

112TH CONGRESS  
1ST SESSION

# H. R. 110

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.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 2011

Ms. DELAURO (for herself and Mr. MANZULLO) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## 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”.

6 **SEC. 2. MANUFACTURING REINVESTMENT ACCOUNTS.**

7 (a) IN GENERAL.—Part VI of subchapter B of chap-  
8 ter 1 of the Internal Revenue Code of 1986 (relating to

1 itemized deductions for individuals and corporations) is  
2 amended by inserting after section 199 the following new  
3 section:

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

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

11       “(b) LIMITATION.—

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

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

17                       “(B) \$500,000.

18       “(2) CONTROLLED GROUPS.—

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

24               “(B) INCLUSION OF FOREIGN CORPORA-  
25 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 such Code (relating to tax on excess con-  
19 tributions to certain tax-favored accounts and annu-  
20 ities) is amended by striking “or” at the end of  
21 paragraph (4), by adding “or” at the end of para-  
22 graph (5), and by inserting after paragraph (5) the  
23 following new paragraph:

24 “(6) an MRA (within the meaning of section  
25 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 such Code is amended by striking “or”  
18                 at the end of subparagraph (F), by redesignating  
19                 subparagraph (G) as subparagraph (H), and by in-  
20                 serting after subparagraph (F) the following:

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

23                 (2) SPECIAL RULE.—Subsection (c) of section  
24                 4975 of such Code (relating to tax on prohibited

1 transactions) is amended by adding at the end the  
2 following:

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

13 (d) FAILURE TO PROVIDE REPORTS ON MRAS.—  
14 Paragraph (2) of section 6693(a) of such Code (relating  
15 to failure to provide reports on certain tax-favored ac-  
16 counts or annuities) is amended by redesignating subpara-  
17 graphs (A) through (E) as subparagraphs (B) and (F),  
18 respectively, and by inserting before subparagraph (B), as  
19 so 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 such Code  
24 is amended by inserting after the item relating to section  
25 199 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.

○