FACT SHEET: Summary of the Coal Community Empowerment Act of 2017

Under the *Coal Community Empowerment Act* (CCEA), a county can qualify as a Coal Community Zone in one of two ways: 1) if it suffered a net decline of at least 50 coal mining employees (including both direct employees and contractors) from Calendar Year 2011 to 2015, according to the Mine Safety and Health Administration, out of a total of not more than 20,000 employed workers in 2011; or 2) if it had at least five percent of its employment in coal mining on average between 2011 and 2015. This definition supports both communities that have already suffered significant job losses and those vulnerable to future job losses if coal mining remains under competitive pressure from low natural gas prices and other factors.

Under this definition, six counties in Colorado – Delta, Gunnison, Las Animas, Moffat, Rio Blanco, and Routt – would qualify as Coal Community Zones. Coal Community Zones are authorized for 5 years – from 2018 to 2022 – with the following tax incentives:

- **Employment Credit:** The CCEA creates a $3,000 credit (20 percent of the first $15,000 earned) for employers that hire individuals who live or work within the Coal Community Zone.

- **Commercial Revitalization Deduction:** The CCEA allows a business within a Coal Community Zone to deduct half the costs of building or revitalizing a commercial building in the first year the building is completed. In the alternative, the business can amortize its construction expenses over a 10-year period. Both options would enable a business to write off the costs associated with the construction or rehabilitation of a building significantly faster than under the current law.

- **Empowerment Zone Facility Bonds:** The CCEA would allow local jurisdictions within Coal Community Zones to issue private activity bonds up to a $1 billion cap across the 90 zones. Bond limits per zone would be allocated based on the population in each community relative to the total population across all Coal Community Zones. The bonds would be used to finance low-interest loans to businesses.

- **Section 179 Small Business Expensing:** Section 179 allows small businesses to expense or write off the costs of certain capital equipment in the year that they place it into service rather than depreciating it over time. Under the current law, a business can immediately expense up to $500,000. This amount begins to phase down at $2 million of investments. The CCEA would increase the Section 179 expensing limit to $1 million within Coal Community Zones. It would also increase the beginning of the phase-out to $2.5 million. The proposal would index both levels for inflation.

- **Exclusion of Capital Gains:** The CCEA would eliminate capital gains taxes that would result from the sale of stock in a business (or a partnership interest) within a Coal Community Zone. To qualify for the exemption, the investment must be held for at least five years. This provides an incentive for individuals to invest in businesses in communities that are struggling with job losses due to layoffs in the coal industry.

- **Rollover of Gains of Assets within a Coal Community Zone:** Under the CCEA, an individual who sells the stock of a business within a Coal Community Zone and uses the proceeds to invest in another business in the zone within 60 days would be able to defer recognizing the gains of the original sale.

- **Additional New Markets Tax Credits:** The CCEA would create a new, separate allocation of $300 million New Markets Tax Credits that could only be used to finance projects within Coal Community Zones. Under New Markets Tax Credits, individuals and companies take a 39 percent tax credit over seven years if they invest in a community development entity (CDE). CDEs then provide low-interest loans or equity investments to businesses or other projects (such as a community health center).

The bill also supports high-quality workforce training through grants and incentives that help individuals acquire the skills they need for in-demand jobs and support high-quality training institutions in Coal Community Zones through:

- **Individual Support Accounts:** The CCEA would allow individuals in Coal Community Zones to set up an individual support account, funded by a grant, to obtain a recognized post-secondary credential or to participate in an apprenticeship or internship in high-paying fields. The grant would be jointly administered by the Departments of Labor and Education and provide an amount up to the maximum Pell Grant, which is currently $5,920. The grants will be administered by a local government or its designee, which will approve all provider eligibility. Priority will be given to individuals being trained for high-paying, in-demand jobs.

- **Development Grants:** The CCEA would provide grant funding to schools and non-profits that develop, expand, or improve workforce training programs that prepare students for high-wage, in-demand industries. To be eligible, the program has to commit that at least 75 percent of the students enrolled in the program the grant is funding live or work in Coal Community Zones. If during implementation the share of coal community individuals falls below 75 percent, the program must reimburse the federal government for each student below that threshold. Schools must file regular reports on student outcomes six months, a year, three years, and five years after completion, and the program must demonstrate that it is low-cost and high-quality.

- **Business Training Funds:** Under the CCEA, local governments will receive these funds and then sub-grant to businesses for the purpose of providing in-house training to workers who live or work in Coal Community Zones, if the businesses commit to hiring the workers after the program is completed. Businesses must reimburse the government for each worker trained but not hired.