTMENT TAX CREDIT.**

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

1 1986 (relating to business related credits) is amended by
2 adding at the end the following:

3 **“SEC. 42A. RURAL INVESTMENT CREDIT.**

4 “(a) IN GENERAL.—For purposes of section 38, the
5 amount of the rural investment credit determined under
6 this section for any taxable year in the credit period shall
7 be an amount equal to the applicable percentage of the
8 eligible basis of each qualified rural investment building.

9 “(b) APPLICABLE PERCENTAGE: 50 PERCENT
10 PRESENT VALUE CREDIT FOR NEW BUILDINGS; 50 PER-
11 CENT PRESENT VALUE CREDIT FOR EXISTING BUILD-
12 INGS.—For purposes of this section—

13 “(1) IN GENERAL.—The term ‘applicable per-
14 centage’ means the appropriate percentage pre-
15 scribed by the Secretary for the earlier of—

16 “(A) the first month of the credit period
17 with respect to a rural investment building, or

18 “(B) at the election of the taxpayer, the
19 month in which the taxpayer and the rural in-
20 vestment credit agency enter into an agreement
21 with respect to such building (which is binding
22 on such agency, the taxpayer, and all successors
23 in interest) as to the rural investment credit
24 dollar amount to be allocated to such building.

1 A month may be elected under subparagraph (B)
2 only if the election is made not later than the 5th
3 day after the close of such month. Such an election,
4 once made, shall be irrevocable.

5 “(2) METHOD OF PRESCRIBING PERCENT-
6 AGES.—The percentages prescribed by the Secretary
7 for any month shall be percentages which will yield
8 over a 10-year period amounts of credit under sub-
9 section (a) which have a present value equal to—

10 “(A) 50 percent of the eligible basis of a
11 new building, and

12 “(B) 50 percent of the eligible basis of an
13 existing building.

14 “(3) METHOD OF DISCOUNTING.—The present
15 value under paragraph (2) shall be determined—

16 “(A) as of the last day of the 1st year of
17 the 10-year period referred to in paragraph (2),

18 “(B) by using a discount rate equal to 72
19 percent of the average of the annual Federal
20 mid-term rate and the annual Federal long-
21 term rate applicable under section 1274(d)(1)
22 to the month applicable under subparagraph
23 (A) or (B) of paragraph (1) and compounded
24 annually, and

1 “(C) by assuming that the credit allowable
2 under this section for any year is received on
3 the last day of such year.

4 “(c) ELIGIBLE BASIS; QUALIFIED RURAL INVEST-
5 MENT BUILDING.—For purposes of this section—

6 “(1) ELIGIBLE BASIS.—

7 “(A) IN GENERAL.—The eligible basis of
8 any qualified rural investment building for any
9 taxable year shall be determined under rules
10 similar to the rules under section 42(d), except
11 that—

12 “(i) the determination of the adjusted
13 basis of any building shall be made as of
14 the beginning of the credit period, and

15 “(ii) such basis shall include develop-
16 ment costs properly attributable to such
17 building.

18 “(B) DEVELOPMENT COSTS.—For pur-
19 poses of subparagraph (A)(ii), the term ‘devel-
20 opment costs’ includes—

21 “(i) site preparation costs,

22 “(ii) State and local impact fees,

23 “(iii) reasonable development costs,

24 “(iv) professional fees related to basis
25 items,

1 “(v) construction financing costs re-
2 lated to basis items other than land, and

3 “(vi) on-site and adjacent improve-
4 ments required by State and local govern-
5 ments.

6 “(2) QUALIFIED RURAL INVESTMENT BUILD-
7 ING.—The term ‘qualified rural investment building’
8 means any building which is part of a qualified rural
9 investment project at all times during the period—

10 “(A) beginning on the 1st day in the com-
11 pliance period on which such building is part of
12 such an investment project, and

13 “(B) ending on the last day of the compli-
14 ance period with respect to such building.

15 “(d) REHABILITATION EXPENDITURES TREATED AS
16 SEPARATE NEW BUILDING.—Rehabilitation expenditures
17 paid or incurred by the taxpayer with respect to any build-
18 ing shall be treated for purposes of this section as a sepa-
19 rate new building under the rules of section 42(e).

20 “(e) DEFINITION AND SPECIAL RULES RELATING TO
21 CREDIT PERIOD.—

22 “(1) CREDIT PERIOD DEFINED.—For purposes
23 of this section, the term ‘credit period’ means, with
24 respect to any building, the period of 10 taxable

1 years beginning with the taxable year in which the
2 building is first placed in service.

3 “(2) SPECIAL RULE FOR 1ST YEAR OF CREDIT
4 PERIOD.—

5 “(A) IN GENERAL.—The credit allowable
6 under subsection (a) with respect to any build-
7 ing for the 1st taxable year of the credit period
8 shall be determined by multiplying such credit
9 by the fraction—

10 “(i) the numerator of which is the
11 number of full months of such year during
12 which such building was in service, and

13 “(ii) the denominator of which is 12.

14 “(B) DISALLOWED 1ST YEAR CREDIT AL-
15 LOWED IN 11TH YEAR.—Any reduction by rea-
16 son of subparagraph (A) in the credit allowable
17 (without regard to subparagraph (A)) for the
18 1st taxable year of the credit period shall be al-
19 lowable under subsection (a) for the 1st taxable
20 year following the credit period.

21 “(3) CREDIT PERIOD FOR EXISTING BUILDINGS
22 NOT TO BEGIN BEFORE REHABILITATION CREDIT
23 ALLOWED.—The credit period for an existing build-
24 ing shall not begin before the 1st taxable year of the

1 credit period for rehabilitation expenditures with re-
2 spect to the building.

3 “(f) QUALIFIED RURAL INVESTMENT PROJECT;
4 QUALIFYING COUNTY.—For purposes of this section—

5 “(1) QUALIFIED RURAL INVESTMENT
6 PROJECT.—The term ‘qualified rural investment
7 project’ means any investment project of 1 or more
8 qualified rural investment buildings located in a
9 qualifying county (and, if necessary to the project,
10 any contiguous county) and selected by the State ac-
11 cording to its qualified rural investment plan.

12 “(2) QUALIFYING COUNTY.—The term ‘quali-
13 fying county’ means any county which—

14 “(A) is outside a metropolitan statistical
15 area (defined as such by the Office of Manage-
16 ment and Budget), and

17 “(B) during the 20-year period ending
18 with the calendar year preceding the date of the
19 enactment of this section, has a net out-migra-
20 tion of inhabitants from the county of at least
21 10 percent of the population of the county at
22 the beginning of such period.

23 “(g) LIMITATION ON AGGREGATE CREDIT ALLOW-
24 ABLE WITH RESPECT TO INVESTMENT PROJECTS LO-
25 CATED IN A STATE.—

1 “(1) CREDIT MAY NOT EXCEED CREDIT
2 AMOUNT ALLOCATED TO BUILDING.—The amount of
3 the credit determined under this section for any tax-
4 able year with respect to any building shall not ex-
5 ceed the rural investment credit dollar amount allo-
6 cated to such building under rules similar to the
7 rules of section 42(h)(1).

8 “(2) ALLOCATED CREDIT AMOUNT TO APPLY
9 TO ALL TAXABLE YEARS ENDING DURING OR AFTER
10 CREDIT ALLOCATION YEAR.—Any rural investment
11 credit dollar amount allocated to any building for
12 any calendar year—

13 “(A) shall apply to such building for all
14 taxable years in the credit period ending during
15 or after such calendar year, and

16 “(B) shall reduce the aggregate rural in-
17 vestment credit dollar amount of the allocating
18 agency only for such calendar year.

19 “(3) RURAL INVESTMENT CREDIT DOLLAR
20 AMOUNT FOR AGENCIES.—

21 “(A) IN GENERAL.—The aggregate rural
22 investment credit dollar amount which a rural
23 investment credit agency may allocate for any
24 calendar year is the portion of the State rural
25 investment credit ceiling allocated under this

1 paragraph for such calendar year to such agen-
2 cy.

3 “(B) STATE CEILING INITIALLY ALLO-
4 CATED TO STATE RURAL INVESTMENT CREDIT
5 AGENCIES.—Except as provided in subpara-
6 graphs (D) and (E), the State rural investment
7 credit ceiling for each calendar year shall be al-
8 located to the rural investment credit agency of
9 such State. If there is more than 1 rural invest-
10 ment credit agency of a State, all such agencies
11 shall be treated as a single agency.

12 “(C) STATE RURAL INVESTMENT CREDIT
13 CEILING.—The State rural investment credit
14 ceiling applicable to any State and any calendar
15 year shall be an amount equal to the sum of—

16 “(i) the unused State rural investment
17 credit ceiling (if any) of such State for the
18 preceding calendar year,

19 “(ii) \$1,000,000 for each qualifying
20 county in the State,

21 “(iii) the amount of State rural in-
22 vestment credit ceiling returned in the cal-
23 endar year, plus

1 “(iv) the amount (if any) allocated
2 under subparagraph (D) to such State by
3 the Secretary.

4 For purposes of clause (i), the unused State
5 rural investment credit ceiling for any calendar
6 year is the excess (if any) of the sum of the
7 amounts described in clauses (ii) through (iv)
8 over the aggregate rural investment credit dol-
9 lar amount allocated for such year. For pur-
10 poses of clause (iii), the amount of State rural
11 investment credit ceiling returned in the cal-
12 endar year equals the rural investment credit
13 dollar amount previously allocated within the
14 State to any investment project which fails to
15 meet the 10 percent test under section
16 42(h)(1)(E)(ii) on a date after the close of the
17 calendar year in which the allocation was made
18 or which does not become a qualified rural in-
19 vestment project within the period required by
20 this section or the terms of the allocation or to
21 any investment project with respect to which an
22 allocation is canceled by mutual consent of the
23 rural investment credit agency and the alloca-
24 tion recipient.

1 “(D) UNUSED RURAL INVESTMENT CREDIT
2 CARRYOVERS ALLOCATED AMONG CERTAIN
3 STATES.—

4 “(i) IN GENERAL.—The unused rural
5 investment credit carryover of a State for
6 any calendar year shall be assigned to the
7 Secretary for allocation among qualified
8 States for the succeeding calendar year.

9 “(ii) UNUSED RURAL INVESTMENT
10 CREDIT CARRYOVER.—For purposes of this
11 subparagraph, the unused rural investment
12 credit carryover of a State for any calendar
13 year is the excess (if any) of the unused
14 State rural investment credit ceiling for
15 such year (as defined in subparagraph
16 (C)(i)) over the excess (if any) of —

17 “(I) the unused State rural in-
18 vestment credit ceiling for the year
19 preceding such year, over

20 “(II) the aggregate rural invest-
21 ment credit dollar amount allocated
22 for such year.

23 “(iii) FORMULA FOR ALLOCATION OF
24 UNUSED RURAL INVESTMENT CREDIT
25 CARRYOVERS AMONG QUALIFIED

1 STATES.—The amount allocated under this
2 subparagraph to a qualified State for any
3 calendar year shall be the amount deter-
4 mined by the Secretary to bear the same
5 ratio to the aggregate unused rural invest-
6 ment credit carryovers of all States for the
7 preceding calendar year as such State’s
8 population for the calendar year bears to
9 the population of all qualified States for
10 the calendar year. For purposes of the pre-
11 ceding sentence, population shall be deter-
12 mined in accordance with section 146(j).

13 “(iv) QUALIFIED STATE.—For pur-
14 poses of this subparagraph, the term
15 ‘qualified State’ means, with respect to a
16 calendar year, any State—

17 “(I) which allocated its entire
18 State rural investment credit ceiling
19 for the preceding calendar year, and

20 “(II) for which a request is made
21 (not later than May 1 of the calendar
22 year) to receive an allocation under
23 clause (iii).

24 “(E) STATE MAY PROVIDE FOR DIF-
25 FERENT ALLOCATION.—Rules similar to the

1 rules of section 146(e) (other than paragraph
2 (2)(B) thereof) shall apply for purposes of this
3 paragraph.

4 “(F) POPULATION.—For purposes of this
5 paragraph, population shall be determined in
6 accordance with section 146(j).

7 “(G) COST-OF-LIVING ADJUSTMENT.—

8 “(i) IN GENERAL.—In the case of a
9 calendar year after 2002, the \$1,000,000
10 amount in subparagraph (C) shall be in-
11 creased by an amount equal to—

12 “(I) such dollar amount, multi-
13 plied by

14 “(II) the cost-of-living adjust-
15 ment determined under section 1(f)(3)
16 for such calendar year by substituting
17 ‘calendar year 2001’ for ‘calendar
18 year 1992’ in subparagraph (B) there-
19 of.

20 “(ii) ROUNDING.—Any increase under
21 clause (i) which is not a multiple of \$5,000
22 shall be rounded to the next lowest mul-
23 tiple of \$5,000.

1 “(4) PORTION OF STATE CEILING SET-ASIDE
2 FOR CERTAIN INVESTMENT PROJECTS INVOLVING
3 QUALIFIED NONPROFIT ORGANIZATIONS.—

4 “(A) IN GENERAL.—At least 10 percent of
5 the State rural investment credit ceiling for any
6 State for any calendar year shall be allocated to
7 qualified rural investment projects described in
8 subparagraph (B).

9 “(B) INVESTMENT PROJECTS INVOLVING
10 QUALIFIED NONPROFIT ORGANIZATIONS.—For
11 purposes of subparagraph (A), a qualified rural
12 investment project is described in this subpara-
13 graph if a qualified nonprofit organization is to
14 materially participate (within the meaning of
15 section 469(h)) in the development and oper-
16 ation of the investment project throughout the
17 compliance period.

18 “(C) QUALIFIED NONPROFIT ORGANIZA-
19 TION.—For purposes of this paragraph, the
20 term ‘qualified nonprofit organization’ means
21 any organization if—

22 “(i) such organization is described in
23 any paragraph of section 501(c) and is ex-
24 empt from tax under section 501(a),

1 “(ii) such organization is determined
2 by the State rural investment credit agency
3 not to be affiliated with or controlled by a
4 for-profit organization; and

5 “(iii) 1 of the exempt purposes of
6 such organization includes the fostering of
7 rural investment.

8 “(D) TREATMENT OF CERTAIN SUBSIDI-
9 ARIES.—

10 “(i) IN GENERAL.—For purposes of
11 this paragraph, a qualified nonprofit orga-
12 nization shall be treated as satisfying the
13 ownership and material participation test
14 of subparagraph (B) if any qualified cor-
15 poration in which such organization holds
16 stock satisfies such test.

17 “(ii) QUALIFIED CORPORATION.—For
18 purposes of clause (i), the term ‘qualified
19 corporation’ means any corporation if 100
20 percent of the stock of such corporation is
21 held by 1 or more qualified nonprofit orga-
22 nizations at all times during the period
23 such corporation is in existence.

24 “(E) STATE MAY NOT OVERRIDE SET-
25 ASIDE.—Nothing in subparagraph (F) of para-

1 graph (3) shall be construed to permit a State
2 not to comply with subparagraph (A) of this
3 paragraph.

4 “(F) CREDITS FOR QUALIFIED NONPROFIT
5 ORGANIZATIONS.—

6 “(i) ALLOWANCE OF CREDIT.—Any
7 credit which would be allowable under sub-
8 section (a) with respect to a qualified rural
9 investment building of a qualified nonprofit
10 organization if such organization were not
11 exempt from tax under this chapter shall
12 be treated as a credit allowable under sub-
13 part C to such organization.

14 “(ii) USE OF CREDIT.—A qualified
15 nonprofit organization may assign, trade,
16 sell, or otherwise transfer any credit allow-
17 able to such organization under clause (i)
18 to any taxpayer.

19 “(iii) CREDIT NOT INCOME.—A trans-
20 fer under clause (ii) of any credit allowable
21 under clause (i) shall not result in income
22 for purposes of section 511.

23 “(5) SPECIAL RULES.—

24 “(A) BUILDING MUST BE LOCATED WITH-
25 IN JURISDICTION OF CREDIT AGENCY.—A rural

1 investment credit agency may allocate its aggregate
2 rural investment credit dollar amount only
3 to buildings located in the jurisdiction of the
4 governmental unit of which such agency is a
5 part.

6 “(B) AGENCY ALLOCATIONS IN EXCESS OF
7 LIMIT.—If the aggregate rural investment credit
8 dollar amounts allocated by a rural investment
9 credit agency for any calendar year exceed
10 the portion of the State rural investment credit
11 ceiling allocated to such agency for such calendar
12 year, the rural investment credit dollar
13 amounts so allocated shall be reduced (to the
14 extent of such excess) for buildings in the reverse
15 of the order in which the allocations of
16 such amounts were made.

17 “(C) CREDIT REDUCED IF ALLOCATED
18 CREDIT DOLLAR AMOUNT IS LESS THAN CREDIT
19 WHICH WOULD BE ALLOWABLE WITHOUT REGARD TO
20 SALES CONVENTION, ETC.—

21 “(i) IN GENERAL.—The amount of
22 the credit determined under this section
23 with respect to any building shall not exceed
24 the clause (ii) percentage of the
25 amount of the credit which would (but for

1 this subparagraph) be determined under
2 this section with respect to such building.

3 “(ii) DETERMINATION OF PERCENT-
4 AGE.—For purposes of clause (i), the
5 clause (ii) percentage with respect to any
6 building is the percentage which—

7 “(I) the rural investment credit
8 dollar amount allocated to such build-
9 ing bears to

10 “(II) the credit amount deter-
11 mined in accordance with clause (iii).

12 “(iii) DETERMINATION OF CREDIT
13 AMOUNT.—The credit amount determined
14 in accordance with this clause is the
15 amount of the credit which would (but for
16 this subparagraph) be determined under
17 this section with respect to the building if
18 this section were applied without regard to
19 paragraph (2)(A) of subsection (e).

20 “(D) RURAL INVESTMENT CREDIT AGENCY
21 TO SPECIFY APPLICABLE PERCENTAGE AND
22 MAXIMUM ELIGIBLE BASIS.—In allocating a
23 rural investment credit dollar amount to any
24 building, the rural investment credit agency
25 shall specify the applicable percentage and the

1 maximum eligible basis which may be taken
2 into account under this section with respect to
3 such building. The applicable percentage and
4 maximum eligible basis so specified shall not ex-
5 ceed the applicable percentage and eligible basis
6 determined under this section without regard to
7 this subsection.

8 “(6) OTHER DEFINITIONS.—For purposes of
9 this subsection—

10 “(A) RURAL INVESTMENT CREDIT AGEN-
11 CY.—The term ‘rural investment credit agency’
12 means any agency authorized to carry out this
13 subsection.

14 “(B) POSSESSIONS TREATED AS
15 STATES.—The term ‘State’ includes a posses-
16 sion of the United States.

17 “(h) DEFINITIONS AND SPECIAL RULES.—For pur-
18 poses of this section—

19 “(1) COMPLIANCE PERIOD.—The term ‘compli-
20 ance period’ means, with respect to any building, the
21 period of 10 taxable years beginning with the 1st
22 taxable year of the credit period with respect there-
23 to.

1 “(2) NEW BUILDING.—The term ‘new building’
2 means a building the original use of which begins
3 with the taxpayer.

4 “(3) EXISTING BUILDING.—The term ‘existing
5 building’ means any building which is not a new
6 building.

7 “(4) APPLICATION TO ESTATES AND TRUSTS.—
8 In the case of an estate or trust, the amount of the
9 credit determined under subsection (a) and any in-
10 crease in tax under subsection (i) shall be appor-
11 tioned between the estate or trust and the bene-
12 ficiaries on the basis of the income of the estate or
13 trust allocable to each.

14 “(i) RECAPTURE OF CREDIT.—If—

15 “(1) as of the close of any taxable year in the
16 compliance period, the amount of the eligible basis
17 of any building with respect to the taxpayer is less
18 than

19 “(2) the amount of such basis as of the close
20 of the preceding taxable year,
21 then the taxpayer’s tax under this chapter for the
22 taxable year shall be increased by the credit recap-
23 ture amount determined under rules similar to the
24 rules of section 42(j).

1 “(j) CERTIFICATIONS AND OTHER REPORTS TO SEC-
2 RETARY.—

3 “(1) CERTIFICATION WITH RESPECT TO 1ST
4 YEAR OF CREDIT PERIOD.—Following the close of
5 the 1st taxable year in the credit period with respect
6 to any qualified rural investment building, the tax-
7 payer shall certify to the Secretary (at such time
8 and in such form and in such manner as the Sec-
9 retary prescribes)—

10 “(A) the taxable year, and calendar year,
11 in which such building was first placed in serv-
12 ice,

13 “(B) the eligible basis of such building as
14 of the beginning of the credit period,

15 “(C) the maximum applicable percentage
16 and eligible basis permitted to be taken into ac-
17 count by the appropriate rural investment cred-
18 it agency under subsection (g),

19 “(D) the election made under subsection
20 (f) with respect to the qualified rural invest-
21 ment project of which such building is a part,
22 and

23 “(E) such other information as the Sec-
24 retary may require.

1 In the case of a failure to make the certification re-
2 quired by the preceding sentence on the date pre-
3 scribed therefor, unless it is shown that such failure
4 is due to reasonable cause and not to willful neglect,
5 no credit shall be allowable by reason of subsection
6 (a) with respect to such building for any taxable
7 year ending before such certification is made.

8 “(2) ANNUAL REPORTS TO THE SECRETARY.—

9 The Secretary may require taxpayers to submit an
10 information return (at such time and in such form
11 and manner as the Secretary prescribes) for each
12 taxable year setting forth—

13 “(A) the eligible basis for the taxable year
14 of each qualified rural investment building of
15 the taxpayer,

16 “(B) the information described in para-
17 graph (1)(C) for the taxable year, and

18 “(C) such other information as the Sec-
19 retary may require.

20 The penalty under section 6652(j) shall apply to any
21 failure to submit the return required by the Sec-
22 retary under the preceding sentence on the date pre-
23 scribed therefor.

24 “(3) ANNUAL REPORTS FROM RURAL INVEST-
25 MENT CREDIT AGENCIES.—Each agency which allo-

1 cates any rural investment credit amount to any
2 building for any calendar year shall submit to the
3 Secretary (at such time and in such manner as the
4 Secretary shall prescribe) an annual report
5 specifying—

6 “(A) the amount of rural investment credit
7 amount allocated to each building for such year,

8 “(B) sufficient information to identify each
9 such building and the taxpayer with respect
10 thereto, and

11 “(C) such other information as the Sec-
12 retary may require.

13 The penalty under section 6652(j) shall apply to any
14 failure to submit the report required by the pre-
15 ceding sentence on the date prescribed therefor.

16 “(k) RESPONSIBILITIES OF RURAL INVESTMENT
17 CREDIT AGENCIES.—

18 “(1) PLANS FOR ALLOCATION OF CREDIT
19 AMONG INVESTMENT PROJECTS.—

20 “(A) IN GENERAL.—Notwithstanding any
21 other provision of this section, the rural invest-
22 ment credit dollar amount with respect to any
23 building shall be zero unless—

24 “(i) such amount was allocated pursu-
25 ant to a qualified rural investment plan of

1 the agency which is approved by the gov-
2 ernmental unit (in accordance with rules
3 similar to the rules of section 147(f)(2)
4 (other than subparagraph (B)(ii) thereof))
5 of which such agency is a part,

6 “(ii) such agency notifies the chief ex-
7 ecutive officer (or the equivalent) of the
8 local jurisdiction within which the building
9 is located of such investment project and
10 provides such individual a reasonable op-
11 portunity to comment on the investment
12 project,

13 “(iii) a comprehensive market study
14 of the development needs of individuals in
15 the qualifying county to be served by the
16 investment project is conducted before the
17 credit allocation is made and at the devel-
18 oper’s expense by a disinterested party who
19 is approved by such agency, and

20 “(iv) a written explanation is available
21 to the general public for any allocation of
22 a rural investment credit dollar amount
23 which is not made in accordance with es-
24 tablished priorities and selection criteria of
25 the rural investment credit agency.

1 “(B) QUALIFIED RURAL INVESTMENT
2 PLAN.—For purposes of this section, the term
3 ‘qualified rural investment plan’ means any
4 plan—

5 “(i) which sets forth selection criteria
6 to be used to determine priorities of the
7 rural investment credit agency which are
8 appropriate to qualifying counties,

9 “(ii) which also gives preference in al-
10 locating rural investment credit dollar
11 amounts among selected investment
12 projects to—

13 “(I) investment projects that tar-
14 get those small rural counties with
15 consistently high rates of net out-mi-
16 gration,

17 “(II) investment projects that
18 link the economic development and job
19 creation efforts of 2 or more small
20 rural counties with high rates of net
21 out-migration, and

22 “(III) investment projects that
23 link the economic development and job
24 creation efforts of 1 or more small
25 rural counties in the State with high

1 rates of net out-migration to related
2 efforts in regions of such State experi-
3 encing economic growth, and

4 “(iii) which provides a procedure that
5 the agency (or an agent or other private
6 contractor of such agency) will follow in
7 monitoring for noncompliance with the
8 provisions of this section and in notifying
9 the Internal Revenue Service of such non-
10 compliance which such agency becomes
11 aware of and in monitoring for noncompli-
12 ance through regular site visits.

13 “(C) CERTAIN SELECTION CRITERIA MUST
14 BE USED.—The selection criteria set forth in a
15 qualified rural investment plan must include—

16 “(i) investment project location,

17 “(ii) technology and transportation in-
18 frastructure needs, and

19 “(iii) private development trends.

20 “(2) CREDIT ALLOCATED TO BUILDING NOT TO
21 EXCEED AMOUNT NECESSARY TO ASSURE INVEST-
22 MENT PROJECT FEASIBILITY.—

23 “(A) IN GENERAL.—The rural investment
24 credit dollar amount allocated to an investment
25 project shall not exceed the amount the rural

1 investment credit agency determines is nec-
2 essary for the financial feasibility of the invest-
3 ment project and its viability as a qualified
4 rural investment project throughout the compli-
5 ance period.

6 “(B) AGENCY EVALUATION.—In making
7 the determination under subparagraph (A), the
8 rural investment credit agency shall consider—

9 “(i) the sources and uses of funds and
10 the total financing planned for the invest-
11 ment project,

12 “(ii) any proceeds or receipts expected
13 to be generated by reason of tax benefits,

14 “(iii) the percentage of the rural in-
15 vestment credit dollar amount used for in-
16 vestment project costs other than the cost
17 of intermediaries, and

18 “(iv) the reasonableness of the devel-
19 opmental and operational costs of the in-
20 vestment project.

21 Clause (iii) shall not be applied so as to impede
22 the development of investment projects in hard-
23 to-develop areas.

1 “(C) DETERMINATION MADE WHEN CRED-
2 IT AMOUNT APPLIED FOR AND WHEN BUILDING
3 PLACED IN SERVICE.—

4 “(i) IN GENERAL.—A determination
5 under subparagraph (A) shall be made as
6 of each of the following times:

7 “(I) The application for the rural
8 investment credit dollar amount.

9 “(II) The allocation of the rural
10 investment credit dollar amount.

11 “(III) The date the building is
12 first placed in service.

13 “(ii) CERTIFICATION AS TO AMOUNT
14 OF OTHER SUBSIDIES.—Prior to each de-
15 termination under clause (i), the taxpayer
16 shall certify to the rural investment credit
17 agency the full extent of all Federal, State,
18 and local subsidies which apply (or which
19 the taxpayer expects to apply) with respect
20 to the building.

21 “(l) REGULATIONS.—The Secretary shall prescribe
22 such regulations as may be necessary or appropriate to
23 carry out the purposes of this section, including
24 regulations—

25 “(1) dealing with—

1 “(A) investment projects which include
2 more than 1 building or only a portion of a
3 building, and

4 “(B) buildings which are sold in portions,
5 “(2) providing for the application of this section
6 to short taxable years,

7 “(3) preventing the avoidance of the rules of
8 this section, and

9 “(4) providing the opportunity for rural invest-
10 ment credit agencies to correct administrative errors
11 and omissions with respect to allocations and record
12 keeping within a reasonable period after their dis-
13 covery, taking into account the availability of regula-
14 tions and other administrative guidance from the
15 Secretary.”.

16 (b) CURRENT YEAR BUSINESS CREDIT CALCULA-
17 TION.—Section 38(b) of such Code (relating to current
18 year business credit) is amended by striking “plus” at the
19 end of paragraph (14), by striking the period at the end
20 of paragraph (15) and inserting “, plus”, and by adding
21 at the end the following:

22 “(16) the rural investment credit determined
23 under section 42A(a).”.

24 (c) LIMITATION ON CARRYBACK.—Subsection (d) of
25 section 39 of such Code (relating to carryback and

1 carryforward of unused credits) is amended by adding at
2 the end the following:

3 “(11) NO CARRYBACK OF RURAL INVESTMENT
4 CREDIT BEFORE EFFECTIVE DATE.—No amount of
5 unused business credit available under section 42A
6 may be carried back to a taxable year ending the
7 date of the enactment of this paragraph.”.

8 (d) CONFORMING AMENDMENTS.—

9 (1) Section 55(c)(1) of such Code is amended
10 by inserting “or subsection (i) or (j) of section 42A”
11 after “section 42”.

12 (2) Subsections (i)(c)(3), (i)(c)(6)(B)(i), and
13 (k)(1) of section 469 of such Code are each amended
14 by inserting “or 42A” after “section 42”.

15 (3) Section 772(a) of such Code is amended by
16 striking “and” at the end of paragraph (10), by re-
17 designating paragraph (11) as paragraph (12), and
18 by inserting after paragraph (10) the following:

19 “(11) the rural investment credit determined
20 under section 42A, and”.

21 (4) Section 774(b)(4) of such Code is amended
22 by inserting “, 42A(i),” after “section 42(j)”.

23 (e) CLERICAL AMENDMENT.—The table of sections
24 for subpart D of part IV of subchapter A of chapter 1

1 of such Code is amended by inserting after the item relat-
2 ing to section 42 the following:

“Sec. 42A. Rural investment credit.”.

3 (f) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to expenditures made in taxable
5 years beginning after December 31, 2001.

6 **TITLE II—RURAL EDUCATION**
7 **DEVELOPMENT INITIATIVE**

8 **SEC. 201. FINDINGS AND PURPOSE.**

9 (a) FINDINGS.—The Congress finds the following:

10 (1) While there are rural education initiatives
11 identified at the State and local level, no Federal
12 education policy focuses on the specific needs of
13 rural school districts and schools, especially those
14 that serve poor students.

15 (2) The National Center for Educational Statis-
16 tics (NCES) reports that while 46 percent of our
17 Nation’s public schools serve rural areas, they only
18 receive 22 percent of the Nation’s education funds
19 annually.

20 (3) A critical problem for rural school districts
21 involves the hiring and retention of qualified admin-
22 istrators and certified teachers (especially in special
23 education, science, and mathematics). Consequently,
24 teachers in rural schools are almost twice as likely
25 to provide instruction in two or more subjects than

1 teachers in urban schools. Rural schools also face
2 other tough challenges, such as shrinking local tax
3 bases, high transportation costs, aging buildings,
4 limited course offerings, and limited resources.

5 (4) Data from the National Assessment of Edu-
6 cational Progress (NAEP) consistently shows large
7 gaps between the achievement of students in high-
8 poverty schools and those in other schools. High-pov-
9 erty schools face special challenges in preparing
10 their students to reach high standards of perform-
11 ance on State and national assessments.

12 (b) PURPOSE.—The purpose of this title is to provide
13 rural school students in the United States with increased
14 learning opportunities.

15 **SEC. 202. DEFINITIONS.**

16 In this title:

17 (1) The terms “elementary school”, “local edu-
18 cational agency”, and “State educational agency”,
19 and “poverty line” have the meanings given such
20 terms in section 9101 of the Elementary and Sec-
21 ondary Education Act of 1965 (20 U.S.C. 7801).

22 (2) The term “eligible local educational agency”
23 means a local educational agency that serves—

1 (A) a school-age population, 20 percent or
2 more of whom are from families with incomes
3 below the poverty line; and

4 “(B)(i) only schools designated by the Sec-
5 retary with a school locale code of 6, 7, or 8;
6 or

7 (ii) a school-age population of 800 or
8 fewer.

9 (3) The term “rural area” means the area de-
10 fined by the Secretary using school locale codes 6,
11 7, and 8.

12 (4) The term “school-age population” means
13 the number of students aged 5 through 17.

14 (5) The term “school locale code” has the
15 meaning given such term by the Secretary.

16 (6) The term “Secretary” means the Secretary
17 of Education.

18 (7) The term “specially qualified agency”
19 means an eligible local educational agency, located in
20 a State that does not participate in a program under
21 this title in a fiscal year, that may apply directly to
22 the Secretary for a grant in such year under section
23 203(a)(3).

24 **SEC. 203. RURAL EDUCATION INITIATIVE AUTHORIZED.**

25 (a) GRANTS TO STATES.—

1 (1) IN GENERAL.—Except as provided in para-
2 graph (3), from the amount appropriated under sec-
3 tion 209 and not reserved under subsection (c) for
4 a fiscal year, the Secretary shall award grants to
5 State educational agencies that have applications ap-
6 proved under section 204 to enable such agencies to
7 award grants to eligible local educational agencies
8 for local authorized activities described in subsection
9 (c).

10 (2) FORMULA.—

11 (A) IN GENERAL.—Each State educational
12 agency that receives a grant under this section
13 shall receive an amount that bears the same re-
14 lation to the amount of funds appropriated
15 under section 209 that are not reserved under
16 subsection (c) for a fiscal year as the number
17 of students in average daily attendance served
18 by eligible local education agencies in the State
19 bears to the number of all such students served
20 by eligible local education agencies in all States
21 for that fiscal year.

22 (B) DATA.—In determining the school-age
23 population under subparagraph (A) the Sec-
24 retary shall use the most recent data available
25 from the Bureau of the Census.

1 (3) DIRECT AWARDS TO SPECIALLY QUALIFIED
2 AGENCIES.—If a State educational agency elects not
3 to participate in the program under this title or does
4 not have an application approved under section 204,
5 the Secretary may award, on a competitive basis, the
6 amount the State educational agency is eligible to
7 receive under paragraph (2) directly to specially
8 qualified agencies in the State.

9 (b) LOCAL AUTHORIZED ACTIVITIES.—Funds made
10 available under this title may be used for—

11 (1) local educational technology efforts as de-
12 scribed in section 2416 of the Elementary and Sec-
13 ondary Education Act of 1965 (20 U.S.C. 6766);

14 (2) professional development activities designed
15 to prepare teachers who are teaching out of their
16 primary subject area;

17 (3) academic enrichment programs described in
18 section 5464 of the Elementary and Secondary Edu-
19 cation Act of 1965 (20 U.S.C. 7253c);

20 (4) innovative academic enrichment programs
21 related to the educational needs of students at-risk
22 of academic failure, including remedial instruction in
23 one or more of the core subject areas of English,
24 mathematics, science, and history; and

1 (5) activities to recruit and retain highly quali-
2 fied teachers in special education, mathematics, or
3 science.

4 (c) RESERVATION OF FUNDS.—From the amount ap-
5 propriated under section 209 for a fiscal year, the Sec-
6 retary shall reserve $\frac{1}{2}$ of 1 percent to make awards to
7 elementary or secondary schools operated or supported by
8 the Bureau of Indian Affairs to carry out the purpose of
9 this title.

10 (d) RELATION TO OTHER FEDERAL FUNDING.—
11 Funds received under this title by a State educational
12 agency or a specially qualified agency shall not be taken
13 into consideration in determining the eligibility for, or
14 amount of, any other Federal funding awarded to such
15 agency.

16 **SEC. 204. APPLICATIONS.**

17 Each State educational agency or specially qualified
18 agency desiring a grant under this title shall submit an
19 application to the Secretary at such time, in such manner,
20 and accompanied by such information as the Secretary
21 may require. Such application shall include specific meas-
22 urable goals and objectives relating to increased student
23 academic achievement, decreased student drop-out rates,
24 or such other factors that the State educational agency
25 or specially qualified agency may choose to measure.

1 **SEC. 205. STATE DISTRIBUTION OF FUNDS.**

2 (a) AWARD BASIS.—A State educational agency that
3 receives funds under this title shall award grants to eligi-
4 ble local educational agencies or provide assistance to
5 schools described in subsection (b)(2)—

6 (1) on a competitive basis; or

7 (2) according to a formula based on the number
8 of students served by the eligible local educational
9 agencies or schools (as appropriate) in the State, as
10 determined by the State.

11 **SEC. 206. ADMINISTRATIVE COSTS.**

12 A State educational agency or specially qualified
13 agency that receives funds under this title may not use
14 more than 5 percent of the grant funds for State activities
15 or administrative costs related to the program.

16 **SEC. 207. REPORTS.**

17 (a) STATE EDUCATIONAL AGENCY REPORTS.—

18 (1) CONTENTS.—Each State educational agen-
19 cy that receives a grant under this title shall submit
20 an annual report to the Secretary describing—

21 (A) the methods the State educational
22 agency used to award grants to eligible local
23 educational agencies under this title;

24 (B) how eligible local educational agencies
25 and schools used funds provided under this
26 title; and

1 (C) the degree to which progress has been
2 made toward meeting the goals and objectives
3 described the application submitted under sec-
4 tion 204.

5 (2) AVAILABILITY.—The Secretary shall make
6 available the annual State reports received under
7 paragraph (1) for dissemination to the Congress, in-
8 terested parties (including educators, parents, stu-
9 dents, and advocacy and civil rights organizations),
10 and the public.

11 (b) SPECIALLY QUALIFIED AGENCY REPORTS.—
12 Each specially qualified agency that receives a grant under
13 this title shall submit an annual report to the Secretary
14 describing how such agency used funds received under this
15 title to coordinate with other Federal, State, and local pro-
16 grams.

17 (c) REPORT BY SECRETARY TO CONGRESS.—The
18 Secretary shall prepare and submit to Congress an annual
19 report which shall describe—

20 (1) the methods the State educational agency
21 used to award grants to eligible local educational
22 agencies and to provide assistance to schools under
23 this title;

24 (2) how eligible local educational agencies used
25 funds provided under this title; and

1 (3) progress made by State educational agen-
2 cies and eligible local educational agencies receiving
3 assistance under this title in meeting specific, an-
4 nual, measurable performance goals and objectives
5 established by such agencies for activities assisted
6 under this title.

7 **SEC. 208. ACCOUNTABILITY.**

8 If, at the end of the third consecutive year in which
9 a State educational agency or specially qualified agency
10 receives funds under this title, the Secretary determines
11 that such agency has not substantially met its perform-
12 ance goals and objectives described in the application sub-
13 mitted under section 204, such agency shall be ineligible
14 to receive additional funds under this title for a period
15 of one year after the date of such determination.

16 **SEC. 209. AUTHORIZATION OF APPROPRIATIONS.**

17 There are authorized to be appropriated to carry out
18 this title \$100,000,000 for each of fiscal years 2003
19 through 2006.

1 **TITLE III—NATIONAL PHYSICIAN**
2 **AND NURSE SERVICE CORPS**
3 **SCHOLARSHIP PROGRAM**

4 **SEC. 301. SCHOLARSHIP PROGRAM TO ENCOURAGE PHYSI-**
5 **CIANS AND NURSES TO SERVE IN RURAL**
6 **AREAS.**

7 Subpart III of part D of title III of the Public Health
8 Service Act (42 U.S.C. 254l et seq.) is amended by adding
9 at the end the following:

10 **“SEC. 338M. NATIONAL PHYSICIAN AND NURSE SERVICE**
11 **CORPS SCHOLARSHIP PROGRAM.**

12 “(a) PROGRAM AUTHORIZED.—The Secretary shall
13 establish a National Physician and Nurse Service Corps
14 Scholarship Program (referred to in this section as the
15 ‘program’) that provides scholarships to individuals seek-
16 ing medical or nursing education in exchange for service
17 by such individuals in rural areas (as such areas are deter-
18 mined by the Secretary).

19 “(b) PREFERENCE.—In awarding scholarships under
20 this section, the Secretary shall give preference to appli-
21 cants with the greatest financial need, and applicants who
22 agree to serve in health facilities experiencing physician
23 or nursing shortages in medically underserved areas.

24 “(c) REQUIREMENTS.—To be eligible to participate
25 in the program, an individual must—

1 “(1) be accepted for enrollment, or be enrolled,
2 in an accredited (as determined by the Secretary)
3 medical school or an accredited (as that term is de-
4 fined in section 801) nursing school, to take courses
5 leading to a degree of doctor of medicine, a bacca-
6 laureate or associate degree in nursing, or a diploma
7 in nursing;

8 “(2) submit an application to participate in the
9 program; and

10 “(3) enter into an agreement with the Sec-
11 retary, at the time of submittal of such application,
12 to—

13 “(A) accept payment of a scholarship and
14 remain enrolled in medical or nursing school;

15 “(B) maintain an acceptable level of aca-
16 demic standing; and

17 “(C) serve as a physician or a nurse for a
18 period of not less than 4 years in a rural area.

19 “(d) APPLICATIONS.—

20 “(1) IN GENERAL.—The application forms for
21 the program shall include—

22 “(A) a fair summary of the rights and li-
23 abilities of an individual whose application is
24 approved by the Secretary; and

1 “(B) information respecting meeting a
2 service obligation and such other information as
3 may be necessary for the individual to under-
4 stand the program.

5 “(2) ACCESSIBILITY.—The application form
6 and all other information furnished by the Secretary
7 shall be written so that it may be understood by the
8 average individual applying to participate in the pro-
9 gram. The Secretary shall make such application
10 forms and other information available to individuals
11 desiring to participate in the program, on a date
12 sufficiently early to ensure that such individuals
13 have adequate time to carefully review and evaluate
14 such forms and information.

15 “(3) DISTRIBUTION.—The Secretary shall dis-
16 tribute to medical and nursing schools materials pro-
17 viding information on the program and shall encour-
18 age such schools to disseminate the materials to stu-
19 dents of such schools.

20 “(e) SCHOLARSHIP.—

21 “(1) IN GENERAL.—A scholarship provided to a
22 student for a school year under a written contract
23 under the program shall consist of—

24 “(A) payment to, or (in accordance with
25 paragraph (2)) on behalf of, the student of—

1 “(i) an amount equal to $\frac{1}{2}$ of the tui-
2 tion of the student in such school year; and

3 “(ii) all other reasonable educational
4 expenses and support services, including
5 fees, books, and laboratory expenses in-
6 curred by the student in such school year;
7 and

8 “(B) payment to the student of a stipend
9 of \$400 per month (adjusted in accordance with
10 paragraph (3)) for each 12 consecutive months
11 beginning with the first month of the school
12 year.

13 “(2) CONTRACT.—The Secretary may contract
14 with a medical or nursing school, in which a partici-
15 pant in the program is enrolled, for the payment to
16 the school of the amounts of tuition and other rea-
17 sonable educational expenses and support services
18 described in paragraph (1)(A).

19 “(3) MONTHLY STIPEND.—The amount of the
20 monthly stipend, specified in paragraph (1)(B) and
21 as previously adjusted (if at all) in accordance with
22 this paragraph, shall be increased by the Secretary
23 as the Secretary determines to be reasonable.

24 “(f) BREACH OF AGREEMENT.—

1 “(1) IN GENERAL.—In the case of an individual
2 who enters into an agreement under this section to
3 provide services as a physician or a nurse in consid-
4 eration for receiving a scholarship to attend a med-
5 ical or nursing school, such individual is liable to the
6 Federal Government for the amount of the scholar-
7 ship, and for interest on such amount at the max-
8 imum legal prevailing rate, if the individual—

9 “(A) fails to maintain an acceptable level
10 of academic standing at the medical or nursing
11 school;

12 “(B) is dismissed from the medical or
13 nursing school for disciplinary reasons;

14 “(C) voluntarily terminates enrollment at
15 the medical or nursing school; or

16 “(D) fails to provide services in accordance
17 with the agreement entered into pursuant to
18 subsection (e)(3)(C), including the applicable
19 period of obligated service.

20 “(2) WAIVER OR SUSPENSION OF LIABILITY.—
21 The Secretary shall provide for the waiver or sus-
22 pension of liability under an agreement entered into
23 pursuant to subsection (e)(3) if compliance by the
24 individual with the agreement is impossible, or would
25 involve extreme hardship to the individual, or if en-

1 enforcement of the agreement with respect to the indi-
2 vidual would be unconscionable.

3 “(3) DATE CERTAIN FOR RECOVERY.—Subject
4 to paragraph (2), any amount that the Federal Gov-
5 ernment is entitled to recover under paragraph (1)
6 shall be paid to the United States not later than the
7 expiration of the 3-year period beginning on the date
8 the United States becomes so entitled.

9 “(4) AVAILABILITY.—Amounts recovered under
10 paragraph (1) shall be available for the purposes of
11 the program, and shall remain available for such
12 purposes until expended.

13 “(g) AUTHORIZATION OF APPROPRIATIONS.—For the
14 purpose of payments under agreements entered into under
15 subsection (a), there are authorized to be appropriated
16 \$10,000,000 for each of the fiscal years 2003 through
17 2005.”.

18 **SEC. 302. LOAN REPAYMENT FOR NURSES SERVING IN A**
19 **NURSING HOME, A HOSPICE, OR A HOME**
20 **HEALTH AGENCY.**

21 Section 846(a)(3) of the Public Health Service Act
22 (42 U.S.C. 297n) is amended by inserting “in a nursing
23 home, in a hospice, in a home health agency,” after “in
24 a public hospital,”.

○