

Amendment by section 202(f)(2)(C) of Pub. L. 107-16 applicable to taxable years beginning after Dec. 31, 2001, see section 202(g)(1) of Pub. L. 107-16, set out as a note under section 23 of this title.

Amendment by section 618(b)(2)(E) of Pub. L. 107-16 applicable to taxable years beginning after Dec. 31, 2001, see section 618(d) of Pub. L. 107-16, set out as a note under section 24 of this title.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105-206 effective, except as otherwise provided, as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105-34, to which such amendment relates, see section 6024 of Pub. L. 105-206, set out as a note under section 1 of this title.

**Subchapter X—Renewal Communities**

- Part I. Designation.
- II. Renewal community capital gain; renewal community business.
- III. Additional incentives.

PART I—DESIGNATION

- Sec. 1400E. Designation of renewal communities.

**§ 1400E. Designation of renewal communities**

**(a) Designation**

**(1) Definitions**

For purposes of this title, the term “renewal community” means any area—

(A) which is nominated by 1 or more local governments and the State or States in which it is located for designation as a renewal community (hereafter in this section referred to as a “nominated area”), and

(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

- (i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury;<sup>1</sup> the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration, and
- (ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

**(2) Number of designations**

**(A) In general**

Not more than 40 nominated areas may be designated as renewal communities.

**(B) Minimum designation in rural areas**

Of the areas designated under paragraph (1), at least 12 must be areas—

- (i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,
- (ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or
- (iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

**(3) Areas designated based on degree of poverty, etc.**

**(A) In general**

Except as otherwise provided in this section, the nominated areas designated as re-

newal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

**(B) Exception where inadequate course of action, etc.**

An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

**(C) Preference for enterprise communities and empowerment zones**

With respect to the first 20 designations made under this section, a preference shall be provided to those nominated areas which are enterprise communities or empowerment zones (and are otherwise eligible for designation under this section).

**(4) Limitation on designations**

**(A) Publication of regulations**

The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

- (i) the procedures for nominating an area under paragraph (1)(A),
- (ii) the parameters relating to the size and population characteristics of a renewal community, and
- (iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

**(B) Time limitations**

The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed and ending on December 31, 2001.

**(C) Procedural rules**

The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

- (i) the local governments and the States in which the nominated area is located have the authority—
  - (I) to nominate such area for designation as a renewal community,
  - (II) to make the State and local commitments described in subsection (d), and
  - (III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

<sup>1</sup> So in original. The semicolon probably should be a comma.