

110TH CONGRESS  
1ST SESSION

# S. 538

To reduce income tax withholding deposits to reflect a FICA payroll tax credit for certain employers located in specified portions of the GO Zone, and for other purposes.

---

IN THE SENATE OF THE UNITED STATES

FEBRUARY 8, 2007

Ms. LANDRIEU introduced the following bill; which was read twice and referred to the Committee on Finance

---

## A BILL

To reduce income tax withholding deposits to reflect a FICA payroll tax credit for certain employers located in specified portions of the GO Zone, 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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Work, Hope, and Opportunity for the Disaster Area  
6 Today Act”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-  
8 wise expressly provided, whenever in this Act an amend-  
9 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference  
2 shall be considered to be made to a section or other provi-  
3 sion of the Internal Revenue Code of 1986.

4 **SEC. 2. REDUCTION IN INCOME TAX WITHHOLDING DEPOS-**  
5 **ITS TO REFLECT FICA PAYROLL TAX CREDIT**  
6 **FOR CERTAIN EMPLOYERS LOCATED IN**  
7 **SPECIFIED PORTIONS OF THE GO ZONE DUR-**  
8 **ING 2007.**

9 (a) GENERAL RULE.—In the case of any applicable  
10 calendar quarter—

11 (1) the aggregate amount of required income  
12 tax deposits of an eligible employer for the calendar  
13 quarter following the applicable calendar quarter  
14 shall be reduced by the payroll tax credit equivalent  
15 amount for the applicable calendar quarter, and

16 (2) the amount of any deduction allowable to  
17 the eligible employer under chapter 1 of the Internal  
18 Revenue Code of 1986 for taxes paid under section  
19 3111 of such Code with respect to employment dur-  
20 ing the applicable calendar quarter shall be reduced  
21 by such payroll tax credit equivalent amount.

22 For purposes of the Internal Revenue Code of 1986, an  
23 eligible employer shall be treated as having paid, and an  
24 eligible employee shall be treated as having received, any

1 wages or compensation deducted and withheld but not de-  
2 posited by reason of paragraph (1).

3 (b) CARRYOVERS OF UNUSED AMOUNTS.—If the  
4 payroll tax credit equivalent amount for any applicable cal-  
5 endar quarter exceeds the required income tax deposits for  
6 the following calendar quarter—

7 (1) such excess shall be added to the payroll tax  
8 credit equivalent amount for the next applicable cal-  
9 endar quarter, and

10 (2) in the case of the last applicable calendar  
11 quarter, such excess shall be used to reduce required  
12 income tax deposits for any succeeding calendar  
13 quarter until such excess is used.

14 (c) PAYROLL TAX CREDIT EQUIVALENT AMOUNT.—  
15 For purposes of this section—

16 (1) IN GENERAL.—The term “payroll tax credit  
17 equivalent amount” means, with respect to any ap-  
18 plicable calendar quarter, an amount equal to 7.65  
19 percent of the aggregate amount of wages or com-  
20 pensation—

21 (A) paid or incurred by the eligible em-  
22 ployer with respect to employment of eligible  
23 employees during the applicable calendar quar-  
24 ter, and

1 (B) subject to the tax imposed by section  
2 3111 of the Internal Revenue Code of 1986.

3 (2) TRADE OR BUSINESS REQUIREMENT.—A  
4 rule similar to the rule of section 51(f) of such Code  
5 shall apply for purposes of this section.

6 (3) LIMITATION ON WAGES SUBJECT TO CRED-  
7 IT.—For purposes of this subsection, only wages and  
8 compensation of an eligible employee in an applica-  
9 ble calendar quarter, when added to such wages and  
10 compensation for any preceding applicable calendar  
11 quarter, not exceeding \$15,000 shall be taken into  
12 account with respect to such employee.

13 (d) ELIGIBLE EMPLOYER; ELIGIBLE EMPLOYEE.—  
14 For purposes of this section—

15 (1) ELIGIBLE EMPLOYER.—

16 (A) IN GENERAL.—The term “eligible em-  
17 ployer” means any employer which conducts an  
18 active trade or business in one or more specified  
19 portions of the GO Zone and employs not more  
20 than 100 full-time employees on the date of the  
21 enactment of this Act.

22 (B) SPECIFIED PORTIONS OF THE GO  
23 ZONE.—The term “specified portions of the GO  
24 Zone” has the meaning given such term by sec-

1           tion 1400N(d)(6)(C) of the Internal Revenue  
2           Code of 1986.

3           (2) ELIGIBLE EMPLOYEE.—The term “eligible  
4           employee” means with respect to an eligible em-  
5           ployer an employee whose principal place of employ-  
6           ment with such eligible employer is in one or more  
7           specified portions of the GO Zone. Such term shall  
8           not include an employee described in section  
9           401(c)(1)(A).

10          (e) APPLICABLE CALENDAR QUARTER.—For pur-  
11         poses of this section, the term “applicable calendar quar-  
12         ter” means any of the 4 calendar quarters beginning in  
13         2007.

14          (f) SPECIAL RULES.—For purposes of this section—

15                 (1) REQUIRED INCOME TAX DEPOSITS.—The  
16                 term “required income tax deposits” means deposits  
17                 an eligible employer is required to make under sec-  
18                 tion 6302 of the Internal Revenue Code of 1986 of  
19                 taxes such employer is required to deduct and with-  
20                 hold under section 3402 of such Code.

21                 (2) AGGREGATION RULES.—Rules similar to the  
22                 rules of subsections (a) and (b) of section 52 of the  
23                 Internal Revenue Code of 1986 shall apply.

24                 (3) EMPLOYERS NOT ON QUARTERLY SYS-  
25                 TEM.—The Secretary of the Treasury shall prescribe

1 rules for the application of this section in the case  
2 of an eligible employer whose required income tax  
3 deposits are not made on a quarterly basis.

4 (4) ADJUSTMENTS FOR CERTAIN ACQUISITIONS,  
5 ETC.—Under regulations prescribed by the Sec-  
6 retary—

7 (A) ACQUISITIONS.—If, after December  
8 31, 2006, an employer acquires the major por-  
9 tion of a trade or business of another person  
10 (hereafter in this paragraph referred to as the  
11 “predecessor”) or the major portion of a sepa-  
12 rate unit of a trade or business of a prede-  
13 cessor, then, for purposes of applying this sec-  
14 tion for any calendar quarter ending after such  
15 acquisition, the amount of wages or compensa-  
16 tion deemed paid by the employer during peri-  
17 ods before such acquisition shall be increased by  
18 so much of such wages or compensation paid by  
19 the predecessor with respect to the acquired  
20 trade or business as is attributable to the por-  
21 tion of such trade or business acquired by the  
22 employer.

23 (B) DISPOSITIONS.—If, after December  
24 31, 2006—

1 (i) an employer disposes of the major  
2 portion of any trade or business of the em-  
3 ployer or the major portion of a separate  
4 unit of a trade or business of the employer  
5 in a transaction to which paragraph (1)  
6 applies, and

7 (ii) the employer furnishes the acquir-  
8 ing person such information as is nec-  
9 essary for the application of subparagraph  
10 (A),

11 then, for purposes of applying this section for  
12 any calendar quarter ending after such disposi-  
13 tion, the amount of wages or compensation  
14 deemed paid by the employer during periods be-  
15 fore such disposition shall be decreased by so  
16 much of such wages as is attributable to such  
17 trade or business or separate unit.

18 (5) OTHER RULES.—

19 (A) GOVERNMENT EMPLOYERS.—This sec-  
20 tion shall not apply if the employer is the Gov-  
21 ernment of the United States, the government  
22 of any State or political subdivision of the  
23 State, or any agency or instrumentality of any  
24 such government.

1                   (B) TREATMENT OF OTHER ENTITIES.—  
 2                   Rules similar to the rules of subsections (d) and  
 3                   (e) of section 52 of such Code shall apply for  
 4                   purposes of this section.

5 **SEC. 3. BONUS BUSINESS TRAVEL DEDUCTION IN SPECI-**  
 6 **FIED PORTIONS OF THE GO ZONE.**

7           (a) IN GENERAL.—Section 274(n)(2) (relating to ex-  
 8 ceptions) is amended by striking “or” at the end of sub-  
 9 paragraph (D), by striking the period at the end of sub-  
 10 paragraph (E)(iv) and inserting “, or”, and by inserting  
 11 after subparagraph (E)(iv) the following new subpara-  
 12 graph:

13                   “(F) such expense is for goods, services, or  
 14                   facilities made available before January 1,  
 15                   2010, in one or more specified portions of the  
 16                   GO Zone (as defined in section  
 17                   1400N(d)(6)(C)).”.

18           (b) EFFECTIVE DATE.—The amendments made by  
 19 this section shall apply to expenses paid or incurred after  
 20 the date of the enactment of this Act, in taxable years  
 21 ending after such date.

1 **SEC. 4. EXTENSION OF INCREASED EXPENSING FOR QUALI-**  
 2 **FIED SECTION 179 GULF OPPORTUNITY ZONE**  
 3 **PROPERTY LOCATED IN SPECIFIED POR-**  
 4 **TIONS OF THE GO ZONE.**

5 Paragraph (2) of section 1400N(e) (relating to quali-  
 6 fied section 179 Gulf Opportunity Zone property) is  
 7 amended—

8 (1) by striking “this subsection, the term” and  
 9 inserting “this subsection—

10 “(A) IN GENERAL.—The term”, and

11 (2) by adding at the end the following new sub-  
 12 paragraph:

13 “(B) EXTENSION FOR CERTAIN PROP-  
 14 ERTY.—In the case of property substantially all  
 15 of the use of which is in one or more specified  
 16 portions of the GO Zone (as defined in sub-  
 17 section (d)(6)(C)), such term shall include sec-  
 18 tion 179 property (as so defined) which is de-  
 19 scribed in subsection (d)(2), determined—

20 “(i) without regard to subsection  
 21 (d)(6), and

22 “(ii) by substituting, in subparagraph  
 23 (A)(v) thereof—

24 “(I) ‘2009’ for ‘2007’, and

25 “(II) ‘2009’ for ‘2008’.”.

1 **SEC. 5. EXTENSION OF WORK OPPORTUNITY TAX CREDIT**  
2 **FOR HURRICANE KATRINA EMPLOYEES**  
3 **HIRED BY SMALL BUSINESSES LOCATED IN**  
4 **SPECIFIED PORTIONS OF THE GO ZONE.**

5 (a) IN GENERAL.—Section 201(b)(1) of the Katrina  
6 Emergency Tax Relief Act of 2005 (Public Law 109–73)  
7 is amended by striking “who is hired during the 2-year  
8 period” and all that follows and inserting “who—

9 “(A) is hired during the 2-year period be-  
10 ginning on such date for a position the prin-  
11 cipal place of employment which is located in  
12 the core disaster area, or

13 “(B) is hired—

14 “(i) during the period beginning on  
15 the date of the enactment of the Work,  
16 Hope, Opportunity, and Disaster Area Tax  
17 Act of 2007 and ending before January 1,  
18 2010, for a position the principal place of  
19 employment which is located in one or  
20 more specified portions of the GO Zone (as  
21 defined in subsection 1400N(d)(6)(C) of  
22 the Internal Revenue Code of 1986), and

23 “(ii) by an employer who has no more  
24 than 100 employees on the date such indi-  
25 vidual is hired, and”.

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section take effect as if included in section 201 of  
 3 the Katrina Emergency Tax Relief Act of 2005.

4 **SEC. 6. EXTENSION AND MODIFICATION OF 15-YEAR**  
 5 **STRAIGHT-LINE COST RECOVERY FOR QUALI-**  
 6 **FIED LEASEHOLD IMPROVEMENTS AND**  
 7 **QUALIFIED RESTAURANT IMPROVEMENTS**  
 8 **LOCATED IN SPECIFIED PORTIONS OF THE**  
 9 **GO ZONE; 15-YEAR STRAIGHT-LINE COST RE-**  
 10 **COVERY FOR CERTAIN IMPROVEMENTS TO**  
 11 **RETAIL SPACE LOCATED IN SPECIFIED POR-**  
 12 **TIONS OF THE GO ZONE.**

13 (a) EXTENSION OF LEASEHOLD AND RESTAURANT  
 14 IMPROVEMENTS.—

15 (1) IN GENERAL.—Clauses (iv) and (v) of sec-  
 16 tion 168(e)(3)(E) (relating to 15-year property) are  
 17 each amended by striking “January 1, 2008” and  
 18 inserting “January 1, 2008 (January 1, 2009, in the  
 19 case of property placed in service in one or more  
 20 specified portions of the GO Zone (as defined in sub-  
 21 section 1400Nd)(6)(C))”.

22 (2) EFFECTIVE DATE.—The amendment made  
 23 by this subsection shall apply to property placed in  
 24 service after December 31, 2007.

1 (b) MODIFICATION OF TREATMENT OF QUALIFIED  
2 RESTAURANT PROPERTY AS 15-YEAR PROPERTY FOR  
3 PURPOSES OF DEPRECIATION DEDUCTION.—

4 (1) TREATMENT TO INCLUDE NEW CONSTRUCTION.—Paragraph (7) of section 168(e) (relating to  
5 classification of property) is amended to read as follows:  
6  
7

8 “(7) QUALIFIED RESTAURANT PROPERTY.—

9 “(A) IN GENERAL.—Except as provided in  
10 subparagraph (B), the term ‘qualified restaurant property’ means any section 1250 prop-  
11 erty which is an improvement to a building if—  
12

13 “(i) such improvement is placed in  
14 service more than 3 years after the date  
15 such building was first placed in service,  
16 and

17 “(ii) more than 50 percent of the  
18 building’s square footage is devoted to  
19 preparation of, and seating for on-premises  
20 consumption of, prepared meals.

21 “(B) PROPERTY LOCATED IN CERTAIN  
22 AREAS OF GO ZONE.—In the case of property  
23 placed in service in one or more specified por-  
24 tions of the GO Zone (as defined in subsection  
25 1400Nd)(6)(C)), such term means any section

1           1250 property which is a building (or its struc-  
2           tural components) or an improvement to such  
3           building if more than 50 percent of such build-  
4           ing's square footage is devoted to preparation  
5           of, and seating for on-premises consumption of,  
6           prepared meals.”.

7           (2) EFFECTIVE DATE.—The amendment made  
8           by this subsection shall apply to any property placed  
9           in service after the date of the enactment of this  
10          Act.

11          (c) RECOVERY PERIOD FOR DEPRECIATION OF CER-  
12          TAIN IMPROVEMENTS TO RETAIL SPACE.—

13           (1) 15-YEAR RECOVERY PERIOD.—Section  
14          168(e)(3)(E) (relating to 15-year property) is  
15          amended by striking “and” at the end of clause  
16          (vii), by striking the period at the end of clause (viii)  
17          and inserting “, and”, and by adding at the end the  
18          following new clause:

19                   “(ix) any qualified retail improvement  
20                   property placed in service before January  
21                   1, 2009, in one or more specified portions  
22                   of the GO Zone (as defined in subsection  
23                   1400Nd)(6)(C).”.

1           (2) QUALIFIED RETAIL IMPROVEMENT PROP-  
2           ERTY.—Section 168(e) is amended by adding at the  
3           end the following new paragraph:

4           “(8) QUALIFIED RETAIL IMPROVEMENT PROP-  
5           ERTY.—

6           “(A) IN GENERAL.—The term ‘qualified  
7           retail improvement property’ means any im-  
8           provement to an interior portion of a building  
9           which is nonresidential real property if—

10           “(i) such portion is open to the gen-  
11           eral public and is used in the retail trade  
12           or business of selling tangible personal  
13           property to the general public, and

14           “(ii) such improvement is placed in  
15           service more than 3 years after the date  
16           the building was first placed in service.

17           “(B) IMPROVEMENTS MADE BY OWNER.—

18           In the case of an improvement made by the  
19           owner of such improvement, such improvement  
20           shall be qualified retail improvement property  
21           (if at all) only so long as such improvement is  
22           held by such owner. Rules similar to the rules  
23           under paragraph (6)(B) shall apply for pur-  
24           poses of the preceding sentence.

1           “(C) CERTAIN IMPROVEMENTS NOT IN-  
2           CLUDED.—Such term shall not include any im-  
3           provement for which the expenditure is attrib-  
4           utable to—

- 5                   “(i) the enlargement of the building,
- 6                   “(ii) any elevator or escalator,
- 7                   “(iii) any structural component bene-  
8                   fitting a common area, or
- 9                   “(iv) the internal structural frame-  
10                  work of the building.”.

11           (3) REQUIREMENT TO USE STRAIGHT LINE  
12           METHOD.—Section 168(b)(3) is amended by adding  
13           at the end the following new subparagraph:

14                   “(I) Qualified retail improvement property  
15                   described in subsection (e)(8).”.

16           (4) ALTERNATIVE SYSTEM.—The table con-  
17           tained in section 168(g)(3)(B) is amended by insert-  
18           ing after the item relating to subparagraph (E)(viii)  
19           the following new item:

         “(E)(ix) ..... 39”.

20           (5) EFFECTIVE DATE.—The amendments made  
21           by this section shall apply to property placed in serv-  
22           ice after the date of the enactment of this Act.

